



Economics lesson 3 – Student worksheet

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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.

What is an exchange rate?

Consider how the exchange rate is determined through the interaction of supply and demand.

In the summer of 2007, the UK had a strong £, it was equivalent to nearly \$2. Consider the effects of a strong exchange rate on consumers and producers.

In June 2016, the UK voted to leave the EU. This led to a loss of confidence in the UK economy. The £ depreciated significantly. Consider the effects of a weak exchange rate on consumers and producers.

Scenario

Nicolas is a manager at Clément's in London, an exclusive hotelier. He is currently working with the finance team to set prices for their busy summer season. Nicolas and the finance team need to decide whether they should raise or lower their prices.

Career spotlight:

A hotel manager oversees all aspects of running a hotel from setting budgets, sales targets and forecasting income to managing bookings and events and promoting the hotel through different types of marketing. Hotel managers have great customer service skills and work well as part of a team. They are patient, motivated and have excellent attention to detail.

The table below shows exchange rates for countries where the UK's customers come from.

Country	Exchange rate
USA	US\$1.26
France, Spain, Italy	€1.17
China	9.17 Chinese Rmbini
UAE	4.62 Dirham
Australia	AUS\$1.96

In groups of four, analyse the data that you have been given for the countries where the UK's customers come from.

- Identify which country has the strongest exchange rate.
- Should Nicolas and the finance department at Clément's increase or decrease their prices?
- Consider any other factors that the team at Clément's might consider when deciding their prices.

1. Identify which country has the strongest exchange rate.

2. Should Nicolas and the finance department at Clément's increase or decrease their prices?

3. Consider any other factors that the team at Clément's might consider when deciding their prices.

