The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Russian Ruble Is World's Most Undervalued Currency on Big Mac Index

February 03, 2022



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The Russian currency should be worth 70% more against the U.S. dollar — 23 rubles per $1, rather than its current level of around 76.7 — British newspaper The Economist has calculated in its closely watched Big Mac Index.

The Big Mac Index compares the price of the famous McDonald's burger across the world to calculate whether national currencies are undervalued or overvalued. After accounting for differences in living standards — measured by GDP per capita — the ruble comes out as the most undervalued of the 55 currencies tracked by The Economist, in a measurement dubbed "Burgernomics."

"A Big Mac costs 135 rubles in Russia and $5.81 in the United States. The implied exchange rate is 23.2. The difference between this and the actual exchange rate, 77.4, suggests the Russian ruble is 70% undervalued," The Economist said Wednesday, referencing the ruble's market value earlier in the week.

The ruble has come out as “undervalued” against the dollar on the Index for the last decade.

Russia’s currency has seen a turbulent start to the year. Market volatility stoked by fears of a Russian invasion of Ukraine sent the ruble to its lowest level in 14 months and forced the country’s Central Bank to halt its usual foreign currency purchases in a bid to stop the slide.

Among the world’s other most undervalued currencies on the Big Mac index are also the Turkish lira, which is undervalued by 67.9%, the Indonesian rupiah and the Malaysian ringgit — undervalued by 59.3%, and by 58.9% respectively. The Economist ranked the Swiss franc and the Norwegian krone as the world’s most overvalued currencies.

Original url:
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