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Big Mac Index Signals Trouble for U.S. Dollar and Inflation

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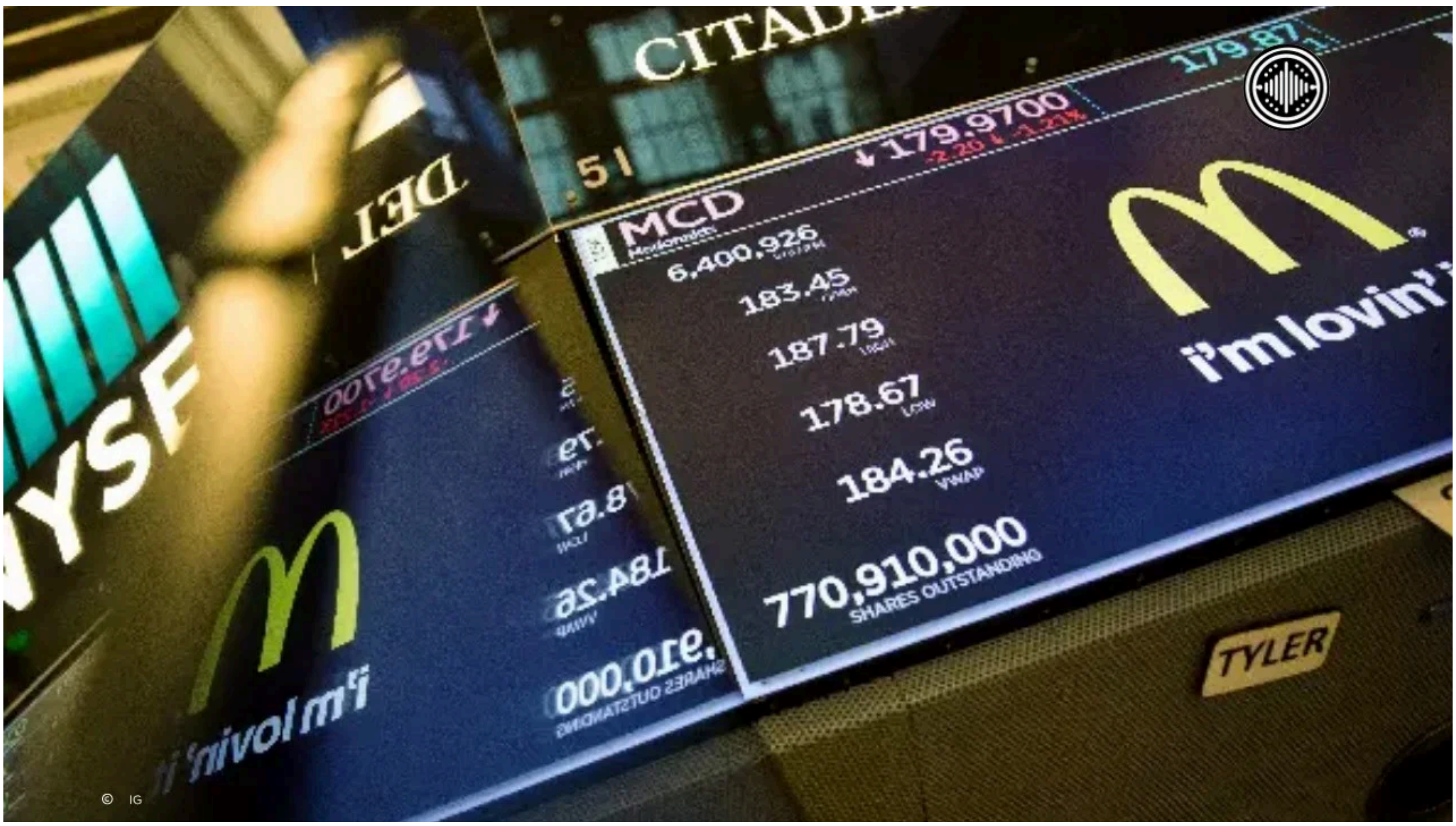

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The latest update to the Big Mac Index paints a concerning picture for the American economy. While the U.S. dollar has dropped in value since early 2025, it remains overvalued relative to many other global currencies, making exports less competitive and everyday goods more expensive for consumers. The result: rising inflation, eroded purchasing power, and economic strain on American households.

The Big Mac Index, created by *The Economist* and updated on July 16, 2025, is a lighthearted yet useful economic tool grounded in the theory of Purchasing Power Parity (PPP). This concept suggests that exchange rates between currencies should equalize the price of an identical basket of goods, in this case, a McDonald's Big Mac, across countries. If the burger is significantly cheaper or more expensive in one country compared to another, it signals that the currency is undervalued or overvalued.

Despite a 10% drop in the U.S. dollar since January, it remains expensive in PPP terms. This means Americans are paying more for imported goods, while U.S. exports remain pricey abroad, limiting economic gains from trade. According to *The Economist*, this trend contradicts earlier claims made by former Trump administration officials who believed tariffs would lead to a stronger dollar and increased domestic competitiveness.

Instead, investor confidence weakened during the tariff standoff, pushing the dollar lower and contributing to price hikes at home. Inflation rose 2.7% year-over-year as of June 2025, according to the latest consumer price data. Scott Bessent, a former chief investment officer under Trump, once argued that the dollar would offset any tariff costs, but that prediction has not materialized, as rising prices now weigh on American families.

As of July 22, the dollar traded at roughly 0.85 euros and 0.74 British pounds. However, several Asian currencies, including the Taiwanese dollar, Indian rupee, and Indonesian rupiah, remain sharply undervalued. This imbalance keeps American goods at a disadvantage in global markets and undermines any intended benefits of past trade policy efforts.

Dr. Usha Haley, Barton Distinguished Chair in International Business at Wichita State University, emphasized to *Food & Wine* that the Big Mac serves as a clear indicator of broader currency trends. "It's a rough basket of goods from beef to dairy that reflects how far your money goes globally," she said.

The takeaway is simple: a weaker dollar doesn't always translate to stronger exports, and when combined with inflationary pressures, it leaves American consumers footing the bill.