

# Foreign Exchange



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# The black Hole.wmv



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# Teaching tips/strategies

- Make word cards to revise the Gr11 concepts
- Let it roll out as a competition
- Learners are not suppose to shout the answers out
- Write down the answers to provide it later



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# CAPS Policy

## Foreign exchange

- The term “gross domestic product” (GDP) and its benefits to the South African economy
  - The multiplier effect and link to the GDP
  - The concept “strong” and “weak” rand
  - The relative strength and relative weakness of a currency at specific times
  - Interpret a currency rate sheet
  - Convert the major currencies to South African rand and convert South African Rand into selected currencies to understand the buying power of different currencies. *(Use only exchange rates expressed as 1 unit of foreign currency = value in rand, i.e. 1USD = R 7, 60. Calculators may be used for calculations – rounded off to two decimals, e.g. R34, 56.)*
- 
- Differentiate between bank selling rate (BSR) and bank buying rate (BBR)
  - The effect of exchange rates on international tourism, affecting both inbound and outbound tourists, and how these influence travel patterns of South Africans travelling to developing countries as well as to developed countries
  - Fluctuations in exchange rates
- 



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# WORD QUIZ

Identify the following concepts:

1. **Instruments**, such as **paper currency, notes**, and checks, used to make **payments** between countries

## Foreign Exchange



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# WORD QUIZ

2. The **practice of converting** one currency into another is called ...

**currency conversion /  
foreign exchange**



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# WORD QUIZ

3. The **value** of one **country's** currency in terms of or **in relation to** another currency...

**Rate of Exchange**



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# WORD QUIZ

4. Currency **rates** ranging from being **high** to **low** to higher to lower ...

## Fluctuation of RoE



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# WORD QUIZ

5. The process of a product being **sold or bought** is...

**Trading currencies**



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# WORD QUIZ

6. The **rate** used when **tourists buy** foreign currency from a institution

**Bank Buying Rate**



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# WORD QUIZ

7. The **rate** used when **tourists sell his** foreign currency to an institution...

**Bank Selling Rate**



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# The concept Foreign Exchange

**Answer the following Questions on Fx while watching the video & write down your answer:**

1. Explain the concept 'FX'.
2. Identify the amount of money earned from FX trade daily.
3. Name the reasons for the need of FX.
4. Explain how FX work.
5. Identify what influence the rate of FX in this transaction.



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# GROSS DOMESTIC PRODUCT

[03 UNDERSTANDING  
GROSS DOMESTIC  
PRODUCT.flv](#)

**IN  
SUMMARY  
GDP is...**

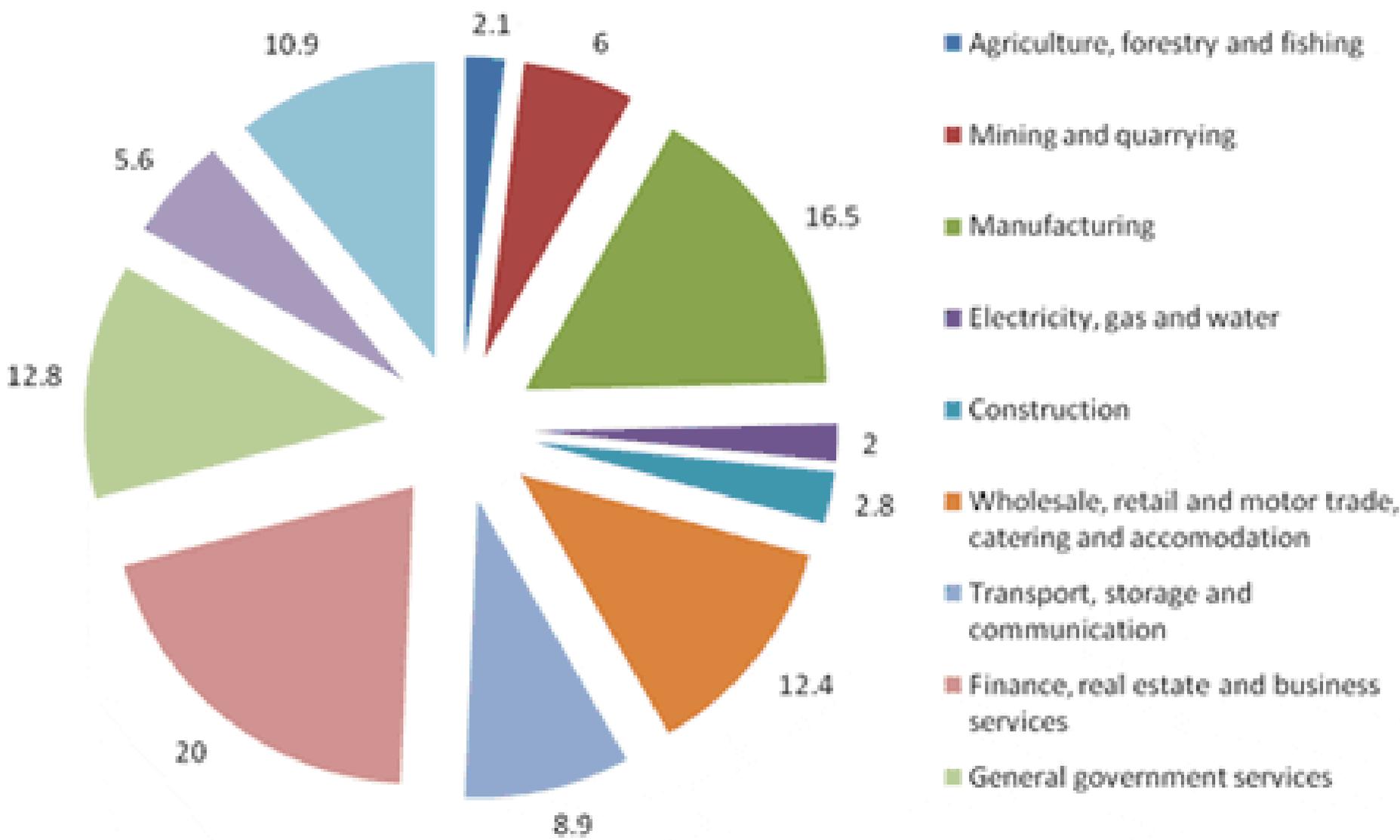
**Value**



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# % of GDP



# Benefits of GDP growth to SA economy

## 1. Income generation

Tourists visiting South Africa and spend their money on products and services in their country

## 2. Employment/job creation

Employment in underdeveloped areas and other areas where tourists are visiting



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# Benefits of GDP growth to SA economy

## 3. Improvements to the infrastructure

Tourism stimulates the infrastructure and development there of, improving the living conditions of locals

## 4. Education & training programs of locals help them to improve & manage resources – up skilling of people



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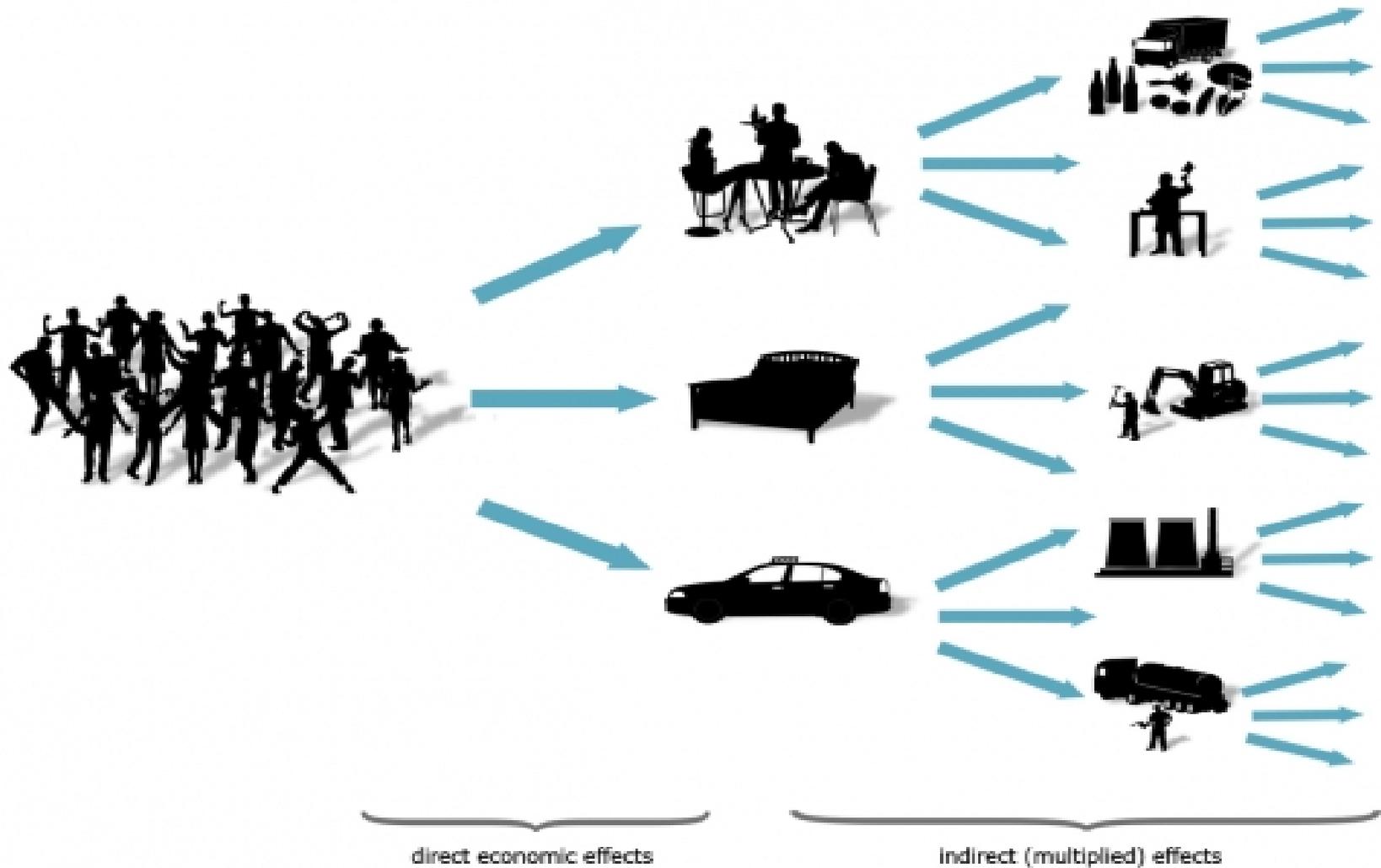
# Multiplier effect

## The Power of Travel

How foreign currency contribute to the South African economy



# Multiplier effect



# 'Strong' and 'weak' ZAR

- The RoE determines the strength of a countries currency
- Strength of the ZAR compared to other currencies for eg.  $1 \text{ U\$} = \text{R}9.04$
- In comparison: ZAR to U\$, the ZAR is weak
- Compare the ZAR with Japan  
 $1 \text{ ZAR} = 10.49 \text{ ¥} (= \text{R}0.09\text{c})$



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# 'Strong' ZAR

- Less tourists arrivals = less Foreign currency
- Tourists have less money to spend
- Length of stay is a shorter period
- Have less foreign currency to spend
- Long haul destination – an expensive option
- SA is perceived as an expensive destination
- Tourists will stay away
- Leads to job losses



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# 'Weak' ZAR

- More foreign tourists will visit SA
- Foreign tourists get more ZAR for their currency
- Tourists have more money to spend
- The length of stay will be longer
- SA will be perceived as a 'cheap' destination
- SA will be regarded as a VFM destination



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# Relative **strength** at specific times (Fluctuation)

## THE STRENGTH IS INFLUENCED BY:

- Discovery of minerals
- Political stability – peaceful elections and positive outcomes
- Time of the year like Easter/Christmas
- Positive image and reporting
- Economic stability

### Trade Currencies



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# Relative **weakness** at specific times Fluctuation

THE WEAKNESSES ARE INFLUENCED BY:

- Political unrest or instability:
- Natural disasters
- Economic instability



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# Interpret a currency rate sheet

CURRENCY	CODE	SYMBOL	EXCHANGE RATE
US Dollar	USD	US\$	8.94
Pound sterling	GBP	£	14.18
Euro	EUR	€	12.13
Australian dollar	AUD	AU\$	9.33
Japanese Yen	JPY	¥	0.10



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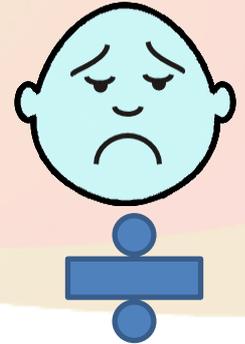
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# Convert major currencies

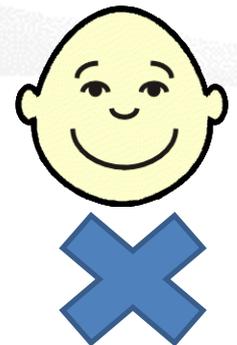
1. **From ZAR to Foreign?** DIVIDE  $\div$  RoE

$$\begin{aligned} \text{R100 to } \$ &= 100 \div 8.94 = 11.185 \$ \\ &= 11.19 \$ \end{aligned}$$



2. **From Foreign? to ZAR** MULTIPLY  $\times$  RoE

$$150 \text{ £ to ZAR} = 150 \times 14.18 = \text{R2127.00}$$



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# Differentiate between BSR & BBR

- Take it from the Bank's position
- What is the Bank doing with the foreign currency
- Is the bank selling Foreign currency? (BSR)
- Is the bank buying foreign currency? (BBR)
- The BBR will always be lower than the BSR
- The BSR is always the highest



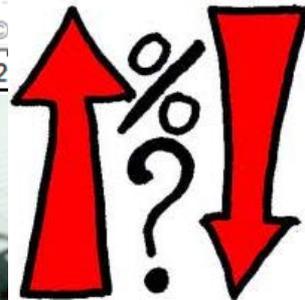
# Fluctuation in exchange rates

- Selling tourism products and services are influenced by the Rate of exchange
- Happenings in countries with a strong currency will have a huge impact on the global economy



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# Fluctuation of currencies on international tourism

## INBOUND MARKET

- With a stronger foreign currency elsewhere South Africans will travel within the borders of their own country
- With a stronger foreign currency foreign tourists will visit South Africa as destination

## OUTBOUND MARKET

- With a stronger ZAR tourists will be more likely to travel to foreign countries; will be affordable



# Influence on travel patterns

- With a favourable RoE tourists are encouraged to travel
- Tourists from a rich country will travel to SA
- They will receive more rand for their currency
- They perceive South Africa to be a cheap destination
- They spend more money here
- More & longer stay /visits to SA



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# Foreign Exchange assignment

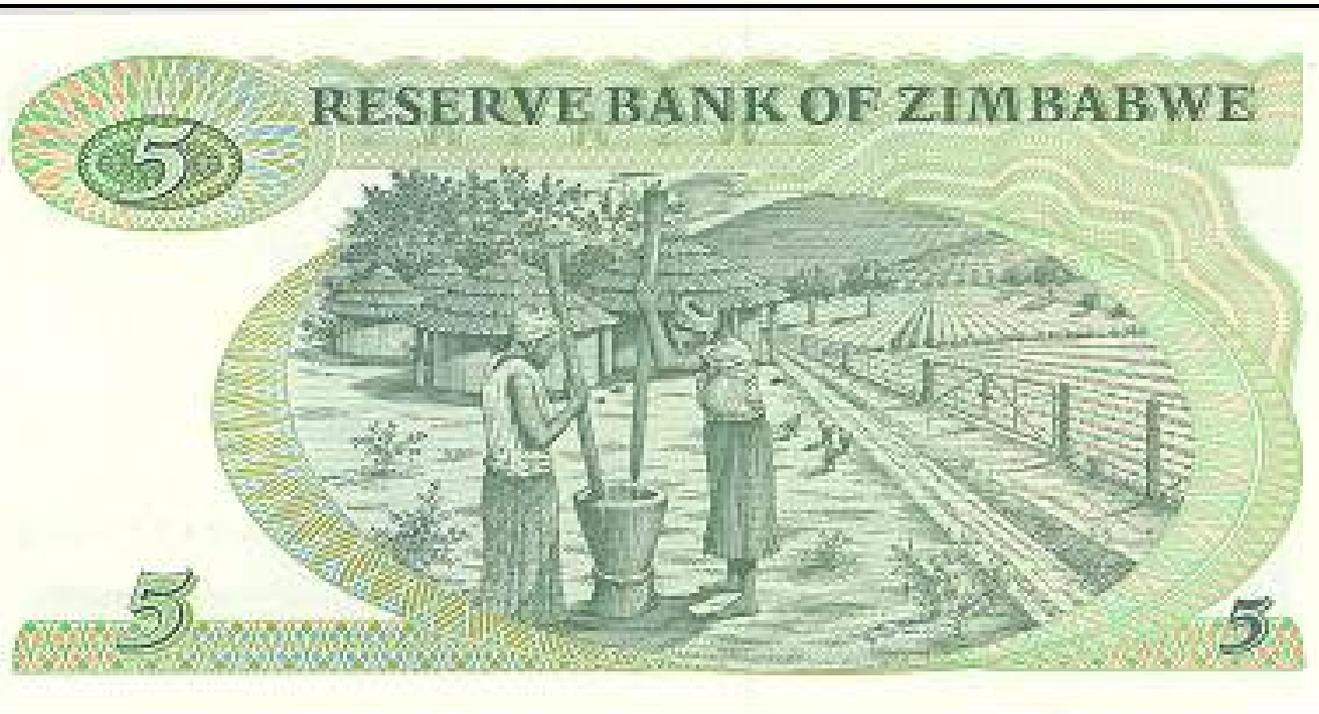
**MONEY! MONEY! MONEY!  
MONEY!**



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BANK OF ZAMBIA

K20

BE PLEASED TO PAY THE BEARER ON DEMAND

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BANK OF ZAMBIA

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VYFTIG RAND

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*gawani*  
President  
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SOUTH AFRICAN RESERVE BANK

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BANCO NACIONAL DE ANGOLA

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*Agostinho Neto*  
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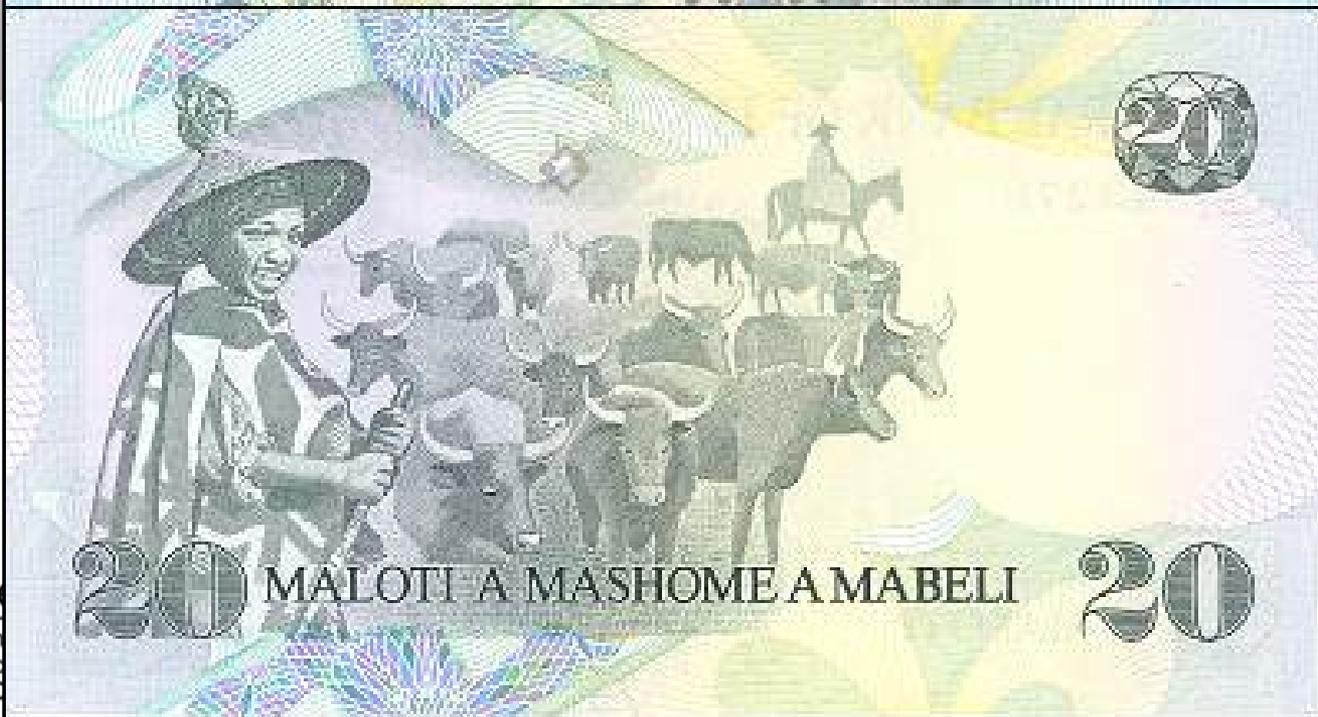


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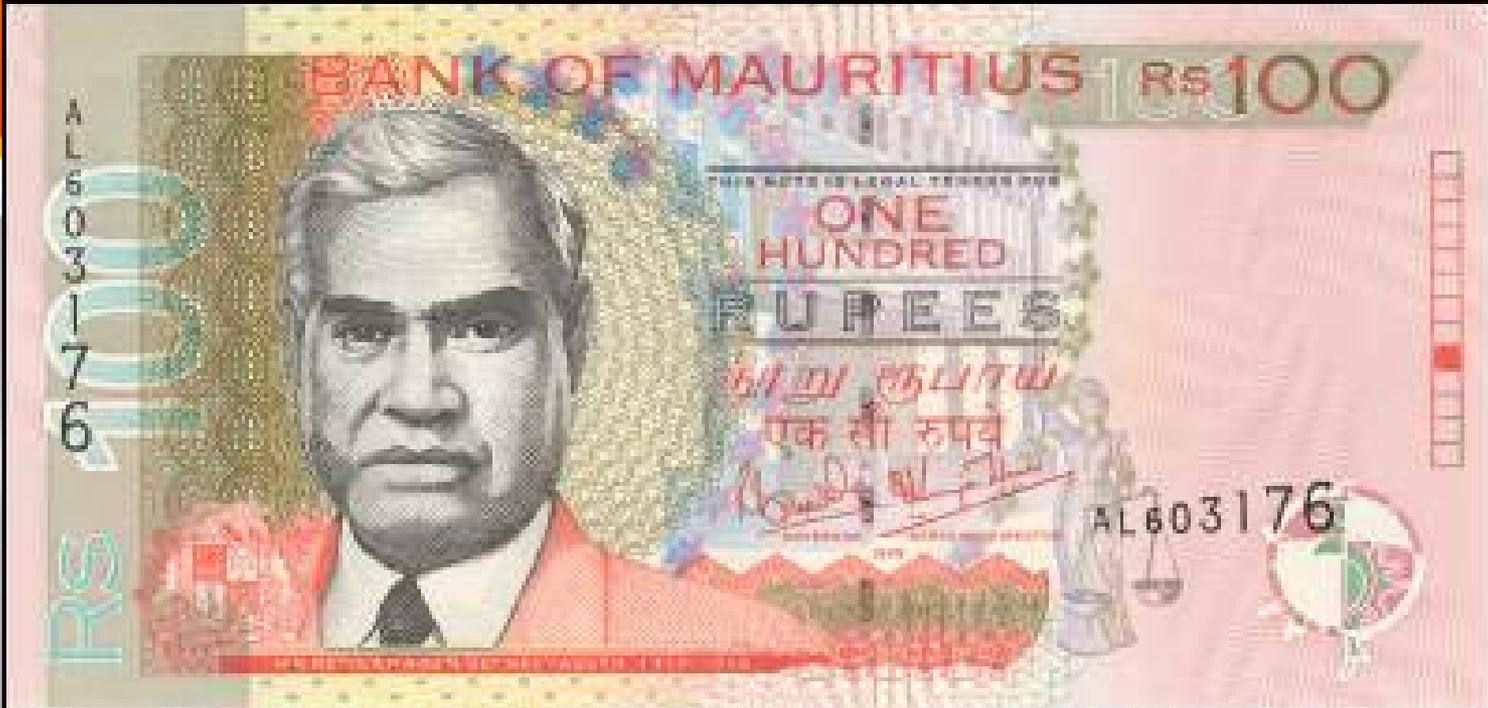
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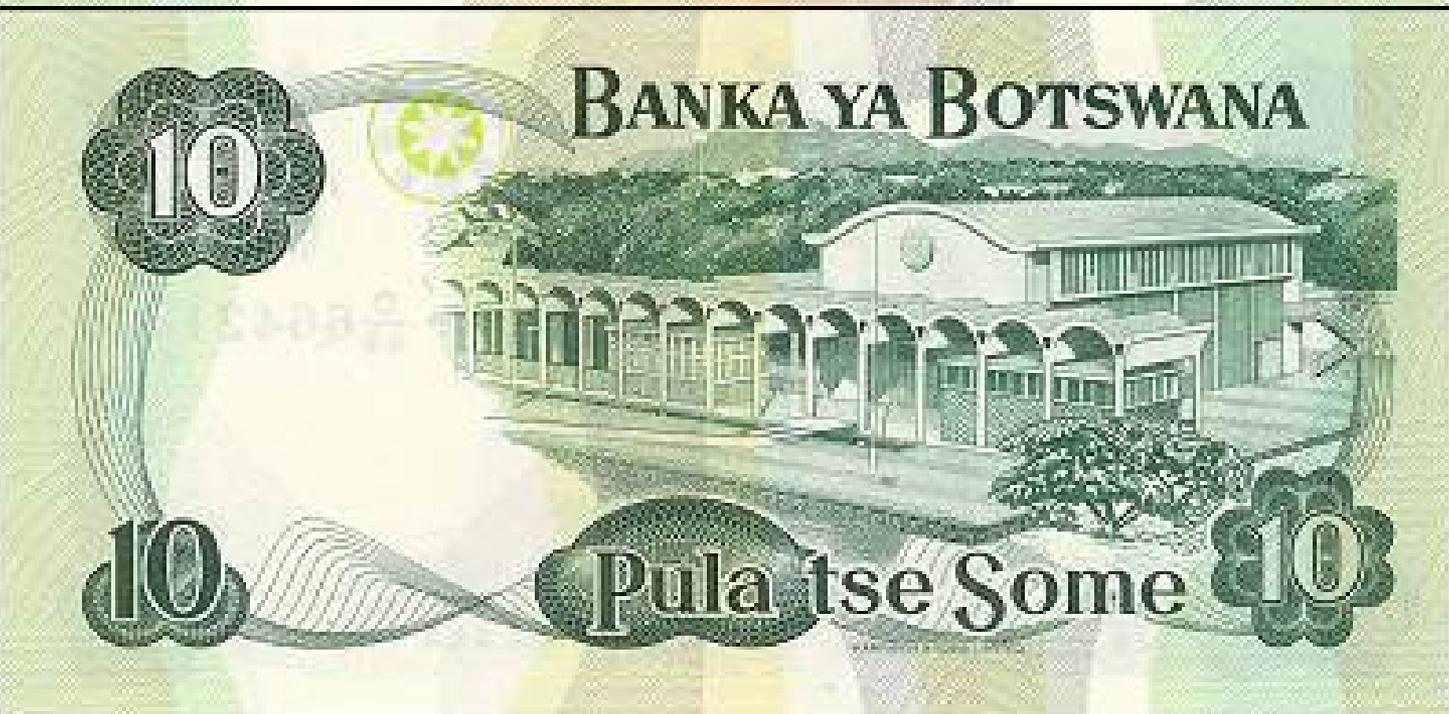
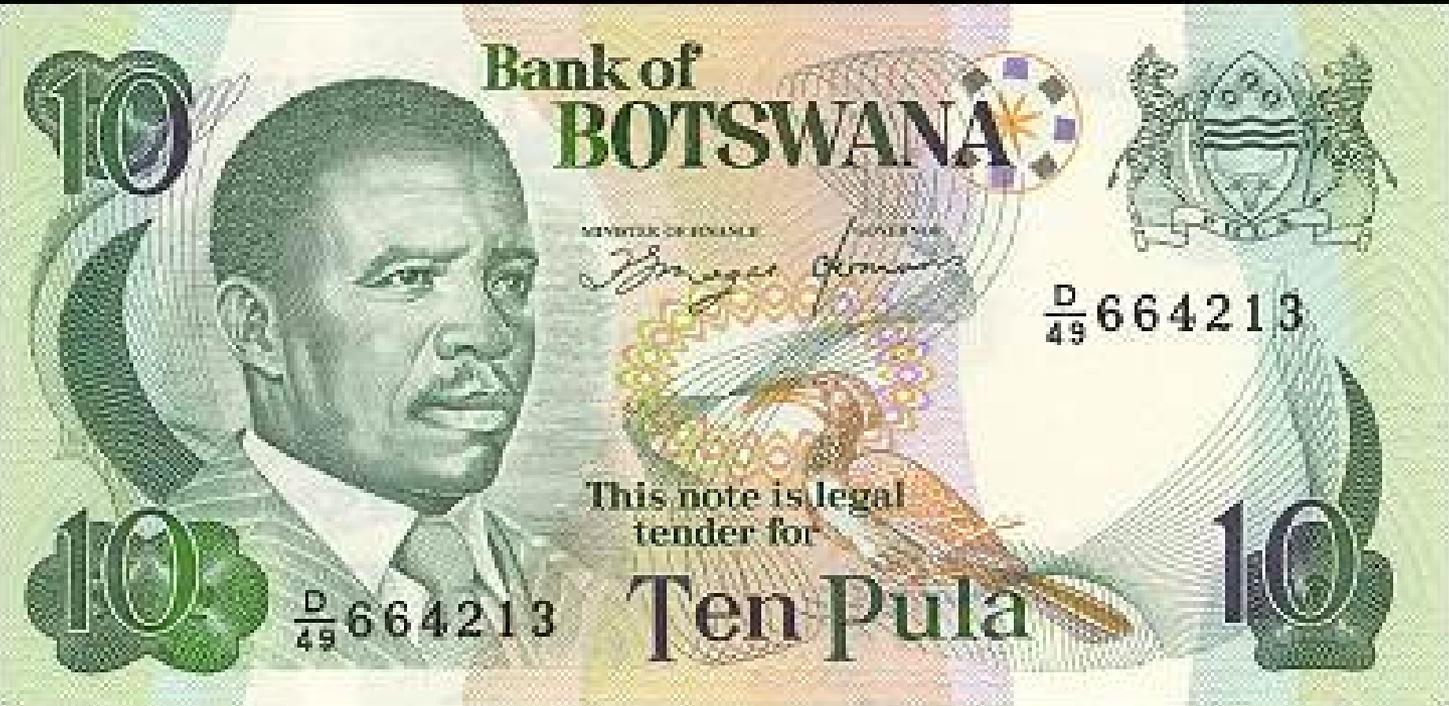
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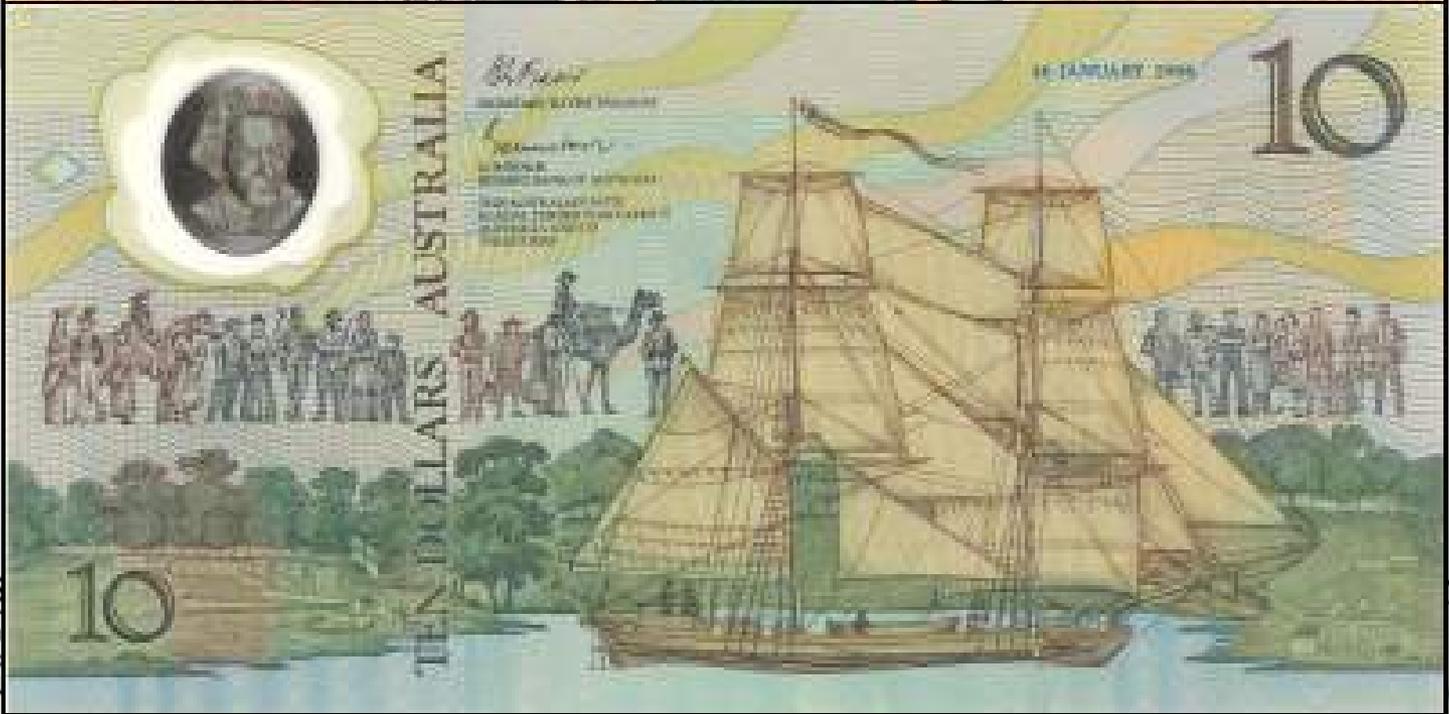
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BANK OF CANADA - BANQUE DU CANADA

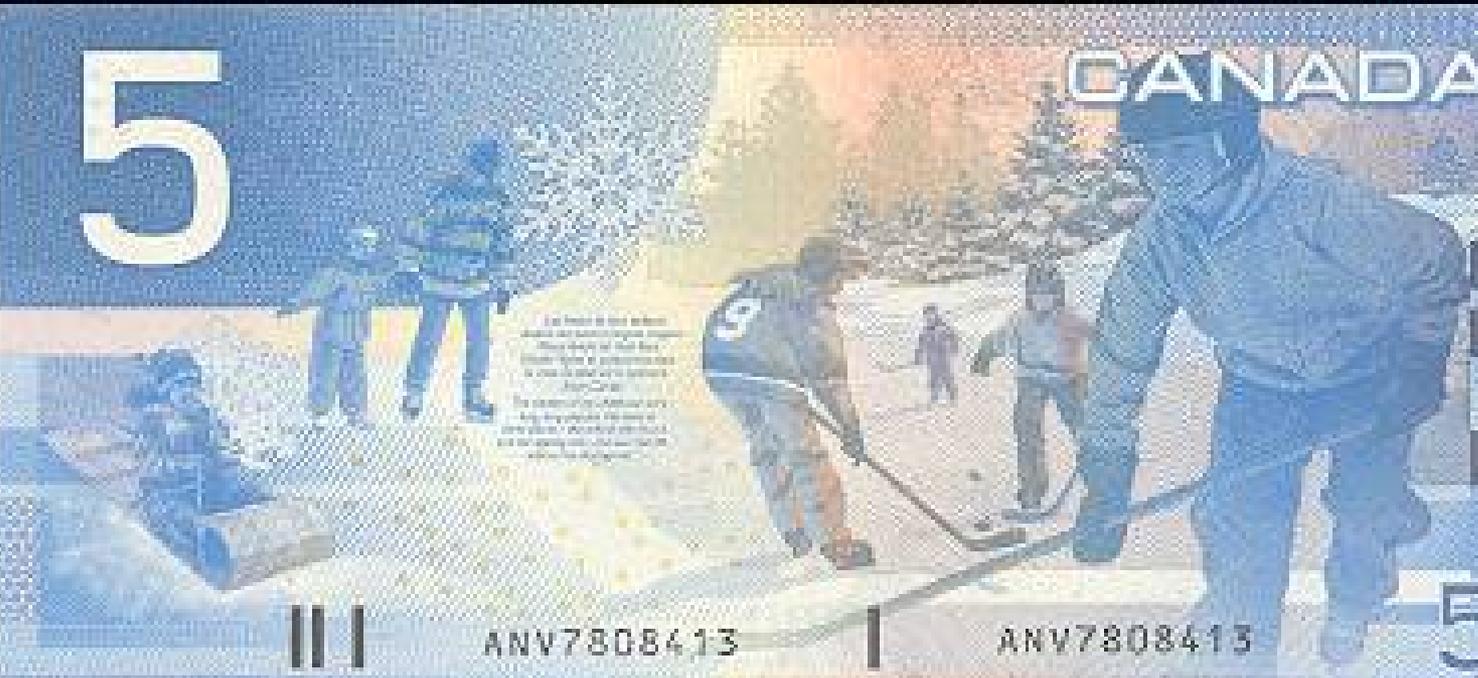
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CANADA  
CINQ • FIVE  
DOLLARS

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CANADA

Le hockey sur glace est un sport d'hiver très populaire au Canada. Il est joué dans les régions froides du pays, où il fait partie de la culture. Le hockey sur glace est un sport d'équipe qui se joue sur une patinoire de glace. Les joueurs utilisent des bâtons pour frapper la balle et marquer des buts. Le hockey sur glace est un sport très compétitif et passionnant.



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中國銀行

BANK OF CHINA AR927310

在香島兌現  
PROMISES TO PAY THE BEARER  
ON DEMAND AT ITS OFFICE IN HONG KONG

港幣貳拾圓

TWENTY  
HONG KONG DOLLARS

承董事會命  
BY ORDER OF THE BOARD OF DIRECTORS

李海龍  
香港分行經理  
GENERAL MANAGER HONG KONG BRANCH  
一九八二年六月一日  
1st ISS. 1981



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BANK OF ENGLAND

I PROMISE TO PAY TO THE BEARER ON DEMAND THE SUM OF

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LONDON  
FOR THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

*D. H. S. Summers M*

CHIEF CASHIER

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