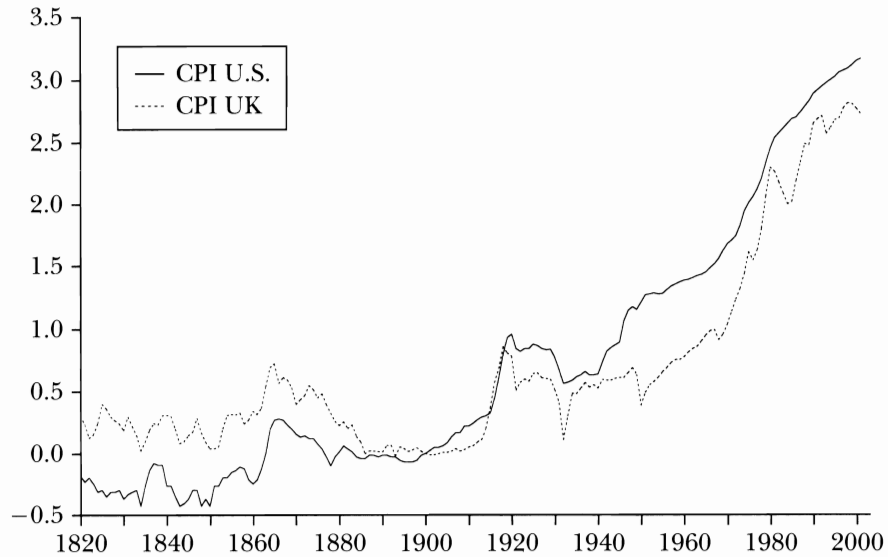


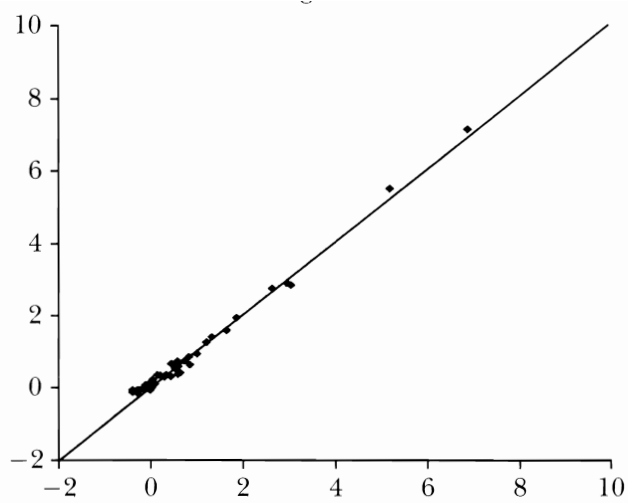
Economics 170: International Macroeconomics
Handout on PPP
March 21, 2008

Figure 1: Dollar-Sterling PPP Over Two Centuries



Note: The figure shows U.S. and U.K. consumer price indices expressed in U.S. dollar terms over the period 1820-2001 using a log scale with a base of 1900=0. Source: Alan M. Taylor and Mark P. Taylor, "The Purchasing Power Parity Debate," *Journal of Economic Perspectives* 18, Fall 2004, 135-158.

Figure 2: Consumer Price Inflation Relative to the U.S. Versus Dollar Exchange Rate Depreciation, 29-Year Average, 1970-1998



Note: The figure shows countries' cumulative inflation rate differentials against the United States in percent (vertical axis) plotted against their cumulative depreciation rates against the U.S. dollar in percent (horizontal axis). The sample includes data from 20 industrialized countries and 26 developing countries. Source: Alan M. Taylor and Mark P. Taylor, "The Purchasing Power Parity Debate," *Journal of Economic Perspectives* 18, Fall 2004, 135-158.

The Economists Big Mac Index: The Economist, May 25, 2006

The hamburger standard

	Big Mac prices		Implied PPP* of the dollar	Actual dollar exchange rate May 22nd	Under (-)/ over (+) valuation against the dollar, %
	in local currency	in dollars			
United States†	\$3.10	3.10	-	-	-
Argentina	Peso 7.00	2.29	2.26	3.06	-26
Australia	A\$3.25	2.44	1.05	1.33	-21
Brazil	Real 6.40	2.78	2.06	2.30	-10
Britain	£1.94	3.65	1.60‡	1.88‡	+18
Canada	C\$3.52	3.14	1.14	1.12	+1
Chile	Peso 1,560	2.94	503	530	-5
China	Yuan 10.5	1.31	3.39	8.03	-58
Czech Republic	Koruna 59.05	2.67	19.0	22.1	-14
Denmark	DKr27.75	4.77	8.95	5.82	+54
Egypt	Pound 9.50	1.65	3.06	5.77	-47
Euro area§	€2.94	3.77	1.05**	1.28**	+22
Hong Kong	HK\$12	1.55	3.87	7.75	-50
Hungary	Forint 560	2.71	181	206	-12
Indonesia	Rupiah 14,600	1.57	4,710	9,325	-49
Japan	¥250	2.23	80.6	112	-28
Malaysia	Ringgit 5.50	1.52	1.77	3.63	-51
Mexico	Peso 29.00	2.57	9.35	11.3	-17
New Zealand	NZ\$4.45	2.75	1.44	1.62	-11
Peru	New Sol 9.50	2.91	3.06	3.26	-6
Philippines	Peso 85.00	1.62	27.4	52.6	-48
Poland	Zloty 6.50	2.10	2.10	3.10	-32
Russia	Rouble 48.00	1.77	15.5	27.1	-43
Singapore	S\$3.60	2.27	1.16	1.59	-27
South Africa	Rand 13.95	2.11	4.50	6.60	-32
South Korea	Won 2,500	2.62	806	952	-15
Sweden	SKr33.00	4.53	10.6	7.28	+46
Switzerland	SFr6.30	5.21	2.03	1.21	+68
Taiwan	NT\$75.00	2.33	24.2	32.1	-25
Thailand	Baht 60.00	1.56	19.4	38.4	-50
Turkey	Lire 4.20	2.72	1.35	1.54	-12
Venezuela	Bollivar 5,701	2.17	1,839	2,630	-30
Aruba	Florin 4.95	2.77	1.60	1.79	-11
Bulgaria	Lev 2.99	1.94	0.96	1.54	-37
Colombia	Peso 6,500	2.60	2,097	2,504	-16
Costa Rica	Colon 1,130	2.22	365	510	-28
Croatia	Kuna 15.0	2.62	4.84	5.72	-15
Dominican Rep	Peso 60.0	1.84	19.4	32.6	-41
Estonia	Kroon 29.5	2.40	9.52	12.3	-23
Fiji	Fiji \$4.65	2.69	1.50	1.73	-13
Georgia	Lari 4.15	2.31	1.34	1.80	-26
Guatemala	Quetzal 17.25	2.27	5.56	7.59	-27
Honduras	Lempira 35.95	1.90	11.6	18.9	-39
Iceland	Kronur 459	6.37	148	72.0	+106
Latvia	Lats 1.35	2.47	0.44	0.55	-20
Lithuania	Litas 6.50	2.41	2.10	2.69	-22
Macao	Pataca 11.1	1.39	3.59	7.99	-55
Moldova	Leu 23.0	1.75	7.42	13.2	-44
Morocco	Dirham 24.5	2.82	7.92	8.71	-9
Norway	Kroner 43.0	7.05	13.9	6.10	+127
Pakistan	Rupee 130	2.16	41.9	60.1	-30
Paraguay	Guarani 9,000	1.63	2,903	5,505	-47
Saudi Arabia	Riyal 9.00	2.40	2.90	3.75	-23
Slovakia	Koruna 58.0	1.97	18.7	29.5	-37
Slovenia	Tolar 520	2.76	168	189	-11
Sri Lanka	Rupee 190	1.85	61.3	103	-40
Ukraine	Hryvna 8.50	1.68	2.74	5.05	-46
UAE	Dirham 9.00	2.45	2.90	3.67	-21
Uruguay	Peso 42.3	1.77	13.6	23.9	-43

*Purchasing-power parity: local price divided by price in United States
 †Average of New York, Chicago, Atlanta and San Francisco ‡Dollars per pound
 §The Economist §Weighted average of prices in euro area **Dollars per euro