



Economics lesson 3 – Teacher notes

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Learning aim:

To be able to understand exchange rates and how they are determined through the interaction of supply and demand, and the effect of changes on consumers and producers.

Curriculum links and Skills Builder focus skills chart:

England The national curriculum	International trade and the global economy Students must know and understand exchange rates, how they are determined through the interaction of supply and demand, and the effect of changes in the exchange rate on consumers and producers.
Scotland The National 5 Economics	Global economic activity Exchange rate – definitions of exchange rates; effects on individuals and firms.
Wales WJEC	<i>Currently, there is no WJEC GCSE economics qualification available. WJEC only provides Economics at A-Level.</i>
Skills Builder Framework Focus Skills	
Problem solving – The ability to find a solution to a situation or challenge	Problem solving step 8 I explore complex problems by analysing the causes and effects.
Teamwork – Working cooperatively with others towards achieving a shared goal	Teamwork step 7 I contribute to group decision making, whilst recognising the value of others' ideas.

Main skills developed and how:

- Interpreting quantitative data – Students will interpret quantitative data to justify reasoning.
- Group work – Students will work together to provide solutions.

Equipment required:

- PowerPoint
- Student worksheet
- Answer sheet

Suggested layout of the session:

1 minute – Go over the session aims and main skills covered.

4 minutes – Students should be given time to come up with the definition for exchange rates (slide 3). They should also be asked to consider how the exchange rate is determined through the interaction of supply and demand. (Students should be encouraged to use supply and demand diagrams to complete the latter part of this activity.)

5 minutes – Feedback session – Go through the definition of exchange rates and ensure that students understand how the exchange rate is determined through demand and supply diagrams. Please use slides 4, 5, 6 and 7 of the PowerPoint here.

6 minutes – Read through slides 8 and 9 with students, which ask them to consider the impact of a fall and a rise in an exchange rate. Ask students to discuss which one of the bullet points on slide 9 of the PowerPoint (which details what can happen when we see a fall in the exchange rate) is the worst for society. Students will have numerous responses here.

5 minutes – Students should be given time to read through the scenario and work through the question in groups of four. This is on slides 10 and 11 of the PowerPoint.

You could briefly discuss the impact of weak and strong exchange rates, before students start the activity. Mention to students that the UK pound sterling is one of the world's strongest currencies. Even present the question: Does anyone know the world's strongest currency?

Please note - you can further develop students' understanding of whether exchange rates are strong or weak by assessing historical exchange rates.

4 minutes – Go through the answers with students and end with the reflection at the end of the PowerPoint.

Ways to differentiate:

- Students could be put into mixed ability groups.
- Students could consider real-life examples that are relevant to the task/question – as in GCSE Economics, there are quite a few marks allocated to real life application. In the case of this lesson, students should be asked to think about why some countries have strong exchange rates and why some countries have weak exchange rates. For example, China has a weak exchange rate, despite its export led growth, as it devalues the Renminbi against the dollar.
- To stretch and challenge, go through the real and absolute terms.
- Students could be asked to focus on knowledge building and being able to understand key definitions.

How to extend the session – if required:

- The activity could be extended by asking students to work together in small groups to discuss the following question: Evaluate the impact of changes in the exchange rate on consumers and producers. Groups could then present a summary of their findings to the rest of the class.

