

Big Mac Index



How Far from Fair Value is Your Currency?

Using the Big Mac Index to value currencies ([July 16th, 2009 Big Mac prices](#), at today's exchange rates)

Country	Big Mac Price		Implied PPP rate +	Today's Exchange Rate 1 USD =	Over(+) / Under(-) Valuation against the USD, % ++
	in Local Currency	in US dollars			
United States	\$ 3.57	3.5700	---	1.0000	---
Argentina	Peso 11.5	2.9189	3.22	3.9399	-18.2720
Australia	A\$ 4.34	3.8764	1.22	1.1196	8.9675
Brazil	Real 8.03	4.5480	2.25	1.7656	27.4354
Britain	£ 2.29	3.5598	0.64	0.6433	-0.5130
Canada	C\$ 3.89	3.7079	1.09	1.0491	3.8986
Chile	Peso 1750	3.3916	490	515.986	-5.0362
China	Yuan 12.5	1.8357	3.50	6.8093	-48.5997
Colombia	Peso 7000	3.7922	1961	1845.90	6.2354
Costa Rica	Colones 2000	3.8539	560	518.960	7.9081
Czech Republic	Koruna 67.92	3.4708	19.0	19.5689	-2.9072
Denmark	DK 29.5	5.0253	8.26	5.8703	40.7083
Estonia	Kroon 32.0	2.5939	8.96	12.3367	-27.3712
Egypt	Pound 13.0	2.2675	3.64	5.7331	-36.5090
Euro area	€ 3.31	4.2005	0.93	0.7880	18.0203
Hong Kong	HK\$ 13.3	1.7105	3.73	7.7755	-52.0288
Hungary	Forint 720	3.2465	202	221.776	-8.9171
Iceland	Kronur 640	4.9612	179	129.000	38.7597
Indonesia	Rupiah 20900	2.2886	5854	9132.42	-35.8987
Israel	Shekel 15.0	3.9403	4.20	3.8068	10.3289
Japan	¥ 320	3.7519	89.6	85.2912	5.0519
Latvia	Lats 1.55	2.7698	0.43	0.5596	-23.1594
Lithuania	Litas 7.1	2.6091	1.99	2.7212	-26.8705
Malaysia	Ringgit 6.77	2.1601	1.90	3.1341	-39.3765
Mexico	Peso 33.0	2.5757	9.24	12.8120	-27.8801
New Zealand	NZ\$ 4.90	3.4668	1.37	1.4134	-3.0706
Norway	Kroner 40.0	6.4146	11.2	6.2358	79.6081
Pakistan	Rupee 190	2.1856	53.2	86.9340	-38.8042
Peru	New Sol 8.056	2.8115	2.26	2.8654	-21.1279
Philippines	Peso 99.39	2.1977	27.8	45.2238	-38.5279
Poland	Zloty 7.6	2.4127	2.13	3.1500	-32.3810
Russia	Rouble 67.0	2.1843	18.8	30.6738	-38.7099
Saudi Arabia	Riyal 11.00	2.9290	3.08	3.7556	-17.9891
Singapore	S\$ 4.22	3.1114	1.18	1.3563	-12.9986
South Africa	Rand 17.95	2.4462	5.03	7.3378	-31.4508
South Korea	Won 3400	2.8737	952	1183.15	-19.5368
Sri Lanka	Rupee 210	1.8653	58.8	112.584	-47.7723
Sweden	SKr 39.0	5.2646	10.9	7.4080	47.1382
Switzerland	SFr 6.50	6.2693	1.82	1.0368	75.5401
Taiwan	NT\$ 75.0	2.3461	21.0	31.9680	-34.3093
Thailand	Baht 64.49	2.0410	18.1	31.5975	-42.7170
Turkey	Lire 5.65	3.7120	1.58	1.5221	3.8040
UAE	Dirhams 10.0	2.7220	2.80	3.6738	-23.7846
Ukraine	Hryvnia 14.0	1.7485	3.92	8.0070	-51.0428
Uruguay	Peso 61.0	2.8485	17.1	21.4150	-20.1494

+ The Purchasing Power Parity (PPP) rate is the local Big Mac price divided by its price in the United States. Prices and their corresponding implied PPP rates are the latest figures available from The Economist.

++ The Over/Under valuation against the dollar is calculated as follows using OANDA's latest rates: $100 \times (\text{PPP} - \text{Exchange Rate}) / \text{Exchange Rate}$

What is the Big Mac Index?

The Economist uses the price of the ubiquitous McDonald's meal to calculate the "Big Mac Index", a guide showing how far from fair value different world currencies are. The Big Mac theory (a.k.a. purchasing-power parity, or PPP) says that exchange rates should even out the prices of Big Macs sold across the world.

The implied PPP shown in the table is the exchange rate that would make a Big Mac cost the same abroad as it does in the USA. When you compare actual exchange rates with the implied PPP rate, you will see that most currencies are trading way above or below the US

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dollar, meaning that they are over- or undervalued. Keep in mind that PPP is a long-term indicator, pointing to where currencies ought to go in the future. (It's also best to use it only to measure currencies between countries that are at a similar stage of development.)

How to read this table

If a Big Mac costs €3.37 in countries that use the euro and \$3.57 in the US, then the implied PPP rate is $3.37/3.57 = 0.944$. If the actual exchange rate for the euro is lower than the implied PPP rate, the Big Mac theory suggests that the value of the euro might go up until it reaches the implied PPP rate. If the actual exchange rate is higher, then you might expect the euro to go down until it hits the implied PPP rate. The percentage of under- and over-valuation from the current exchange rate is shown in the table.

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