

Topic 10: Exchange Rates and Trade



Foreign currencies

USA	
EU	
Japan	
Australia	
China	

Holiday makers...

A strong pound means that the UK holiday-maker gets _____ foreign currency per pound (=cheap holiday).

A weak pound means that the UK holiday-maker gets _____ foreign currency per pound (=expensive holiday).

A weak pound causes _____ tourists to come to Britain.

Which is better for a British holiday-maker to the USA?

- a) £1 = \$1.25
- b) £1 = \$1.55

How many dollars would £100 buy using (a) above?

Businesses...

A strong pound means British goods are _____ in other countries, which _____ exports.

A weak pound means British goods are _____ in other countries, which _____ exports.

Rolls Royce sells aeroplane engines in Germany. The price is £1m per engine. The exchange rate is £1 = €1.20. How many euros does the engine cost?

€ _____

Why does a weak pound help Rolls Royce sell more engines in Germany?

Extra Notes...

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Foreign currencies

USA	Dollars
EU	Euros
Japan	Yes
Australia	Dollars
China	Yuan

Holiday makers...

A strong pound means that the UK holiday-maker gets more foreign currency per pound (=cheap holiday).

A weak pound means that the UK holiday-maker gets less foreign currency per pound (=expensive holiday).

A weak pound causes more tourists to come to Britain.

Which is better for a British holiday-maker to the USA?

- c) £1 = \$1.25
- d) £1 = \$1.55

How many dollars would £100 buy using (a) above? \$125

Businesses...

A strong pound means British goods are expensive in other countries, which reduces exports.

A weak pound means British goods are cheaper in other countries, which boosts exports.

Rolls Royce sells aeroplane engines in Germany. The price is £1m per engine. The exchange rate is £1 = €1.20. How many euros does the engine cost?

€ 1.2m

Why does a weak pound help Rolls Royce sell more engines in Germany?

Engines are cheaper for German customers; they have to spend fewer euros to buy one.

Extra Notes...