

A report from the Economist Intelligence Unit

Hot spots 2025

Benchmarking the future competitiveness of cities





Contents

Executive summary	2
Methodology overview	5
Key findings and selected cities	6
The United States	8
Asia	9
Europe, The Middle East and Africa (EMEA)	11
Latin America	13
Overall 2025 City Competitiveness rankings table	15
Regional findings	19
Appendix: methodology	21
Overview	21
Category and indicator selection	22
Data sources and indicator normalisation	28
Weighting	29
Data modelling	29
City selection	30



Executive summary

One hundred years ago only two out of ten of the world's population were living in urban areas. By the middle of the 21st century, seven out of ten people will be living in cities. Already global business is beginning to plan strategy from a city, rather than a country, perspective. Understandably so: well over half of the world's population lives in cities, generating more than 80% of global GDP. Standard population projections show that virtually all global growth over the next 30 years will be in urban areas. The number of people living in the world's cities is growing by nearly 60m every year.

The key findings of the research are as follows.

- **North American and European cities are among the world's most competitive today and are likely to retain their advantage until 2025, despite concerns over ageing populations and infrastructure, indebtedness and slow growth.** While there is much concern in the West about the lingering impacts of the financial crises that have slowed plans for urban renewal, this has not reduced the ability of US, Canadian and European cities to attract capital, businesses and people, which is ultimately what this Index seeks to measure. New York (1st) and London (2nd) are rated as the world's two most competitive cities in 2025, while cities in the US, Canada and Western Europe account for 21 of the top 30 cities. Singapore (3rd), Hong Kong (4th) and Tokyo (5th) retain their position as globally competitive centres.
- **The combined GDP of China and India is projected to exceed that of the major seven (G7) OECD economies in 2025.**¹ Despite this, leading cities in Western countries will continue successfully to compete against fast-growing emerging-market cities.
- **Asia's economic rise is reflected in the competitiveness of its cities in 2025.** Asian cities dominate the economic strength category of the City Competitiveness Index. This category, which accounts for 30% of the overall Index—more than any other category—measures how fast a city grows, how rich or poor its citizens are and how well a city is integrated into the global economy. Delhi and Tianjin top the list. All but three of the top 20 cities in this category can be found in the Asia-Pacific region. New York (3rd), Doha (16th) and London (19th) are the only non-Asian cities to make the cut. There are nine Chinese and seven Indian cities in the top 20. The dominance of Chinese and Indian cities reflects rising incomes and urbanisation. Indian cities do particularly well on the measure of economic strength. This is in part because, much like in China's cities, average incomes will have doubled by 2025. But more significantly, India is less urbanised than China and will therefore see many more tens of millions of people with middle-class aspirations move from the rural

¹ *Looking to 2060: Long-term growth prospects for the world*, OECD, 2012.

areas to its cities. Apart from Delhi (1st) and Mumbai (7th), Chennai (10th), Bangalore and Pune (joint 11th), Hyderabad (13th) and Ahmedabad (14th) make the top 20 on the measure of sheer economic might.

- **The quality of institutions matters greatly for cities' economic competitiveness.** There is a strong correlation between the quality of a city's institutions and its overall competitiveness. This makes sense: a city's ability to tax, plan, legislate and enforce laws and its willingness to be held accountable by its citizens require strong institutions. Five American cities top the list in this category: Seattle, New York, San Francisco, Dallas and Washington DC. In all, 11 out of the top 20 cities rated best in the institutional character category join the top 20 in the overall Index. Among the top 20 for institutional character are five developed cities in Asia-Pacific: Hong Kong, Taipei, Incheon, Sydney and Auckland. Not a single city in developing Asia makes the top 20. At the other end of the spectrum, cities rated poorly on institutional character in 2025 are also the least competitive overall.
- **Cities of all sizes can be competitive.** The top ten most competitive cities in 2025 range from the world's biggest (Tokyo, with an estimated population of 37m) to some of the smallest (Zurich, estimated population 1.4m). Indeed, there is no major correlation between a city's size and its competitiveness ranking in the Index. Densely populated small city states such as Singapore (3rd) and Hong Kong (4th) will be among the most competitive places in 2025, along with Sydney (6th) and Stockholm (8th), which are spread out over a large geographical area.
- **African cities lag most on competitiveness, while major cities in Latin America improve theirs.** All regions have leaders and laggards in terms of competitive cities. Africa performs

particularly poorly, with South Africa providing the only decent contenders, such as Johannesburg (66th), Cape Town (77th) and Durban (95th). In northern Africa, Cairo (106th) benefits from the economic power derived from its sheer size in 2025. In Latin America, major Brazilian cities—São Paulo (36th), Rio de Janeiro (76th) and Porto Alegre (97th)—will have improved their competitiveness significantly in 2025. All three cities are among the top 15 risers in the overall Index rankings. Their rise, combined with the relative stagnation of African cities' competitiveness, will be seen as vindication by those who argue that Brazil rightly belongs to the select club of BRIC countries (Brazil, Russia, India and China)—famously predicted by Jim O'Neill, a former economist at Goldman Sachs, to be among the dominant economies by 2050—which have come to symbolise the shift in global economic power away from the developed G7 economies.

- **Easy maritime access helps cities rapidly to ascend in the overall rankings.** Nine out of ten of the fastest risers (led by São Paulo) in terms of improvement on the overall competitiveness measure are seaports or have easy maritime access. (Incidentally, only three of the top risers are capital cities.) The reverse is true for cities that have seen the steepest fall in their competitiveness ranking. The vast majority of them are either landlocked or face substantial challenges in their access to major seaports. These findings support a broad trend: a second tier of cities, often propelled by demographics and favourable geography, is becoming more competitive and closing the gap with its well-established rivals. The port city and Omani capital Muscat (ranked 64th) rises faster than any other city in the Middle East. Saint Petersburg (92nd), Russia's trade gateway to the West, improves its overall ranking, while Panama City (65th) owes its very existence to maritime trade through the Panama Canal.

- **The quality of a city's physical capital is highly correlated with its overall competitiveness.** Statistically, the correlation between a city's competitiveness and the quality of its physical capital—defined in the Index as the quality of physical infrastructure, public transport and telecommunications infrastructure—is the strongest among the

eight sub-categories that make up the Index. Two Chinese cities, Shanghai and Beijing, ascend to the top 20 in terms of their physical capital in 2025 and are among a group that is otherwise dominated by a mix of rich, well-established global cities. Eleven of them are also among the 20 most competitive overall. ■

Methodology overview

Competitiveness is a holistic concept. While economic size and growth matter, several other factors determine a city's competitiveness, including its business and regulatory environment, its institutions, the quality of human capital, cultural aspects and the quality of environmental governance. These factors not only help a city to sustain high economic growth, but also secure its future competitiveness.

Against this backdrop, the Economist Intelligence Unit defines a city's competitiveness as its ability to attract capital, businesses, talent and visitors. The 2025 City Competitiveness Index benchmarks the competitiveness of 120 cities across the world at two distinct points in time: today and in 2025. We do so by examining 32

indicators for each city. Indicators are grouped into eight distinct, thematic categories and assigned weights: economic strength 30%, physical capital and financial maturity 10% each, institutional character and human capital 15% each, global appeal 10%, social and cultural character 5%, and environment and natural hazards 5%.

The Index includes a total of 27 qualitative and five quantitative indicators.

A city's overall ranking in the benchmark Index is a weighted score of the individual categories. For a full breakdown of the categories, individual indicators and sub-indicators, weightings and data sources, see the Appendix. ■

Key findings and selected cities

Major cities in India, Brazil and Russia are expected to improve their competitiveness and catch up to many cities in the developed world. Six of the top 25 most improved cities in terms of their overall competitiveness ranking are located in BRIC countries (bar China). Of these, three—São Paulo, Mumbai and Saint Petersburg—are in the top five. Delhi, Rio de Janeiro and Porto Alegre complete the list of major cities from the BRIC economies. There is no Chinese city among the top 25 most improved cities. This reflects the progress that Chinese cities have already made and the fact that many cities in India and Brazil still have a bit of catching up to do before they can match the competitiveness of their Chinese rivals.

São Paulo (36th), the Index's most improved, is also the most competitive city among the BRIC countries. Shanghai (38th) comes in second, Beijing ranks 49th, while Mumbai, India's commercial capital, ranks 51st. Delhi, India's capital city, ranks 56th. South Africa and Indonesia, countries with the ambition of becoming the new "S" and "I" in an enlarged BRIICS, do not have a city in the top half of the Index in terms of overall competitiveness in 2025. Their leading contenders, Johannesburg (66th) and Jakarta (74th), just fall short.

The top movers or most improved cities in terms of their competitiveness are São Paulo, Incheon and Mumbai.

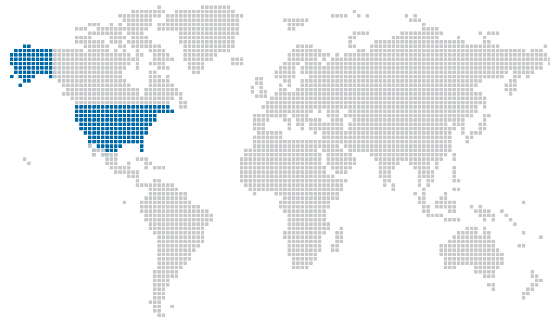
São Paulo, Brazil's commercial and financial capital, is the most improved city in the Index. The city leapfrogs from the bottom half of the table today to 36th place in 2025. A young and rapidly growing workforce, a good telecommunications infrastructure, and the city's openness are behind the surge in its competitiveness. Well-established democratic transitions and stable democratic institutions underpin its attractiveness for firms and people. Easy port access and financial maturity, the completion of a high-speed rail link to

Rio de Janeiro, a low risk of natural disasters, and its overall openness account for São Paulo's competitive edge in 2025.

Incheon ranks 43rd and is the second biggest mover in the 2025 City Competitiveness Index. South Korea's third largest city has been one of the main engines behind the country's rapid economic development. Investments in a world class port, transport infrastructure and the development of the Incheon Free Economic Zone have all resulted in the city becoming a commercial, business, logistics and leisure hub for all of northeast Asia. It scores particularly well in quality of its physical capital (physical infrastructure, public transport and telecommunications), institutional character (particularly local government fiscal autonomy, electoral process and government effectiveness), low risk of natural disasters, human capital (quality of education and healthcare) and global appeal (frequency of international flights).

Mumbai, India's commercial capital, comes third in terms of improved competitiveness. The city improved its rank to 51st in the overall Index. This surge in competitiveness is driven by Mumbai's sheer economic strength and its improved financial maturity and cultural vibrancy. Unlike São Paulo, which improves in all categories, Mumbai is losing out to other cities in an astonishingly large number of categories: physical capital (88th), institutional character (joint 76th), environment and natural hazards (joint 102nd), global appeal (73rd) and human capital (84th).

Jakarta edges up two ranks to 74th position on the overall Index. Its competitiveness improves significantly owing to its rising economic strength, its unrivalled position as a financial centre of a vast archipelago, and better connectivity with the region and the world. It is held back by its geography, its liability to flooding and the vast gap it will have to close to counter decades of chronic underinvestment in its defences. Although its importance as Indonesia's capital and largest city will only rise, Jakarta fares relatively poorly in higher education development and regional market integration. ■



THE UNITED STATES

- **New York** is the most competitive city today and will remain so in 2025. The city makes gains in almost all major categories. It tops the ranking in terms of financial maturity and is among the most competitive on institutional character (2nd) and economic strength (3rd). While building on its strength as the world's financial capital and a magnet of opportunity for people from America and beyond, the city owes its competitive edge in 2025 to improvements in other areas. New York's environmental governance still lags behind other cities, but its NYC 2030 plan sets out a credible blueprint for improvement. The quality of healthcare, although not among the best globally, improves in 2025, pushing up the city's ranking in the human capital category by 20 places to 27th.
- **Chicago ranks ninth in the overall Index and is America's second most competitive city after New York.** As America's second most important financial hub after the Big Apple, Chicago ranks 20th in the category of financial maturity. It ranks above any other US city on its environmental governance and ability of dealing with environmental challenges (joint 4th). Its public transport plan runs until 2040, and its water management plan controls water quality, supply and demand through to 2050. The city's economy is projected to grow by an average of 3% per year, roughly on par with San Francisco and Washington DC. The city has a long history of attracting immigrants and ranks 15th globally on social and cultural character. Other components that underpin its competitiveness are projected improvements in government effectiveness, the quality of healthcare and flight connectivity.
- **Washington DC is America's third most competitive city and ranks 14th in the overall Index.** America's capital is a good all-round performer. It scores particularly well in the categories institutional character (joint 4th), social and cultural character (joint 6th) and financial maturity (joint 32nd). The city is seen as one of the worst US cities in terms of traffic congestion and waiting times, and investment in physical capital (joint 31st) is currently not a priority. There has been a dramatic improvement in the telecommunications infrastructure, with a rise in broadband adoption and Wi-Fi spots, making Washington a "wired city to watch". Education is a priority, but healthcare much less so, and relative to other cities Washington descends in the rankings on both counts. The capital, one of the wealthiest US cities, is still seen by Americans as one of the best places to live.
- **Los Angeles ranks 17th on the overall Index, ascending by seven places between 2012 and 2025.** The city is the second most competitive US city in terms of economic strength (ranked 27th globally). It is one of the largest and most diverse jurisdictions in the US and ranks third in North America on global appeal (21st overall). The city scores particularly well in the category social and cultural character (joint 6th), a reflection of its cultural diversity, openness and tolerance. Like many of its peers the city struggles with fiscal constraints, but is projected to improve in terms of its government effectiveness. Continuous upgrades to the infrastructure of its port help to protect the city's position as a trade gateway to the Pacific Rim. By far the biggest improvement, moving up 43 ranks in 2025, is seen in the category environment and natural hazards (52nd). The City of Los Angeles has credible and long-term water and air quality improvement strategies in place and is committed to improving environmental governance and a performance-based budgeting system, which it introduced in 2012.

● **San Francisco is ranked 18th in the overall Index and the fifth most competitive city in the US.** It is the second best performer on North America's West Coast, behind Los Angeles (17th), but ahead of Vancouver (28th) and Seattle (35th). The city performs particularly well in the category institutional character (joint 2nd). As a specialised global hub for IT venture capital and private equity, it ranks joint 32nd in terms of its financial maturity. San Francisco gains strongly as a result of improvements in the categories quality of healthcare and government effectiveness. It is proactive in attracting businesses and provides both quality education and healthcare services to citizens, with a "Healthy SF Initiative" aiming to improve access to healthcare. The city benefits from its reputation as one of the most liberal and most accepting cities. ■



ASIA

● **Singapore ranks third overall in the Index and is the highest-placed Asian city.** The city state scores particularly well in terms of its physical capital (ranked joint first overall), financial maturity (joint first), and environment and natural hazards (joint first) and global appeal (3rd). None of this is surprising given the city's efficient transport system, lean bureaucracy, safe and clean environment, and its increasingly high international reputation. The city's focus on improving the quality of education allowed it to jump 27 places to 10th in the human capital category in 2025. Singapore drops 24 places to 39th in the economic strength category, displaced by the 20-plus cities from developing Asia that dominate the top 30 positions. Singapore's demographics weigh on its competitiveness: its working-age population is projected to be stagnant at 3.6m between 2012 and 2025, highlighting the need to ensure that the city remains a hub open to the flow of people, ideas, capital and goods and services.

● **Hong Kong ranks fourth overall in the Index.** It shares with Singapore many of the features that underpin its competitiveness. Hong Kong is ranked particularly highly in terms of its physical infrastructure (joint first overall), financial maturity (joint first) and global appeal (5th). Like Singapore, however, it is moving down the ranks in the category economic strength in 2025 (ranked 60th, down 39 places). Hong Kong's income level is below Singapore's; it is growing more slowly and lags its rival in terms of managing the

environment. But Hong Kong is able to fend off Singapore in the category social and cultural character and benefits from the efficiency gains of a well-run, densely populated area located on the southern coast of China, the world's largest economy in 2025.

● **Delhi, India's capital, is ranked 69th overall in 2012 and rises to 56th place in 2025, by which time it will top the global ranking in the economic strength category.** Delhi's rise mirrors that of many large urban areas in India. The city is a magnet of opportunity for companies and people alike. Its shared border with Uttar Pradesh, a state with a population larger than Brazil's, is a locational advantage few companies can afford to ignore. Delhi's competitiveness will improve in areas such as financial maturity and social and cultural character. But rapid, often poorly managed urbanisation and breakneck economic growth will take their toll. Delhi performs poorly in the environment and natural hazard category, as its policymakers struggle to put in place environmental policies that limit pollution and ensure a sustainable supply of water.

● **Mumbai, India's financial capital, ranks 51st in the overall Index.** The city's surging economic strength (ranked 7th), improved financial maturity (9th) and a better score in the category social and cultural character (60th) account for the improvement in competitiveness. Unlike its Brazilian counterpart, the financial and commercial capital São Paulo, which recorded improvements in all categories, Mumbai is losing out to competitors in three categories: institutional character (76th), environment and natural hazards (102nd) and global appeal (73th).

● **Tokyo is ranked 5th in the overall Index and remains Asia's most competitive city that is not a city state (Singapore third, Hong Kong fourth).** Tokyo's primary strengths are the maturity of its financial system (joint first) and impeccable physical infrastructure (joint first). Tokyo loses out

in terms of economic strength (17th) as it is overtaken by cities in emerging Asia. Its ageing workforce and limited government effectiveness are also a drag on its competitiveness. Tokyo would have struggled to retain its competitive edge in our benchmark assessment without an impressive improvement in its projected ability to cope with natural disasters and environmental governance. (In this category, Tokyo ascends from the bottom half of the rankings to joint 36th.)

● **Jakarta edges up to 74th place in the overall Index.** Jakarta scores well in the categories economic strength (24th)—a big chunk of economic activity of Indonesia's 272m-strong population in 2025 is concentrated in Jakarta—and financial maturity (32nd). Improving the connectivity of the capital with the vast archipelago that is Indonesia and the world is a priority of the federal government's 2025 Economic Masterplan. Jakarta is held back by its topography (as a low-lying city it is prone to flooding) and the chronic underinvestment in its defences. It ranks among the worst in the world (114th) in the category of environment and natural hazards. Although its economic importance as Indonesia's primary city will only rise, it scores relatively poorly in the categories global appeal (73rd), social and cultural character (86th) and human capital (97th). ■



EUROPE, THE MIDDLE EAST AND AFRICA (EMEA)

● **London ranks second overall in the Index. It is the only European city—apart from Paris (7th) and Stockholm (8th)—in the top 10.** London ranks particularly well in terms of its financial maturity (joint first overall), physical capital (joint first) and global appeal (joint first). The city retains its role as the UK's and Europe's leading financial centre. Notably, London is the only city in the developed world that rises significantly in terms of its economic strength between 2012 and 2025 (ranked 19th, up 18 places). The South-East of England is among Europe's most densely populated areas, and London's population is projected to rise from 8.6m currently to 14.4m in 2025. The city thus remains a magnet of opportunity for businesses and people, although a tightening of immigration rules has made hiring foreign nationals more difficult. The quality of its physical capital, compromised by decades of underinvestment, has been given a boost by multi-billion investments in the city's public transport infrastructure as part of its bid for the London Olympics in 2012. Public transport is a key priority, and the city has been successful in implementing innovative ways of managing road traffic. London moves up the overall ranking in the categories of institutional character (12th) and its ability to implement environmentally sustainable policies and mitigate the impact of natural hazards (joint 15th). The provision of quality primary and secondary education and access to affordable healthcare are, as any Londoner will tell you, a matter of concern.

The only category in which London struggles to keep up with the world's most competitive cities is human capital, in which it is ranked 44th in 2025.

● **Dubai moves up to 23rd place overall in the Index.** Dubai is one of several cities in the Middle East that are among the top climbers in the overall Index—the others are Doha (24th), Abu Dhabi (39th), Muscat (64th), Kuwait City (63rd) and Riyadh (87th). Dubai is a good all-round performer and improves its ranking in seven out of eight categories. Its competitiveness is in part owing to the fact that the city has been planning actively for a future without petrochemicals for some time. Dubai ranks 44th overall on economic strength, reflecting the rapid growth of its tourism, real estate and financial services sectors. Its low-tax and pro-business economic philosophy continues to attract businesses and people as Dubai attempts to expand its status as a global city and financial and cultural hub of the Middle East and the Persian Gulf region. The city, one of seven emirates in the United Arab Emirates, is making major strides in terms of competitiveness in the categories of human capital (5th), financial maturity (9th), global appeal (31st) and physical capital (37th). Its opaque political system and lack of pluralism and diversity limit progress until 2025 in the categories institutional character (joint 43rd) and social and cultural character (joint 78th).

● **Saint Petersburg, Russia's second city, ranks 92nd on the overall Index. Its capital city Moscow ranks 59th. Russia's gateway to the West is among the least competitive in Europe—only Ankara (103rd) has a lower ranking.** However, Saint Petersburg ascends by 15 places, driven by improvements in the categories of economic strength (74th), human capital (73rd) and environment and natural hazards (joint 69th). Russia's only major port on the Baltic Sea is expanding, with its population projected to cross the 5.1m threshold in 2025 (from 4.6m currently). The city also improves in the categories physical

capital (joint 56th) and financial maturity (joint 77th). Saint Petersburg improves but still performs poorly in the category institutional character (102nd). The city has very limited fiscal autonomy, struggles with endemic corruption and lacks political autonomy, with the mayor and many city officials appointed by or under significant influence of politicians in the capital Moscow.

● **Tel Aviv ranks 41st in the overall Index.** Its position improves by 16 places as the city becomes more competitive in the categories human capital (35th), institutional character (40th) and economic strength (81st). It performs best in the category financial maturity (joint 20th) and human capital (35th). A firm and long-standing commitment to first-class education and universal quality healthcare underpins Tel Aviv's attractiveness. Despite ongoing political and security concerns the city remains open and tolerant, and its pro-business policies make it attractive to both businesses and people. This attractiveness is reflected in Tel Aviv's size (its population is projected to rise by 1m to 4.3m in 2025), and the pace at which its economy is growing (at an annual average of 3.8%, its economy is growing faster than that of many cities with a comparable level of income).

● **Cape Town's rank moves to 77th in the overall Index.** Cape Town is South Africa's second most competitive city after Johannesburg (66th), but notably outranks Johannesburg and all other African cities in the Index on five out of eight categories. In terms of overall competitiveness, the economic strength (98th) of South Africa's third most populous city is lower than some other regional cities, owing to its slower growth rate. Its high score in the institutional character category (28th) reflects Cape Town's high degree of fiscal autonomy, simple tax code, transparent electoral process and improved government effectiveness. The city's development strategy includes investment in port infrastructure and public transport and telecommunications, allowing it to

improve in the category physical capital (69th). The strategy also focuses on measures to improve the city's financial maturity (joint 77th) and is generally pro-business and pro-investment. The city has a vibrant cultural and sporting scene, but compared with better-connected global competitors it scores poorly on the quality of education and healthcare. The city has a comprehensive disaster management plan in place. As a major tourist destination it performs better than its African competitors in the category environment and natural hazards, but globally it only ranks joint 81st. ■



LATIN AMERICA

- **São Paulo is the most improved city in the overall ranking. Brazil's commercial and financial capital ascends from the bottom half of the overall rankings table today to 36th place in 2025.**

The city's rank improves in seven out of eight categories. Its ascent is fuelled by improvements in the categories financial maturity (ranked joint 9th overall), institutional character (54th), physical capital (60th) and human capital (77th). A young and rapidly growing workforce, good telecommunications infrastructure and improved government effectiveness drive the surge in competitiveness. Other factors underpinning São Paulo's competitive edge in 2025 are its massive and growing port and rising financial might, the completion of a high-speed rail link to Rio de Janeiro, a low risk of natural disasters, and the city's overall openness and diversity. São Paulo's growing economic strength (50th) matters as well. However, in contrast to Mumbai, the third most improved city in the Index, sheer economic size and growth is not the primary driver behind this improvement in competitiveness.

- **Mexico City ranks 72nd in the overall Index.**

Despite having higher income levels than most of its regional competitors, the city is only the fifth most competitive in South and Central America. Mexico City's performance is mixed. It makes up ground in four categories: financial maturity (joint 20th), economic strength (59th), social and cultural character (joint 67th) and environment and natural hazards (joint 81st). Mexico's political

and commercial capital is projected to struggle in tackling environmental challenges that will only worsen as the city's economy grows (annual GDP growth is expected to accelerate from an average of 2.7% to 3.5% during 2012-25). The challenges include poor air quality and chronic water shortages. The city's global rank deteriorates in four categories: drags on its competitiveness are worsening scores in the categories global appeal (54th) and human capital (65th), an uneven institutional character (89th), and the relatively poor quality of its physical capital (joint 95th). Individual factors that limit the city's competitiveness are a quota system for foreign workers, a decline in its working-age population, corruption and relatively poor governance, and low educational attainment.

- **Santiago ranks 60th in the overall Index. The Chilean capital is the second most competitive city in Latin America after São Paulo (36th).**

Santiago's competitiveness improves on the back of its growing economic strength (56th)—the city's population is expected to grow by more than 1m to 7.1m in 2025. The city scores better than in any other category on the quality of its physical capital (24th). It benefits from a well-developed telecommunications infrastructure and the government's continued focus on investment in the areas that shaped the city: maritime transport and commerce. The government plans to double the city's airport capacity by 2030, a step that will mitigate the city's relative isolation, which is currently reflected in its limited global appeal (65th). Santiago's rank improves in the categories financial maturity (joint 32nd) and environment and natural hazards (joint 85th).

- **Panama City ranks 65th in the overall Index. It ranks third in terms of competitiveness in South and Central America after São Paulo (36th) and Santiago (60th).** Panama City does particularly well in the category economic strength (48th), on which it beats all of its peers in Latin America. This is because, despite its tiny population of 1.4m, it is

growing at rates only seen in developing Asia (the population is projected to rise to 2m in 2025). The future of the Panama Canal, on which the city's future depends, is secure. Under the 2005-25 Logistics and Transport Masterplan, post-Panamax-size ships will traverse the canal starting in 2015, in effect doubling its capacity. A trade agreement with the US, its biggest trading partner, will further improve the trade integration of Panama City's dollarised economy with that of the US. The city government has ambitious plans to create a first-class public transport system by 2030, but limited government effectiveness and high levels of corruption will make implementation tricky. Already a leader in the field of telecommunications in Latin America, improvements in the quality of the telecoms infrastructure help the city to improve its ranking in the category physical capital (joint 56th). Panama City's financial maturity (joint 56th) remains mixed, despite government efforts to get the OECD to remove Panama City from its grey list of tax havens. ■

Overall 2025 City Competitiveness rankings table

Weighted total of all category scores (0-100 where 100=most favourable)

Rank 2025	Change from 2012	City	Score/100	Change from 2012
1	+1	New York	75.7	+7.1
2	+4	London	73.1	+5.3
3	-2	Singapore	71.2	+0.6
4	-1	Hong Kong	68.1	+0.1
5	-2	Tokyo	68.0	-0.1
6	+2	Sydney	67.3	+4.5
7	-2	Paris	67.0	-0.9
8	+5	Stockholm	65.7	+5.7
9	+3	Chicago	65.6	+4.6
10	-	Toronto	64.7	+2.6
=11	+14	Taipei	64.1	+6.5
=11	-4	Zurich	64.1	-
13	-2	Amsterdam	63.8	+2.0
14	+3	Washington	63.2	+4.0
=15	+6	Copenhagen	63.0	+4.9
=15	+7	Seoul	63.0	+5.0
17	+7	Los Angeles	62.7	+5.0
18	+1	San Francisco	62.5	+4.0
19	-3	Boston	62.3	+2.7
=20	-11	Frankfurt	62.0	-0.3
=20	-6	Melbourne	62.0	+2.2
22	+5	Dublin	61.4	+4.3
23	+6	Dubai	61.3	+5.2
24	+14	Doha	61.1	+6.3
25	+1	Brussels	61.0	+3.6
26	+8	Oslo	60.8	+5.4
27	+2	Houston	60.7	+4.7
28	-5	Vancouver	60.6	+2.8

Rank 2025	Change from 2012	City	Score/100	Change from 2012
29	-15	Vienna	60.4	+0.6
30	-10	Geneva	59.4	+1.0
31	+8	Kuala Lumpur	58.9	+4.3
32	+1	Dallas	58.6	+2.9
33	+9	Atlanta	58.1	+4.2
34	+2	Berlin	57.7	+2.8
35	-1	Seattle	57.6	+2.2
=36	-8	Montréal	57.5	+0.7
=36	+25	São Paulo	57.5	+9.6
38	-6	Shanghai	57.3	+1.3
39	+2	Abu Dhabi	57.2	+3.1
40	+10	Miami	56.5	+5.9
41	+16	Tel Aviv	56.1	+6.7
42	-11	Auckland	56.0	+0.1
=43	+3	Birmingham	55.8	+3.5
=43	+17	Incheon	55.8	+7.6
=43	+6	Warsaw	55.8	+5.0
=46	-2	Hamburg	55.7	+2.2
=46	-28	Madrid	55.7	-3.0
48	-8	Philadelphia	55.0	+0.5
49	-13	Beijing	54.9	+0.1
50	-	Osaka	54.5	+4.0
=51	+12	Busan	54.3	+6.9
=51	+16	Mumbai	54.3	+7.8
53	-5	Budapest	54.0	+2.1
54	-7	Prague	53.9	+1.8
55	-13	Barcelona	53.6	-0.1
56	+13	Delhi	53.3	+7.8
57	+1	Lisbon	53.1	+3.8
58	-13	Milan	53.0	-0.3
59	-	Moscow	52.5	+3.9
=60	+2	Monaco	52.1	+4.4
=60	+8	Santiago	52.1	+5.9
62	-9	Bangkok	52.0	+2.1
63	+12	Kuwait City	51.7	+6.7
64	+14	Muscat	51.4	+7.2
65	-2	Panama City	50.8	+3.4
66	-1	Johannesburg	50.5	+3.5
67	-11	Buenos Aires	49.9	+0.4

Rank 2025	Change from 2012	City	Score/100	Change from 2012
68	-16	Rome	49.8	-0.5
69	-16	Shenzhen	49.4	-0.5
70	+1	Istanbul	49.3	+3.9
71	-	Fukuoka	49.2	+3.9
72	+1	Mexico City	49.0	+4.0
73	-18	Nagoya	48.6	-1.2
74	+2	Jakarta	48.1	+3.1
75	+8	Lima	48.0	+4.6
76	+13	Rio de Janeiro	47.6	+5.8
77	+10	Cape Town	47.4	+4.8
78	+2	Athens	47.3	+3.3
79	+12	Manila	47.1	+5.7
80	-3	Bucharest	46.9	+2.5
81	-12	Tianjin	46.7	+1.2
82	+6	Qingdao	46.4	+4.3
=83	-2	Dalian	46.1	+2.5
=83	-1	Suzhou (Jiangsu)	46.1	+2.6
85	-	Bogotá	45.8	+2.6
86	-8	Chengdu	45.4	+1.2
=87	-14	Kraków	45.3	+0.3
=87	+11	Riyadh	45.3	+6.3
89	-23	Guangzhou	45.2	-1.4
90	+13	Kiev	44.9	+7.2
91	+7	Medellín	44.4	+5.4
92	+15	Saint Petersburg	44.1	+7.1
93	-3	Hangzhou	44.0	+2.4
94	-8	Bangalore	43.6	+1.0
95	-2	Durban	42.9	+2.9
96	-	Ho Chi Minh City	42.3	+2.9
97	+12	Porto Alegre	41.7	+4.8
98	-15	Chongqing	41.0	-2.4
99	+2	Pune	40.9	+2.7
100	-2	Hyderabad	40.6	+1.6
=101	+4	Chennai	39.7	+2.3
=101	-6	Monterrey	39.7	+0.1
103	-	Ankara	39.6	+2.0
104	-12	Ahmedabad	39.2	-1.0
105	+3	Belo Horizonte	38.8	+1.9
106	+8	Cairo	38.5	+3.5

Rank 2025	Change from 2012	City	Score/100	Change from 2012
107	-11	Almaty	38.3	-1.0
108	-6	Colombo	38.2	+0.2
109	-4	Kolkata	38.1	+0.5
110	+5	Bandung	37.4	+3.3
111	-1	Karachi	37.0	+0.8
=112	-19	Hanoi	36.9	-3.1
=112	-1	Nairobi	36.9	+1.0
114	-1	Surabaya	35.8	+0.1
115	-3	Guadalajara	35.0	-0.8
116	-	Dhaka	34.9	+3.5
117	-	Alexandria	34.6	+4.6
118	-1	Beirut	32.4	+2.4
119	-	Lagos	29.0	+0.1
120	-	Tehran	25.0	-1.6

Regional findings

One of the findings revealed by the 2025 City Competitiveness Index is the fact that very few of the most competitive cities can do without three things: a high level of income, favourable demographics and access to quality seaports.

- **A city's access to and quality of seaports are particularly good predictors of its competitiveness.** Almost every single city in the top 50 of the Index is rated “excellent” or “very good” in the category access to and quality of seaport(s). The three notable exceptions are Delhi, India's landlocked and hugely populous capital city, Atlanta and Philadelphia.
- **Money matters.** Only two cities among the top 40 in the overall ranking—Dubai (23rd) and Kuala Lumpur (31st)—fail to make the top 40 in terms of income per head, a category in which Dubai ranks 56th and Kuala Lumpur joint 77th.
- **Demography matters.** The faster a city grows, the more likely it is to ascend in the overall ranking.

Mapping city competitiveness

The hotspots of competitiveness in 2025 are concentrated in North America, Europe and a handful of advanced economies in Asia and the Pacific region. Despite rapid growth in Africa and Latin America, there is a vast competitiveness gap between their best-performing cities (São Paulo: 36th, Johannesburg: 66th) and those in the developed world.

North American cities dominate the list of the most competitive cities in the 2025 Index. Six of the top 20 are US cities: New York (1st), Chicago (9th), Washington DC (14th), Los Angeles (17th), San Francisco (18th) and Boston (19th). One Canadian city, Toronto, falls into the top 20, ranked at 10th.

Europe, with seven of the 20 best-performing cities, is another hotspot of competitiveness. However, a closer look reveals a “competitiveness divide” between northern and western Europe on the one hand, and southern and eastern Europe on the other. The top 15 cities in Europe are those that are located in the core of the eurozone (Paris, Amsterdam), plus Copenhagen, London, Stockholm and Zurich. The bottom half are located in eurozone countries that have been hit particularly hard by the euro crisis (Madrid, Rome, Lisbon and Athens among them) or in new EU member states (or countries that aspire to join the EU) such as Bucharest or Ankara.

African cities continue to face the biggest competitiveness challenges of all regions. They are spread across the bottom half of the overall Index. The three top performers are Johannesburg (ranked 66th), Cape Town (77th) and Durban (95th). And there is a concentration at the very bottom: Cairo (106th), Nairobi (112th), Alexandria (117th) and Lagos (119th).

Asia's cities are a source of growth and a magnet of opportunity for businesses and people alike, but here, too, there is a competitiveness divide. The most competitive Asian cities in 2025 are spread across the four "Asian Tigers" (Seoul and Incheon in South Korea, Taipei in Taiwan, Hong Kong and Singapore) and the advanced economies of the region (Tokyo, Sydney and Melbourne). The best-performing Chinese city is Shanghai (38th). The **South-East Asia** region is led by Kuala Lumpur (31st). Other rapidly growing cities in the region, such as Bangkok (62nd), Jakarta (74th) and Hanoi (112th), are struggling to keep pace. In **South Asia**, the Indian cities of Delhi (56th) and Mumbai (51st) show significantly increased competitiveness. The low ranking of Dhaka (116th), one of the world's fastest-growing cities, is a reminder (although the ascent of the

bourgeoning cities of Delhi and Mumbai may appear to suggest otherwise) that there is no automatic correlation between rapid urbanisation and population growth and competitiveness as defined in the 2025 City Competitiveness Index.

In the **Middle East**, cities in the member states of the Gulf Co-operation Council perform well: the top performers are Dubai (23rd), Doha (24th) and Abu Dhabi (39th)—all of them are among the most improved cities in the overall index. Tel Aviv, too, improves between 2012 and 2025 and is ranked 41st.

Finally, a number of cities in the **BRIC** countries are on the verge of becoming hotspots of competitiveness. Six of the top 25 most improved cities—São Paulo, Delhi, Mumbai, Saint Petersburg, Rio de Janeiro and Porto Alegre, are located in Brazil, Russia and India. There is no Chinese city among the top 25 most improved cities, which reflects the fact that despite the progress that many cities in India and Brazil have already made, they will still have some catching up to do before they can match the competitiveness of their Chinese rivals. ■

Appendix Methodology

Overview

The 2025 Global City Competitiveness Index measures the competitiveness of 120 cities. In its broadest form, competitiveness is defined as a city's ability to attract capital, businesses, talent and people. The Index benchmarks the competitiveness of cities at two points in time: today and in 2025.

The Index scores each city across eight categories: economic strength, physical capital, financial maturity, institutional character, social and cultural character, human capital, environmental and natural hazards and global appeal. These eight categories are composed of a total of 32 indicators (as well as 17 sub-indicators). A city's overall ranking in the Index is a weighted score of the underlying categories.

The eight category scores are calculated from the weighted mean of underlying indicators and scaled from 0-100, where 100=most favourable. The overall score for the 2025 Index (from 0-100) is calculated from a simple weighted average of the category and indicator scores.

Definition

Today cities are no longer limited to their political boundaries. They are rapidly metamorphosing into bigger urban agglomerations or metropolitan areas, with the city proper at the core. New York City, for example, has a population of only 8.2m,

compared with 18.9m people living in the New York-Northern New Jersey-Long Island metropolitan area. Typically, an urban agglomeration or metropolitan area is defined as the continuous area encompassing the city proper and smaller cities or towns close to the city's boundaries at comparable urban density levels (World Urbanisation Prospects, United Nations, 2009). In the context of this benchmark, "city" is defined as the urban agglomeration or metropolitan area it holds together.

The 120 cities included in the Economist Intelligence Unit's assessment were the same as those analysed in the previous Index. For that study, we selected cities on the basis of their size and regional economic importance. Data availability was a consideration too. To build a relevant set of global cities, we first considered all cities with populations estimated at over 1m in 2010. From this selection, we excluded cities with an estimated nominal GDP of less than US\$20bn in 2008 (the most recent year for which comparable data were available). To ensure a balanced regional representation, we established an upper limit on the number of cities for several large economies: China (12 cities), India (8 cities), and the US (12 cities). Finally, the EIU analyst team reviewed the list and included established financial and commercial centres (for example, Geneva), as well as important emerging cities (such as Ahmedabad, Ho Chi Minh City, Nairobi,

Panama City), which did not meet our initial criteria of population and GDP size. To preserve analytical rigour, we limited our selection for benchmark assessment to 120 cities.

Categories and indicator selection

We assessed 32 indicators across eight thematic categories: economic strength, physical capital, financial maturity, institutional character, social and cultural character, human capital, environment and natural hazards and global appeal. The benchmark includes 27 qualitative and five quantitative indicators.

The EIU research team assigned category and indicator weights after consultations with internal and external experts. The economic strength of a city (GDP size, pace of growth, income levels) is undisputedly a key driver of attractiveness. Investors follow sizeable and growing markets. Therefore, we have given a relatively higher weight (30%) to the economic strength category, with a city's real GDP growth rate as the dominant indicator.

Both demographic and institutional underpinnings are important determinants of competitiveness. While emerging economies boast of their demographic dividend, developed markets have to resort to allowing increased levels of migration to deal with a shrinking workforce. A

stable institutional environment is often cited as developed markets' key advantage. Both are important and, therefore, human capital and institutional effectiveness categories carry substantial weights (15% each) in our benchmark assessment. A city's physical infrastructure, financial maturity and global appeal help businesses to operate efficiently. While concerns around accessibility and connectivity are becoming less urgent with the growing use of technology, these factors remain important in driving a city's competitiveness. The categories physical capital, financial maturity and global appeal have each been assigned a 10% weight.

Although not a necessary condition for competitiveness, the social and cultural character of a city plays an important role in shaping its attractiveness for talent and visitors. This category has been weighted at 5%. With the growing incidence of natural disasters, investors are increasingly building locational risks into their operational strategies. Equally, the environmental quality of cities is increasingly being compared and benchmarked as cities lead their countries' charge against climate change. Taking note of this trend, our benchmark framework includes environment and natural hazards as a category with a 5% weight.

The following table provides a brief description of indicators, data sources and weights.

CATEGORY WEIGHTS		2025	2012
ECONOMIC STRENGTH	30	30.0%	30.0%
PHYSICAL CAPITAL	10	10.0%	10.0%
FINANCIAL MATURITY	10	10.0%	10.0%
INSTITUTIONAL CHARACTER	15	15.0%	15.0%
SOCIAL AND CULTURAL CHARACTER	5	5.0%	5.0%
HUMAN CAPITAL	15	15.0%	15.0%
ENVIRONMENT AND NATURAL HAZARDS	5	5.0%	5.0%
GLOBAL APPEAL	10	10.0%	10.0%

INDICATOR WEIGHTS		2025	2012
ECONOMIC STRENGTH			
Real GDP (US\$, 2005 prices)	5	27.8%	27.8%
Real GDP per capita (US\$, 2005 prices)	2	11.1%	11.1%
HHs with annual consumption >US\$14,000 (PPP)	0	n.a.	0.0%
City real GDP growth rate	9	50.0%	50.0%
Regional market integration	2	11.1%	11.1%
PHYSICAL CAPITAL			
Quality of physical infrastructure	6	42.9%	42.9%
Quality of public transport	2	14.3%	14.3%
Quality of telecommunications infrastructure	6	42.9%	42.9%
FINANCIAL MATURITY			
Breadth/depth of the financial cluster	9	75.0%	75.0%
Location of the Central Bank	0	0.0%	0.0%
Location of EXIM bank/agency	0	0.0%	0.0%
Location of the country's main stock exchange	3	25.0%	25.0%
INSTITUTIONAL CHARACTER			
Electoral process and pluralism	5	14.3%	14.3%
Local government fiscal autonomy	10	28.6%	28.6%
Taxation	5	14.3%	14.3%
Rule of law	5	14.3%	14.3%
Government effectiveness	10	28.6%	28.6%
SOCIAL AND CULTURAL CHARACTER			
Freedom of expression and human rights	1	20.0%	20.0%
Openness and diversity	1	20.0%	20.0%
Presence of crime in the society	1	20.0%	20.0%
Cultural vibrancy	2	40.0%	40.0%
HUMAN CAPITAL			
Population growth	3	15.0%	16.7%
Working-age population (% of total population)	2	10.0%	11.1%
Entrepreneurship and risk-taking mindset	0	n.a.	0.0%
Quality of education	8	40.0%	44.4%
Quality of healthcare	2	10.0%	11.1%
Hiring of foreign nationals	3	15.0%	16.7%
Women's Economic Opportunity	2	10.0%	n.a.
ENVIRONMENT AND NATURAL HAZARDS			
Risk of natural disasters	2	33.3%	33.3%
Environmental governance	4	66.7%	66.7%
GLOBAL APPEAL			
Global business attractiveness	1	25.0%	25.0%
International flight ranking	1	25.0%	25.0%
Conference/convention development	1	25.0%	25.0%
Higher education leadership	1	25.0%	25.0%
Globally-renowned think-tanks	0	n.a.	0.0%

SUB-INDICATOR WEIGHTS		2025	2012
Quality of physical infrastructure			
Quality of road network in the city	5	41.7%	41.7%
Quality of regional or international links	5	41.7%	41.7%
Access to and quality of seaport(s)	2	16.7%	16.7%
Taxation			
Tax complexity	1	50.0%	50.0%
Standard VAT rate	1	50.0%	50.0%
Government effectiveness			
Corruption	1	25.0%	50.0%
Effectiveness in policy formulation	1	25.0%	50.0%
Quality of bureaucracy	0	n.a.	0.0%
Orderly transfers	1	25.0%	n.a.
Transparent performance indicators	1	25.0%	n.a.
Presence of crime in the society			
Prevalence of petty crime	1	50.0%	50.0%
Prevalence of violent crime	1	50.0%	50.0%
Risk of natural disasters			
Disaster management/business continuity plan	1	33.3%	n.a.
Physical exposure to natural hazards	1	33.3%	n.a.
Susceptibility to climate change	1	33.3%	n.a.
Environmental governance			
Water quality monitoring	1	33.3%	33.3%
Waste strategy	1	33.3%	33.3%
Air quality code	1	33.3%	33.3%
Quality of air in the city/pollution	0	n.a.	0.0%

Note on comparability with the 2012 City Competitiveness Index

Although the vast majority of categories and indicators are the same as in the previous year's City Competitiveness Index, the actual scores are not the same, as the specific indicator weightings were shifted following the removal of certain indicators (such as globally renowned think-tanks, entrepreneurship and risk-taking mind-set, etc). Such indicators were removed owing to the difficulty in forecasting them to 2025. As a result, the remaining indicators were reweighted; the updated weightings are described below. Thus, the 2012 rankings given in this Index will differ slightly from the rankings given in last year's version.

Economic strength (30%)

This category captures the speed at which a city's GDP is growing, the size of the national economy and the level of development measured by income per head. Large and fast-growing markets tend to be more successful in the competition to attract capital, firms and people.

The economic strength category comprises four sub-categories with different weights. A city's real GDP growth carries a weight of 50%. This is followed by the speed at which the national economy is growing (real GDP growth, 27.8%), the average income level at country level (measured by real income per head, 11.1%) and the extent to which the city is economically integrated with regional economies through trade or other agreements (regional market integration, 11.1%).

All income-related data have a base year of 2005 and originated from city-level GDP figures from the last study. The relationship between historical GDP growth rates of each city and the wider country was established using regression analysis. The results of this analysis enabled us to forecast city-level GDP using the EIU's country-level GDP growth forecasts, which were then adjusted on a city-by-city basis by our analyst team.

Regional market integration was based on a careful review of the current regional market status, as well as any potential trade agreements. The city was then rated on a scale of 1-5, where 1=Lowest, 5=Highest (*1=The country is not likely to be a member of any regional trade agreement or grouping, 5=The country will belong to an economic union, e.g. the European Union. There will be freedom of movement for goods, people and capital*).

Physical capital (10%)

A city's infrastructure—ranging from airports, trains and ports to roads, bridges and telecommunications networks—is at the heart of its ability to function and attract businesses and people.

This category comprises the qualitative assessment of a city's physical infrastructure, public transport network and telecommunications infrastructure. The indicator scores are presented on a scale of 1-5 (*1=Intolerable, 5=Acceptable*). The data are based on the EIU's Global City Liveability Index and EIU expert assessments, which included review of current and potential plans for infrastructure investment at the national and metropolitan level.

Financial maturity (10%)

Financial maturity determines the ease of access for firms and a city's ability to finance (through the local banking system) productive investment and allocate capital efficiently.

The qualitative assessment of financial market maturity is based on a review of a number of secondary reports on financial depth, including Z/

Yen Group's 2012 Global Financial Centres Index 12 (GFCI). GFCI is a barometer that seeks to track movements in the competitiveness of financial centres around the world. It uses assessments by financial service professionals to rank financial clusters based on their breadth, depth and outlook. The results of this review were also augmented with expert opinion on the likely trajectory of financial market development. The indicator scores are presented on a scale of 1-7 (*1=Basic financial infrastructure is missing, 7=Established global clusters, broad and deep*).

Institutional character (15%)

A city's ability to tax, plan, legislate and enforce rules as well as the degree to which citizens can hold a city's politicians accountable require strong institutions.

We identified five factors that play an important role in shaping a city's institutional character and effectiveness. They are local government fiscal autonomy, government effectiveness, electoral process and pluralism, taxation, and rule of law.

The sub-indicator local government fiscal autonomy is a proxy for the degree of decentralisation and fiscal autonomy and ultimately the extent to which a city is in control of its own finances. To assess this, our research team drew on country profiles published by the Global Observatory on Local Democracy and Decentralisation to assign scores of 1-4, which were then augmented by further primary and secondary research on local autonomy issues (*1=No fiscal autonomy, 4=Extensive fiscal autonomy exists, majority of policy and budgetary decisions are made by the city government*).

The government effectiveness sub-category looks at four sub-indicators. First, the research team assessed the likely level of corruption among public officials in 2025 (*10=Very low, 0=Very high*) by drawing on the EIU's long-term economic forecasts. Second, we assessed the ability of prospective governments to effectively formulate policy (*0=Strongly no, 5=Strongly yes*). Third, cities were rated on how clear, established and accepted

mechanisms for the orderly transfer from one government to another are. Fourth, to gauge a city's ability to plan and officials' preparedness to be held accountable, we established whether or not a city has clear and transparent performance indicators.

Local government fiscal autonomy and government effectiveness are weighted equally and account for more than one-half of a city's institutional character.

Three additional sub-indicators—electoral process and pluralism, taxation and rule of law—complete the category.

The research team assessed the nature of a city's electoral processes and degree of pluralism on a 0-10 scale (0=Electoral process and pluralism is suppressed by ruling party, 10=Electoral process and pluralism is transparent, fair and open to all qualified citizens). The sub-category taxation considers two factors: first, the level of value-added tax observed today and projected in 2025, and second, tax complexity derived from the World Bank's Doing Business Survey and scored on a scale of 1-5 (1=Very complicated, 5=Very simple).

Social and cultural character (5%)

A diverse and open city with a thriving social and cultural scene attracts investors and visitors, making a city more dynamic and thus competitive.

Although perhaps the least tangible category, this is nevertheless an important feature of a city's competitiveness. It comprises four aspects of liveability. First, freedom of expression and human rights, as measured by Freedom House on a scale of 1-7, which was forecasted by country experts based on the trajectory of such issues (1=Most free, 7=Least free). Second, prevalence of crime in the society, based on relevant categories in the EIU's most recent City Liveability Index and a qualitative assessment of EIU researchers of the prevalence of petty and violent crimes as well as external factors affecting future crime. Third, we consider openness and diversity in each city based on five attributes: (1) the degree of global/regional ethnic/racial

diversity; (2) the number of different languages spoken or heard; (3) whether English or another major language is widely spoken; (4) whether foreigners feel comfortable; and (5) whether there is an acceptance of different lifestyles and beliefs. The scores are presented on a scale of 1-5 (1=Very closed and homogenous, 5=Very open and diverse). Last, we assess each city's cultural vibrancy. The current score for cultural vibrancy is based on the categories culture, sport, and food and drink in the latest EIU City Liveability Index. The score for 2025 is based on a qualitative assessment by EIU experts, based on city investment plans in cultural issues, and presented on a scale of 1-3 (1=Cultural vibrancy is expected to decrease, 3=Cultural vibrancy is expected to increase).

Human capital (15%)

A growing skilled labour force with easy access to quality education and healthcare makes a city attractive for businesses. The quality of education and healthcare feeds into firm productivity and growth, and ultimately city competitiveness.

The human capital category considers six factors that shape the attractiveness of a city in terms of its ability to create a pool of labour that firms value when they choose a location or decide to expand their operations in a city.

We scored cities' quality of education on a scale 1-5 (1=Very Poor, 5=Very good) by looking at the quality and quantity of private and public education. The scores are based on the EIU's Global City Liveability Index. The future score assessed cities' plans or initiatives to improve the education system, such as planned investments in new school construction (including plans to hire new teachers or provide additional training to existing ones), investment in public/private partnerships, investment in vocational/technical education. A similar assessment, based on the EIU's Global City Liveability Index, was made for the quality of healthcare in each city.

One of the key factors that makes a labour market attractive is a sizeable working-age

population. There are two indicators that look at how demographic trends impact on a city's competitiveness in this regard. The first is the working-age population, defined as people aged between 15 and 64. These data were collected from national statistical agencies and the UN World Urbanisation Prospects and Demographia for the latest available year. We used population growth rates as measured by the UN to project the size of the working-age population in 2025, which was adjusted by country analysts to account for city-specific demographic factors. These adjusted population growth rates were used as another indicator.

Finally, we believe that the quality of a city's workforce depends on its ability to attract people from outside the country and to provide equal economic opportunities to women. This is particularly relevant for, but not confined to, countries with ageing populations, which depend on the migration of foreign skilled workers to maintain their competitive edge. To reflect the importance, we scored cities on the ease of hiring foreign nationals (1=Very difficult, 5=Very easy), based on a qualitative assessment of immigration barriers, rules of employment of local nationals (such as quotas) and unofficial barriers to hiring foreign workers. The Women's Economic Opportunity score was taken from the EIU's Women's Economic Opportunity Index, which is a dynamic quantitative and qualitative scoring model constructed from 26 indicators that measure specific attributes of the environment for women employees and entrepreneurs.

Environment and natural hazards (5%) **High standards of environmental governance make a city attractive for both businesses and people. In the long term, sustainable environment policies are key to preserving a city's competitiveness.**

We assess each city's quality of environmental governance by considering city authorities' likely performance in three areas: (1) Water quality (0=City does not have a long-term water quality strategy; water quality is likely to remain the same or worsen. 10=The city has an in-depth and long-term water quality improvement strategy that is credible and includes performance metrics/monitoring policies; the city's water quality is likely to improve, or if it is already at a high level, will stay the same). (2) Air quality (0=City lacks a comprehensive long-term strategy for dealing with air quality issues. Air quality is likely to be a major problem owing to lack of investment and focus on this issue. 10=City has a credible long-term air quality monitoring and improvement strategy. The city has a rigorous monitoring and evaluation policy in place which ensures that any issues will be dealt with. There is very little chance that air quality will be an issue for the city). (3) Waste management strategy (0=City lacks a comprehensive long-term strategy for dealing with waste. Waste management is likely to be a major problem given lack of investment and focus on this issue, 10=City has a credible long-term waste management strategy, including a comprehensive recycling programme. There is very little chance that waste management will be an issue for the city). The scoring is based on the EIU's 2010 Green Cities Index, adjusted based on each city's relative priority in this area, as well as the likelihood of achieving set environmental goals based on current trends.

The risk of natural disasters indicator is composed of three sub-indicators. First, we included a qualitative assessment of each city's disaster management/business continuity plans. The score is presented on a scale of 1-5 (1=Strong adaptive capacities, 5=Highly unadaptive). Second

and third, an assessment of each city's physical exposure to natural hazards and susceptibility to climate change, based on the forward-looking scores in the 2012 World Risk Report of the UN University Institute for Environment and Human Security (UNU_EHS), the Alliance Development Works/Bündnis Entwicklung Hilft and The Nature Conservancy (TNC). The scores are presented on a scale of 1-5 (1=Very low, 5=Very high). Country-level scores were reviewed by EIU analysts and adjusted based on city-specific factors.

Global appeal (10%)

This category seeks to gauge a city's international orientation measured by its ability to attract people and businesses from around the globe.

We believe that a city's international orientation has a bearing on its competitiveness. To assess a city's global appeal, we consider four factors.

First, global business attractiveness is scored by a qualitative assessment of a city's policies towards attracting investment and supporting local businesses (such as tax breaks, public-private partnerships or the presence of technology parks, Special Economic Zones, free-trade zones). The indicator scores were ranked on a 1-3 scale (1=City has none of these policies in place, 3=City has many of these policies in place and has allocated substantial funding to improving business environment issues). The 1-3 ranking was then applied to the city's score from the last Index, which was based on the number of Fortune 500 companies as well as EIU's Business Operating Environment rankings.

Second, we determine an international flight ranking based on the frequency of international flights from and to a city. The indicator score is presented on a 1-4 scale (1=Very low, 4=Very high). Historical flight data were taken from the last study, then forecast using estimates of regional and country flight trends from the UN's International Civil Aviation Organization (ICAO). These forecasts to 2025 were then put into

quartiles and scored on a 1-4 scale.

The third indicator looks at each city's level of conference/convention development. The 2012 scores were derived from the actual number of conferences and conventions held in the city in the most recent year. The 2025 scores are informed by the city's current state of conference and convention development and the city government's policies and priorities in this area, if any. The 2025 scores were ranked on a 0-3 scale (0=No real policies or investment focused on establishing/promoting the city as a tourism and conference destination; 3=The city government has long-term plans that are focused on strengthening its appeal as a conference centre; the city is likely to be a major international destination for conferences). This 1-3 scale was then used to increase the city scores appropriately.

Finally, the global leadership in higher education category scores cities based on our assessment of the number of globally competitive higher education institutions and the city government's policies to invest and promote university education. The scores were ranked on a scale of 1-4 (1=City has no globally competitive higher education institutions and has shown no focus on this issue in its policies; 4=City has a large number of globally competitive higher education institutions and has shown its focus on maintaining such an environment through already established long-term plans, investment, and partnerships with other globally recognised institutions). Similar to the other indicators in this category, the 2012 Index figures were then modified by this scoring system to increase the appropriate cities' higher education scores.

Data sources and indicator normalisation

The EIU collected data for the Index from November 2012 to March 2013. Wherever possible, publicly available data from official sources are used for the latest available year. The qualitative indicator scores were informed by publicly

available information and assigned by the EIU's research team. Qualitative indicators scored by the EIU are often presented on an integer scale of 1-5 (where 1=worst, 5=best). This scale varies for ratings from third-party sources.

Indicator scores are normalised and then aggregated across categories to enable an overall comparison. To make data comparable, we normalised the data on the basis of:

Normalised $x = (x - \text{Min}(x)) / (\text{Max}(x) - \text{Min}(x))$ where $\text{Min}(x)$ and $\text{Max}(x)$ are, respectively, the lowest and highest values in the 120 cities for any given indicator. The normalised value is then transformed into a positive number on a scale of 0-100. This was similarly done for quantitative indicators, where a high value indicates greater competitiveness.

Weighting

The weighting assigned to each category and indicator can be changed to reflect different assumptions about their relative importance. Three sets of weights are provided in the Index. The first option, called "EIU default", attaches the weighting described above. The second, called "neutral weighting", assumes equal importance of all indicators and evenly distributes weights. The third option, called "2011 weighting", uses the category weightings as provided in last year's Index, that is, categories that were not measured in this version of the Index will still impact the 2012 scores.

Data modelling

Indicator scores are normalised and then aggregated across categories to enable a comparison of broader concepts across countries. Normalisation rebases the raw indicator data to a common unit so that they can be aggregated. The indicators where a higher value indicates a more favourable environment for city competitiveness have been normalised on the basis of:

$$x = (x - \text{Min}(x)) / (\text{Max}(x) - \text{Min}(x))$$

where $\text{Min}(x)$ and $\text{Max}(x)$ are, respectively, the lowest and highest values in the 120 cities for any given indicator. The normalised value is then transformed from a 0-1 value to a 0-100 score to make it directly comparable with other indicators. This in effect means that the city with the highest raw data value will score 100, while the city with the lowest will score 0.

For the indicators where a high value indicates an unfavourable environment for city competitiveness, the normalisation function takes the form of:

$$x = (x - \text{Max}(x)) / (\text{Max}(x) - \text{Min}(x))$$

where $\text{Min}(x)$ and $\text{Max}(x)$ are, respectively, the lowest and highest values in the 120 cities for any given indicator. The normalised value is then transformed into a positive number on a scale of 0-100 to make it directly comparable with other indicators.

City selection

The 120 cities in the Index were selected based on regional diversity, economic importance and size of population, as described previously. They are:

North America	South and Central America	Asia Pacific	Europe	Middle East	Africa
Atlanta	Belo Horizonte	Ahmedabad	Amsterdam	Abu Dhabi	Alexandria
Boston	Bogotá	Almaty	Ankara	Beirut	Cairo
Chicago	Buenos Aires	Auckland	Athens	Doha	Cape Town
Dallas	Guadalajara	Bandung	Barcelona	Dubai	Durban
Houston	Lima	Bangalore	Berlin	Kuwait City	Johannesburg
Los Angeles	Medellín	Bangkok	Birmingham	Muscat	Lagos
Miami	Mexico City	Beijing	Brussels	Riyadh	Nairobi
Montréal	Monterrey	Busan	Bucharest	Tehran	
New York	Panama City	Chengdu	Budapest	Tel Aviv	
Philadelphia	Porto Alegre	Chennai	Copenhagen		
San Francisco	Rio de Janeiro	Chongqing	Dublin		
Seattle	Santiago	Colombo	Frankfurt		
Toronto	São Paulo	Dalian	Geneva		
Vancouver		Delhi	Hamburg		
Washington		Dhaka	Istanbul		
		Fukuoka	Kiev		
		Guangzhou	Kraków		
		Hangzhou	Lisbon		
		Hanoi	London		
		Ho Chi Minh City	Madrid		
		Hong Kong	Milan		
		Hyderabad	Monaco		
		Incheon	Moscow		
		Jakarta	Oslo		
		Karachi	Paris		
		Kolkata	Prague		
		Kuala Lumpur	Rome		
		Manila	Saint Petersburg		
		Melbourne	Stockholm		
		Mumbai	Vienna		
		Nagoya	Warsaw		
		Osaka	Zurich		
		Pune			
		Qingdao			
		Seoul			
		Shanghai			
		Shenzhen			
		Singapore			
		Surabaya			
		Suzhou (Jiangsu)			
		Sydney			
		Taipei			
		Tianjin			
		Tokyo			

Whilst every effort has been taken to verify the accuracy of this information, neither The Economist Intelligence Unit Ltd. nor the sponsor of this report can accept any responsibility or liability for reliance by any person on this white paper or any of the information, opinions or conclusions set out in the white paper.

London

20 Cabot Square
London
E14 4QW
United Kingdom
Tel: (44.20) 7576 8000
Fax: (44.20) 7576 8476
E-mail: london@eiu.com

New York

750 Third Avenue
5th Floor
New York, NY 10017
United States
Tel: (1.212) 554 0600
Fax: (1.212) 586 0248
E-mail: newyork@eiu.com

Hong Kong

6001, Central Plaza
18 Harbour Road
Wanchai
Hong Kong
Tel: (852) 2585 3888
Fax: (852) 2802 7638
E-mail: hongkong@eiu.com

Geneva

Boulevard des
Tranchées 16
1206 Geneva
Switzerland
Tel: (41) 22 566 2470
Fax: (41) 22 346 93 47
E-mail: geneva@eiu.com