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| ***Appreciation of the currency – winners and losers***Domestic firms that **GAIN** from an **appreciation** of a country’s currency are:* ***Importers*** *of* ***foreign raw materials*** *and* ***components*** *– increases competitiveness*
* ***Importers*** *of* ***foreign manufactured goods*** *– cheaper in terms of domestic currency*

*Lower import prices will help reduce the rate of inflation for the whole economy and all firms are likely to gain from this stable position**Domestic firms that* ***LOSE*** *from an appreciation of a country’s currency are:** Exporters of goods and services to foreign markets – not just G&S but also holidays
* Business that **sell** goods to the **domestic** market and have **FOREIGN** competitors
	+ *Appreciation makes* ***imports cheaper*** *and thus domestic producers less competitive.*
	+ *Customers may switch to* ***imported goods*** *and* ***overseas holidays***
	+ *However, firms that import raw materials from other countries should be able to lower their price to compete*
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| ***Depreciation of the currency – winners and losers***Domestic firms that **GAIN** from a depreciation of a country’s currency are:* ***Home-based exporters****, who can now* ***reduce their prices*** *in overseas markets – this should increase the value of their exports (people buy more)*
* *Business that sell in the* ***domestic market*** *will experience less price competition from* ***importers*** *– prices of imported G&S are likely to* ***RISE*** *on the domestic market*

*The home-based businesses that are likely to* ***LOSE*** *from depreciation are:** *Manufacturers who* ***depend*** *heavily on* ***importedsupplies*** *of raw materials, components or energy sources – these costs will* ***rise*** *and will reduce competitiveness*
* *Retailers that purchase* ***foreign supplies****, especially if they are close* ***domesticsubstitutes*** *– the prices of these exports will rise*
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***Depreciation of the currency***

The fall in value of a currency in terms of other currencies will have effects which are the reverse of those already analysed for an appreciation.