**Currency Appreciation v Currency Depreciation**

Currencies can **appreciate** (gain in value) against other currencies which means they get stronger in value – it takes less domestic currency to equal foreign currency. Foreign goods look cheaper now so imports rise.

For example: in 2006 the dollar to pound exchange rate was $2 = 1£ so you needed $2 to get 1£ today the exchange rate is $1.59 = 1£ so now it only takes $1.59 to get 1£

That means the dollar has *appreciated* in value against the pound. This is great for American consumers because their money goes further in England but bad for American producers because now British consumers buy less US items AND Americans are importing more from Britain.

Currencies can **depreciate** (fall in value) against other currencies which means they get weaker in value – it takes more domestic currency to equal foreign currency. Foreign goods look more expensive now so imports fall.

For example: in 2006 the dollar to euro exchange rate was $1.40 = 1€ so you needed $1.40 to get 1€today the exchange rate is $1.31 = 1€ so now it only takes $1.31 to get 1€

That means the euro has *depreciated* in value against the dollar. This is bad for European consumers because their money does not go as far in America so they buy less which hurts American producers as exports fall. American consumers benefit because their money goes farther in Europe and they can buy more imports.