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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* |

***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.