

Teaching Exchange Rates

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Travelex			worldwide money
		WE BUY AT	WE SELL AT
 EURO	EUR	0.8213	0.6855
 UNITED KINGDOM	GBP	0.5637	0.4705
 CANADA	CAD	1.3403	1.1185
 JAPAN	JPY	113.763	94.949
 MEXICO	PESO	12.403	10.134
 SWEDEN	SKR	7.384	6.1615
 DENMARK	KNR	6.104	5.0942
 BRAZIL	BRC	3.222	2.373
 BELIZE	BZD	2.324	1.713
 AUSTRALIA	AUD	1.4363	1.1985
 HONDURAS	HON	2.1924	16.164
		5.8800	5.8800
DATE		12 20	TIME
			11:22
THE ABOVE RATES ARE AN INDICATION ONLY AND SUBJECT TO CHANGE WITHOUT NOTICE. OTHER RATES ARE AVAILABLE UPON REQUEST			



My Context: Hobart College



Australian Curriculum Years 9 and 10

Content descriptions

Strand: Knowledge and understanding

the role of Australia's financial sector and its effect on economic decision-making by individuals, businesses and global markets

AC9HE9K01

how and why the economic indicators influence economic decision-making

AC9HE10K01

how economic decision-making involves the interdependence of consumers, businesses, the financial sector and government

AC9HE9K02

the ways that government intervenes in the economy to improve economic performance and living standards within Australian society

AC9HE10K02

the reasons Australia trades with other nations, and the patterns of trade between Australia and Asia

AC9HE9K03

factors that influence major consumer and financial decisions and the short- and long-term consequences of these decisions

AC9HE10K03

processes that businesses use to create and maintain competitive advantage, including the role of entrepreneurs

AC9HE9K04

the importance of Australia's superannuation system and how this system affects consumer and financial decision-making

AC9HE10K04

how individuals and businesses manage consumer and financial risks and rewards

AC9HE9K05

processes that businesses use to manage the workforce and improve productivity, including the role of entrepreneurs

AC9HE10K05

Media Release

Statement by the Reserve Bank Board: Monetary Policy Decision

Number**2024-12**
Date**18 June 2024**

At its meeting today, the Board decided to leave the cash rate target unchanged at 4.35 per cent and the interest rate paid on Exchange Settlement balances unchanged at 4.25 per cent.

Inflation remains above target and is proving persistent.

Inflation has fallen substantially since its peak in 2022, as higher interest rates have been working to bring aggregate demand and supply closer towards balance. But the pace of decline has slowed in the most recent data, with inflation still some way above the midpoint of the 2–3 per cent target range. Over the year to April, the monthly CPI indicator rose by 3.6 per cent in headline terms, and by 4.1 per cent excluding volatile items and holiday travel, which was similar to its pace in December 2023.

Broader data indicate continuing excess demand in the economy, coupled with elevated domestic cost pressures, for both labour and non-labour inputs. Conditions in the labour market eased further over the past month but remain tighter than is consistent with sustained full employment and inflation at target. Wages growth appears to have peaked but is still above the level that can be sustained given trend productivity growth. Recent data revisions suggest that consumption over the past year was stronger than previously suggested. At the same time, output growth has been subdued, and consumption per capita has been declining, as households restrain their discretionary expenditure and inflation weighs on real incomes.

The outlook remains highly uncertain.

The economic outlook remains uncertain and recent data have demonstrated that the process of returning inflation to target is unlikely to be smooth.

The central forecasts published in May were for inflation to return to the target range of 2–3 per cent in the second half of 2025 and to the midpoint in 2026. Since then, there have been indications that momentum in economic activity is weak, including slow growth in GDP, a rise in the unemployment rate and slower-than-

Add Page

Analysis of last few years

Types of Inflation- demand

Types- cost-push

Costs of inflation

Benefits of inflation

Wednesday

Other news

Inflationary expectations

Costs of inflation

Benefits of inflation

RBA Inflation Explainer

Solutions to Inflation

Unemployment

Unemployment calculation

T2W7

Unemployment

Concepts associated with unemployment

Slicing and Dicing Unemployment

Types of unemployment

T2W8

Unemployment calculation

Natural rate of unemployment

Economic and social impacts

Analysis of current situation

Changing employment trends

Unemployment review

Order Effects: Differences in Teaching Sequences

6				The concept of a current Account Deficit (CAD)	
7	2-Sep	Practice Test 7- free trade and trade protection EOY revision (Unit 1.2)	Implications of Australia's CAD Start Exchange rates	<ul style="list-style-type: none"> • Factors that affect the exchange rate • Demonstration and explanation of how free-floating exchange rates are determined 	Practice Test 7
8	9-Sep	Exchange Rates <ul style="list-style-type: none"> • Exchange rates- definition, <u>appreciation</u> and depreciation • Relationship between <u>BoP</u> and exchange rates 	Major Test 4 (Unit 1 retest opportunity)	EOY Revision (Unit 2.1 and 2.3)	Major Test 4 (Unit 1, Sect A&B only)
9	16-Sep	<ul style="list-style-type: none"> • Trade Weighted Index (TWI) overview only. • Analysis of current situation/past 5 years- exchange rates Sample <u>qns</u> CAD, <u>BoP</u> , exchange rates	EOY Revision (Unit 2.3)	<ul style="list-style-type: none"> • Effect of changes in value of currency on allocation of <u>resources</u>, eg on labour flows • Foreign debt and foreign liabilities • Relationship between current account and foreign liabilities 	

Western Australian Syllabus

Organisation

This course is organised into a Year 11 syllabus and a Year 12 syllabus. The cognitive complexity of the syllabus content increases from Year 11 to Year 12.

Structure of the syllabus

The Year 12 syllabus is divided into two units which are delivered as a pair. The notional time for the pair of units is 110 class contact hours.

Unit 3 – Australia and the global economy

This unit explores the interdependence of Australia and the rest of the world. Australia is a relatively open economy and, as such, is influenced by changes in the world economy.

Unit 4 – Macroeconomic Theory and Economic Policy

This unit explores the economic objectives of the Australian Government and the actions and policies taken in the pursuit of these objectives. Changes in the level of economic activity influence the policy mix and the government's capacity to achieve its objectives.

Exchange Rates: Tasmanian Course Document

<p>(CAD)</p> <ul style="list-style-type: none">• Exchange rates:<ul style="list-style-type: none">◦ The concepts of exchange rates, an appreciation and a depreciation◦ Relationship between the balance of payments and the exchange rate◦ Factors that affect the exchange rate◦ Trade Weighted Index (overview only)• Foreign Debt:<ul style="list-style-type: none">◦ The concept of	<ul style="list-style-type: none">• Analysis of current situation and how the economy has performed over the past 5 years, in terms of trends in:<ul style="list-style-type: none">◦ structure of trade◦ foreign investment and foreign debt◦ exchange rates• Demonstration and explanation of how a freely floating exchange rate is determined.	<ul style="list-style-type: none">• Implications of Australia's CAD, especially on foreign debt and debt servicing• Benefits and costs of foreign investment and foreign debt to Australia (in terms of public v private and investment v consumption)• Effects of a change in the value of the domestic currency on the allocation of resources to alternative sectors of the economy, especially on labour flows.	<ul style="list-style-type: none">• Recognition of different views as to the significance of Australia's foreign debt and the capacity of the economy to service and sustain its foreign liabilities• Possible policy actions to deal with:<ul style="list-style-type: none">◦ foreign debt◦ currency fluctuations• Implications in terms of social justice, environmental concerns and practical limitations.
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Exchange Rates: Tasmanian Course Document

<p>(CAD)</p> <ul style="list-style-type: none">• Exchange rates:<ul style="list-style-type: none">◦ The concepts of exchange rates, an appreciation and a depreciation◦ Relationship between the balance of payments and the exchange rate◦ Factors that affect the exchange rate◦ Trade Weighted Index (overview only)• Foreign Debt:<ul style="list-style-type: none">◦ The concept of	<ul style="list-style-type: none">• Analysis of current situation and how the economy has performed over the past 5 years, in terms of trends in:<ul style="list-style-type: none">◦ structure of trade◦ foreign investment and foreign debt◦ exchange rates• Demonstration and explanation of how a freely floating exchange rate is determined.	<ul style="list-style-type: none">• Implications of Australia's CAD, especially on foreign debt and debt servicing• Benefits and costs of foreign investment and foreign debt to Australia (in terms of public v private and investment v consumption)• Effects of a change in the value of the domestic currency on the allocation of resources to alternative sectors of the economy, especially on labour flows.	<ul style="list-style-type: none">• Recognition of different views as to the significance of Australia's foreign debt and the capacity of the economy to service and sustain its foreign liabilities• Possible policy actions to deal with:<ul style="list-style-type: none">◦ foreign debt◦ currency fluctuations• Implications in terms of social justice, environmental concerns and practical limitations.
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Exchange Rates: Tasmanian Course Document

- Definition and explanation of exchange rates
- Changes in the value of the A\$ (appreciation and depreciation)
- Factors that affect the exchange rate
- How exchange rates have changed over last few years
- Impacts of fluctuating exchange rates
- Relationship between BoP and exchange rate
- Policy options

*An exchange rate is the price of one
currency in terms of another.*

Latest Exchange Rates

Units of Foreign Currencies per Australian Dollar

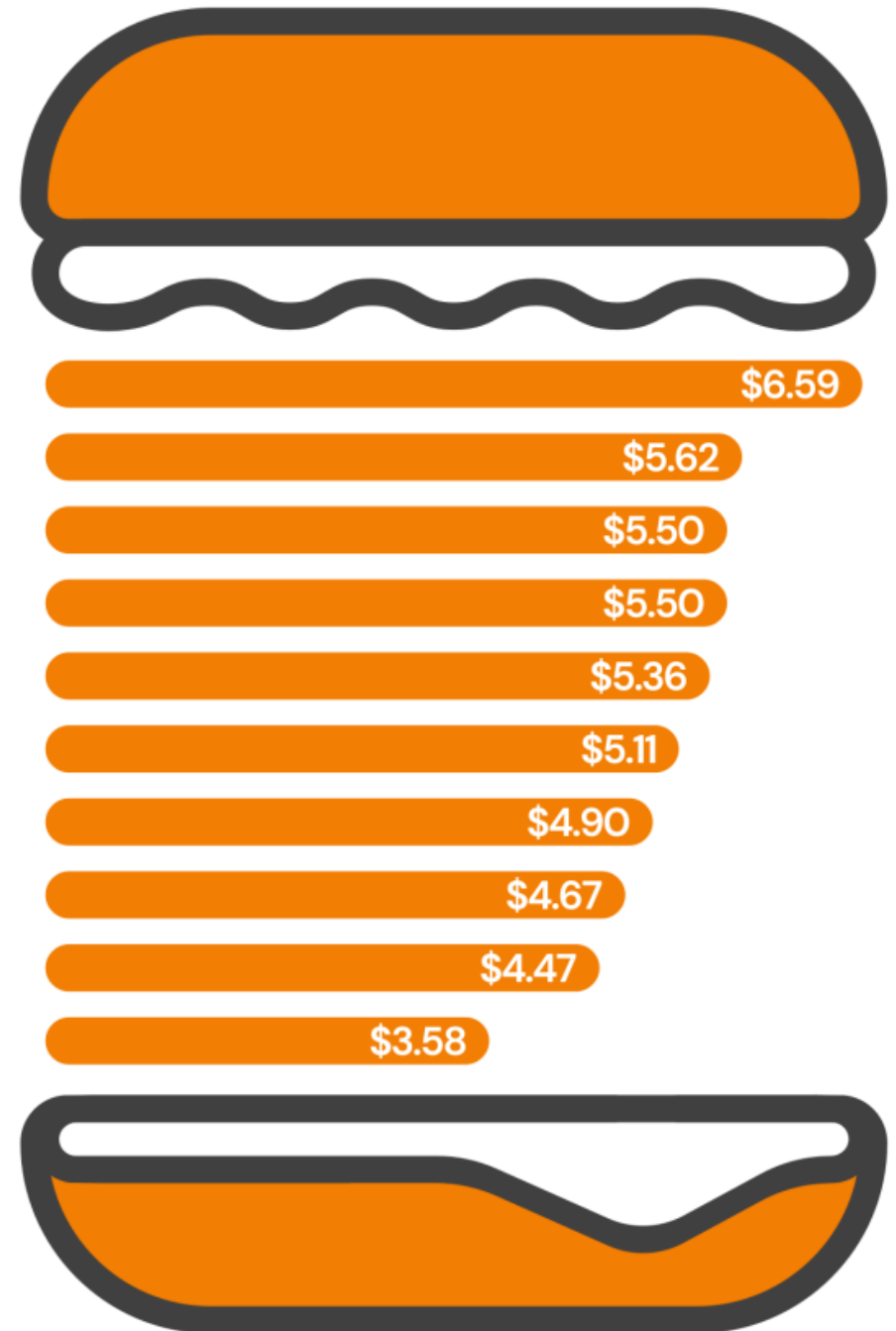
	24 Jun 2024	25 Jun 2024	26 Jun 2024
United States dollar	0.6641	0.6664	0.6686
Chinese renminbi	4.8225	4.8388	4.8583
Japanese yen	106.07	106.26	106.86
European euro	0.6207	0.6204	0.6247
South Korean won	922.51	924.56	928.93
Singapore dollar	0.8996	0.9010	0.9060
Indian rupee	55.46	55.61	55.83
New Taiwan dollar	21.50	21.59	21.78
Malaysian ringgit	3.1296	3.1371	3.1498
New Zealand dollar	1.0860	1.0882	1.0927
Thai baht	24.39	24.38	24.60
UK pound sterling	0.5251	0.5250	0.5270
Vietnamese dong	16905	16965	17024
Indonesian rupiah	10914	10915	10984

PPP: Should we go there?

Big Mac Index 2023

How much does a Big Mac cost in:

Norway	
Sweden	
France	
Germany	
United States	
Australia	
United Arab Emirates	
United Kingdom	
Singapore	
Peru	



enterie

Prices as of January 2023. Source: *The Economist*.

Understanding Conventions

The Kohler Report

AUSTRALIAN DOLLAR



US cents
 66.9



Euro cents
 62.5



Japanese yen
 106.8



British pence
 52.7



NZ cents
 109.3



Bitcoin
 US\$61.589















Understanding Conventions

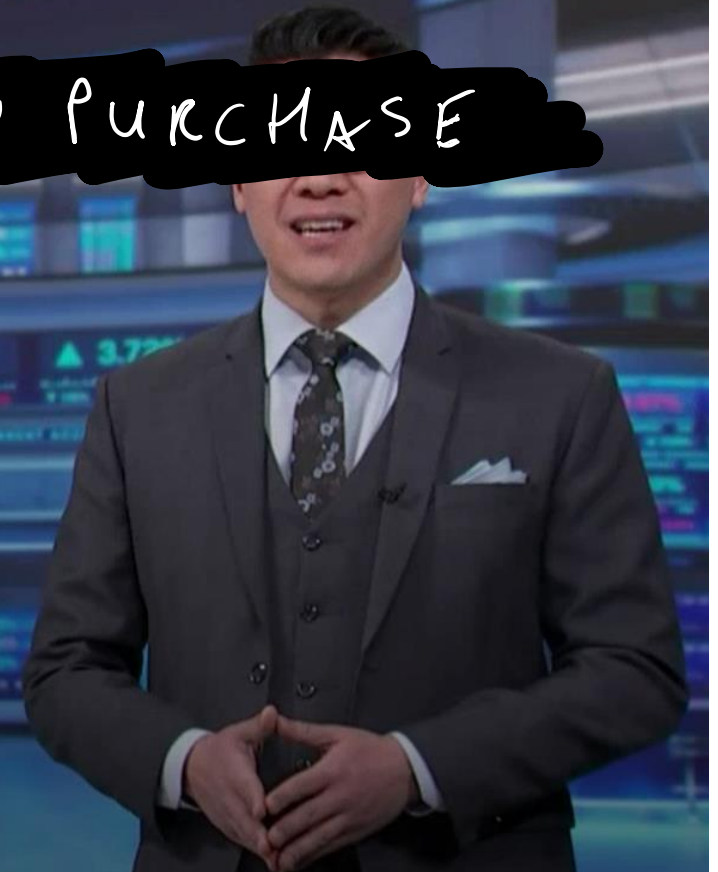
The Kohler Report

ONE

AUSTRALIAN DOLLAR

CAN PURCHASE

 US cents  66.9	 Euro cents  62.5
 Japanese yen  106.8	 British pence  52.7
 NZ cents  109.3	 Bitcoin  US\$61.589





Buy Currency ▼

Travel Card ▼

Online Rates ▼

Stores/ATMs ▼

More ▼






Search All Currencies

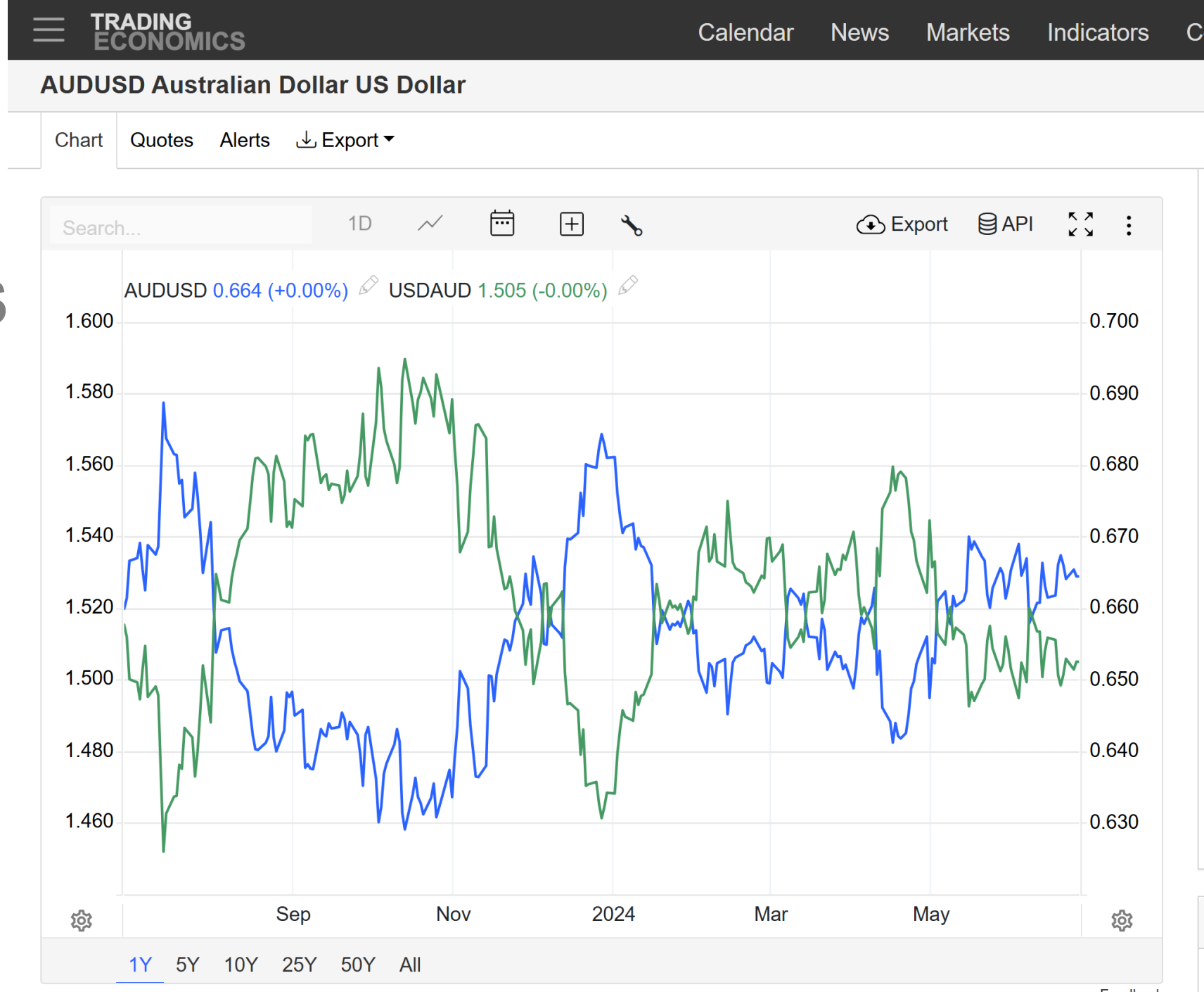
Type currency code, name or country...

'undefined'= currency is not currently available

[^] Rate based on exchanges below AU\$2,000. Receive even better rates on exchanges over AU\$2,000.

Country	Currency	Code	Cash Rate		Travel Card Rate		More Info
 United States of America (USA)	American dollar	USD^	0.6458	BUY CASH	0.6497	BUY CARD	AUD to USD
 European Union (EU)	Euro	EUR^	0.598	BUY CASH	0.6017	BUY CARD	AUD to EUR
 United Kingdom (UK)	British pound	GBP^	0.506	BUY CASH	0.5091	BUY CARD	AUD to GBP

Fun and Games with Currency Pairs



Spot the differences

The Kohler Report



Search All Currencies

Type currency code, name or country...

'undefined'= currency is not currently available
^ Rate based on exchanges below AU\$2,000. Receive [even better rates](#) on exchanges over AU\$2,000.

Country	Currency	Code	Cash Rate	
United States of America (USA)	American dollar	USD^	0.6458	BUY CASH
European Union (EU)	Euro	EUR^	0.598	BUY CASH
United Kingdom (UK)	British pound	GBP^	0.506	BUY CASH

Daily fluctuations
can overshadow
longer term
changes



Daily fluctuations can overshadow longer term changes

Price of Big Mac in A\$

$$= \frac{480 \text{ Yen}}{106.6 \text{ (the A$/Yen exchange rate)}}$$

\approx A\$4.50



Daily fluctuations can overshadow longer term changes

Price of Big Mac in A\$

$$= \frac{480 \text{ Yen}}{94} \quad (\text{the A\$ / Yen exchange rate})$$

$$\approx \text{A\$} 5.10$$



Winners and Losers

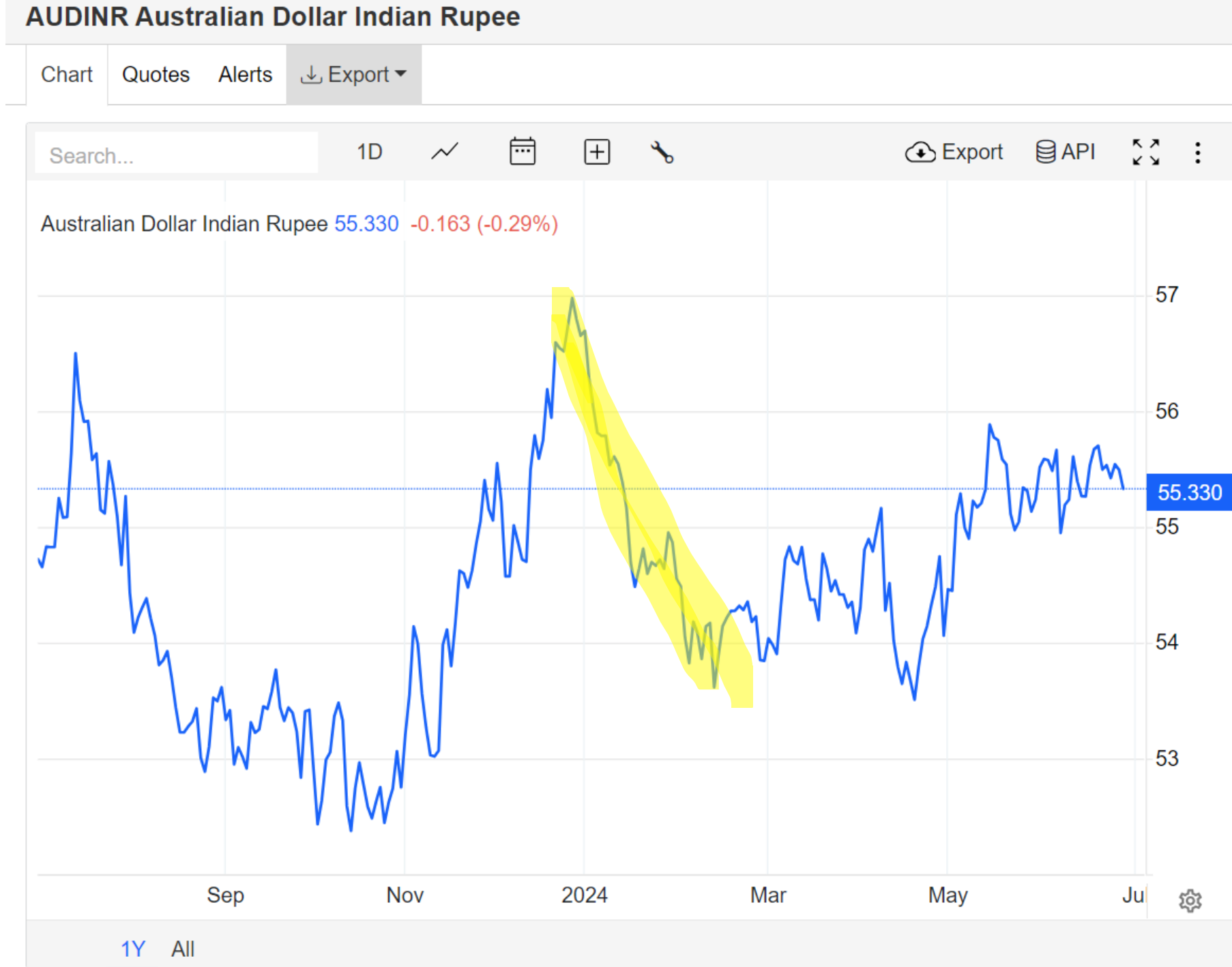


Scenarios	Winner or Loser?
You are importing a product to sell locally	
You main customers are foreign tourists	
Australians holding US\$ cash	
Americans holding \$A cash	
Import competing businesses	
Non trade exposed businesses	
Australians with debts to Americans in US\$	
Australians with debts to Americans in A\$	

A\$ Appreciating against the Yen



But depreciating
against the
Rupee
(early this year)



So what's the Yen/Rupee relationship?



So what's the
Yen/Rupee
relationship?

JPYINR Japanese Yen Indian Rupee

Chart Quotes Alerts Export

Search...

1D



Export

API



Japanese Yen Indian Rupee 0.51822 -0.00106 (-0.20%)



1Y 5Y 10Y 25Y 50Y All

Comparing changes in exchange rates with other key figures

Australia Interest Rate

Summary Stats Forecast Calendar Alerts Download ▾

The Reserve Bank of Australia retained its cash rate at 4.35% during its June meeting, keeping borrowing costs unchanged for the fifth time since it was last raised in November 2023 and aligning with market forecasts. That said, the central bank cautioned again that inflation was still above the midpoint of the 2–3% target range, largely due to the persistently high cost of services. While recent economic figures have reinforced the need to stay vigilant to upside risks to inflation, the board continued to view that it was not ruling anything in or out as it will rely upon data. At the same time, there were indications of softening economic activity, as highlighted by easing GDP growth, rising jobless rates, and slower-than-expected wage growth. Policymakers added that they will closely monitor the global economy, trends in domestic demand, and the outlook for inflation and the labor market. The board also kept the interest rate on Exchange Settlement balances unchanged at 4.25%. source: Reserve Bank of Australia



Exchange Rate Factors

THE KOHLER REPORT

VIDEO: Wednesday finance with David Chau

David Chau

Posted Wed 26 Jun 2024 at 7:30pm



IT IS THE DUTY OF THE BOARD WITHIN THE LIMITS OF ITS
POWERS TO ENSURE THAT THE MONETARY AND BANKING
POLICY OF THE BANK IS DIRECTED TO THE GREATEST
ADVANTAGE OF THE PEOPLE OF AUSTRALIA AND THAT
THE POWERS OF THE BANK ARE EXERCISED IN SUCH A
MANNER AS IN THE OPINION OF THE BOARD WILL BEST
CONTRIBUTE TO THE STABILITY OF THE CURRENCY THE
MAINTENANCE OF FULL EMPLOYMENT AND THE ECONOMIC
PROSPERITY AND WELFARE OF THE PEOPLE OF AUSTRALIA

RESERVE BANK ACT 1959

Exam Prep!

Question 22 Stimulus

A\$ holding its own

The value of the Australian dollar is linked to our history as a powerhouse commodity exporter. It trades higher when global growth is strong and commodity prices are rising.

With high US interest rates and fears of a global recession, it's little wonder then the Aussie dollar is trading below its post-float average of US75¢, at about 67¢. Even China's reopening and accelerating growth profile hasn't been enough to lift the currency sustainably above US70¢ this year.

Yet, in some respects, the \$A is showing signs of greater stability than in the past. Global recessions have typically resulted in the Australian dollar falling below US60¢.

There are a couple of reasons for the Australian dollar showing greater resilience. First, Australia no longer runs a current account deficit. For the past six years, we have had multibillion-dollar monthly trade surpluses, buoyed by rising commodity and energy exports. The economy recorded a \$40.3 billion surplus in the March quarter.

Second, Australia's globally significant superannuation system is accumulating a large value of foreign assets. Australia has turned a historic, negative overseas investment position from a deficit to a surplus. Despite this, Australia still has a net foreign liability of \$862.3b at March quarter 2023 (ABS).

Source: *Australian Financial Review* – (Scott Haslem 25 April 2023)

Question 22 continued

These items assess **Criterion 3 and 5**

- a) Evaluate the impacts of protectionism and a shift away from globalisation in terms of social justice and environmental concerns. (10 marks)
- b) Evaluate the impact on individuals and businesses of an appreciating Australian dollar. (8 marks)
- c) Identify and explain **one (1)** likely effect of a depreciating Australian dollar on the Balance of Payments current account. (4.5 marks)

These items assess **Criterion 4 and 5**

- d) While the level of foreign liabilities (net foreign debt and net foreign investment) in Australia may be criticised, many would argue that the accumulation of these liabilities has been beneficial to Australia. Explain this point of view. (10 marks)
- e) Evaluate the benefits to the Australian economy of China 'reopening', including decreasing trade barriers on specified Australian exports. (8 marks)
- f) Suggest **one (1)** course of action that could be implemented to strengthen a depreciating Australian dollar. (4.5 marks)