



Customers consume food and drink on the terrace of a Starbucks coffee shop in Avenues shopping mall in Kuwait City, Kuwait, in August. PHOTOGRAPHER: TASNEEM ALSULTAN/BLOOMBERG NEWS

[37 COMMENTS](#) By [Chelsey Dulaney](#) and [Ira Iosebashvili](#) [Biography](#)
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The dollar's worth is determined each day by the \$5 trillion foreign exchange market, but that hasn't stopped investors, academics and policy makers from debating what the real value ought to be.

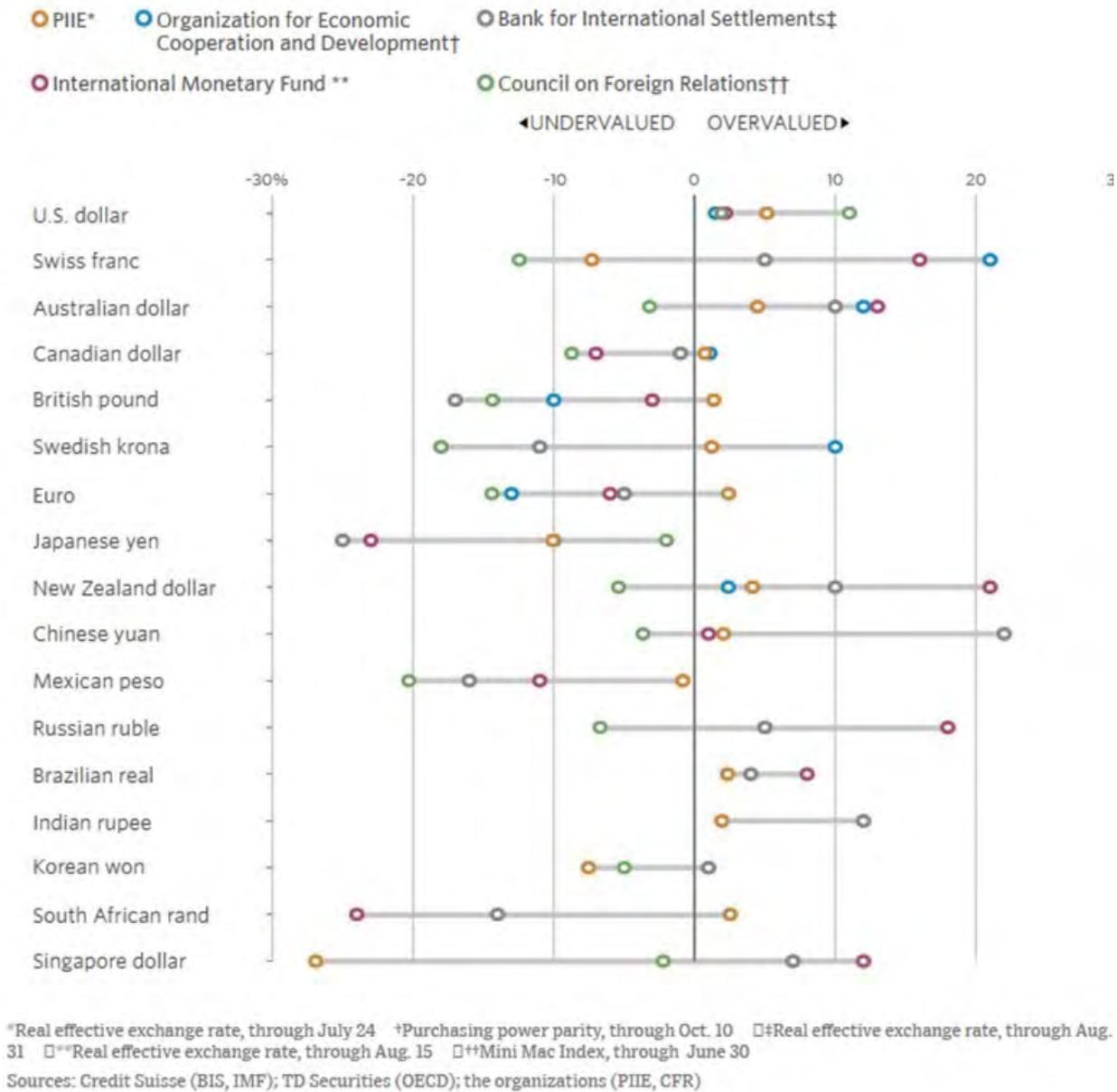
The financial community uses dozens of metrics to determine how much a currency should be worth—and which currencies to buy and sell. These often tell starkly different stories. One measure created by the Council on Foreign Relations shows the U.S. dollar is 11% overvalued. Another, kept by the Peterson Institute for International Economics, in July showed the greenback as 5% overvalued.

Different Views

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Sources: Credit Suisse (BIS, IMF); TD Securities (OECD); the organizations (PIIE, CFR)

The implications of these discrepancies have been heightened lately as currencies have taken on increased political significance. President Donald Trump has repeatedly lamented the strength of the U.S. dollar while railing against trade partners for keeping their currencies too weak. U.S. officials have pushed the International Monetary Fund for greater monitoring and for U.S. trade deals to include provisions to punish currency manipulators. Efforts to enforce currency values, however, are complicated by the hodgepodge of valuation metrics used by agencies around the world.

Beans for Your Buck

Varying prices for a tall latte at Starbucks around the world suggest some currencies are overvalued against the dollar and some are undervalued.

CITY	CURRENCY	LATTE PRICE IN U.S. DOLLARS
Zurich	Swiss franc	\$5.76
Hong Kong	Hong Kong dollar	\$4.36
Singapore	Singapore dollar	\$4.24
Beijing	Chinese yuan	\$4.22
Shanghai	Chinese yuan	\$4.22
Brussels	Euro	\$4.21
Beirut	Lebanese pound	\$4.20
Dubai	Emirati dirham	\$4.08
Seoul	Korean won	\$3.76
Moscow	Russian ruble	\$3.74
Jakarta	Indonesian rupiah	\$3.55
Riyadh	Saudi riyal	\$3.47
Jeddah	Saudi riyal	\$3.47
New York	U.S. dollar	\$3.45
Berlin	Euro	\$3.40
Buenos Aires	Argentine peso	\$3.28
Tokyo	Japanese yen	\$3.26
Crete	Euro	\$3.26
Bangkok	Thai baht	\$3.17
Sydney	Australian dollar	\$3.13
Athens	Euro	\$3.09
Kuala Lumpur	Malaysian ringgit	\$3.08
Toronto	Canadian dollar	\$2.94
London	British pound	\$2.84
São Paulo	Brazilian real	\$2.44
Mexico City	Mexican peso	\$2.19
Istanbul	Turkish lira	\$1.83
Johannesburg	South African rand	\$1.79
Cairo	Egyptian pound	\$1.53

Source: Staff reports

Policy makers have long blamed unfair currency practices for the U.S.'s \$500 billion annual trade deficit and the flight of U.S. jobs overseas. In the 1990s and 2000s, nations such as China intervened in financial markets to weaken their currencies and make their exports cheaper. The dollar became more than 10% overvalued, according to IMF data, rendering U.S. exports increasingly uncompetitive. After this year's slide in the dollar, the currency is less than 2% overvalued.

The U.S. dollar's overvaluation has come down this year.



Note: International Monetary Fund real effective exchange rate. Negative number indicates undervaluation.

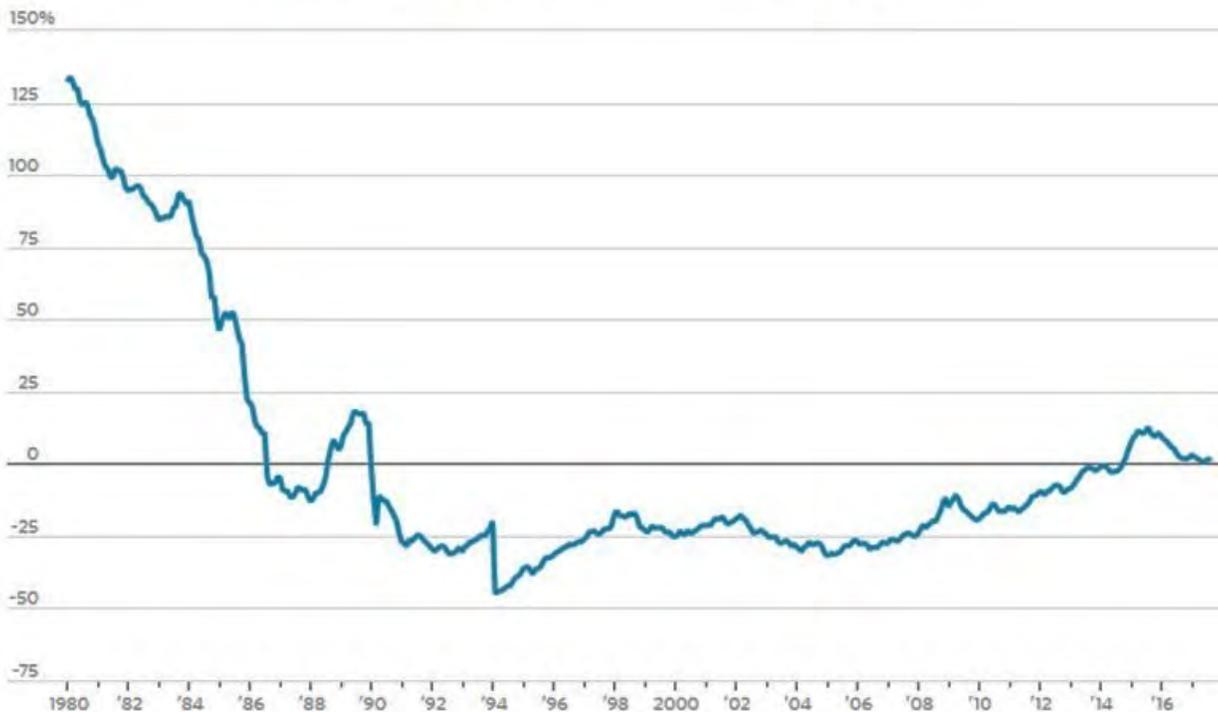
Source: Credit Suisse

THE WALL STREET JOURNAL

After decades of undervaluation, the Chinese yuan is essentially fairly valued. THE WALL STREET JOURNAL

Source: Credit Suisse
Note: International Monetary Fund real effective
China has been repeatedly accused of keeping its currency weak to gain a trade advantage. A decade ago, the currency was about 25% undervalued against the dollar, according to IMF data, a dynamic that encouraged the spread of cheap Chinese exports. During his campaign, Mr. Trump said he would label China a currency manipulator on his first day in office. The U.S. hasn't taken that step, an acknowledgment that the Chinese currency is no longer undervalued by most metrics.

After decades of undervaluation, the Chinese yuan is essentially fairly valued.



Note: International Monetary Fund real effective exchange rate. Negative number indicates undervaluation.

Source: Credit Suisse

THE WALL STREET JOURNAL

One widely used method for measuring currency values is by comparing how much one item would cost in different countries, a theory known as purchasing-power parity. The Wall Street Journal compiled the price of a tall Starbucks SBUX -0.11% latte from 29 locations across the globe to determine which currencies are misaligned. Though the latte prices are likely also affected by factors such as country taxes, The Wall Street Journal's Latte Index broadly mirrors the results of other valuation methods.

Cost of a Cuppa

Wall Street Journal reporters around the globe bought Starbucks lattes, showing how the dollar's value against various currencies can affect the coffee's cost.

*Real effective exchange rate, through July 24 †Purchasing power parity, through Oct. 10 □‡Real effective exchange rate, through Aug. 31 □**Real effective exchange rate, through Aug. 15 □††Mini Mac Index, through June 30

Riyadh

Price in dollars

\$3.47

Difference
from average

+2.54%



Singapore

Price in dollars

\$4.24

Difference
from average

+25.51%



Sydney

Price in dollars

\$3.13

Difference
from average

-7.43%



Berlin

Price in dollars

\$3.40

Difference
from average

+0.63%



London

Price in dollars

\$2.84

Difference
from average

-16.06%



Dubai

Price in dollars

\$4.08

Difference
from average

+20.84%



Seoul

Price in dollars

\$3.76

Difference
from average

+11.36%



New York

Price in dollars

\$3.45

Difference
from average

+2.07%

