Exchange Rates

The money used by a country is called its 'currency'. Every country in the world has an official currency but some currencies, like the Euro, are used in a number of countries. There are over 170 currencies in the world today.

'Exchange rates' are the rates at which one currency can be exchanged for another. These 'fluctuate', which means they rise and fall. For example, you might get 1.4 Euros for every British Pound if you exchange money one month, but the value of the pound might fall next month and only be worth 1.1 Euros.

A currency will tend to become 'stronger' or more valuable when people want it and 'weaker' or less valuable whenever demand for it drops. Currencies are bought and sold like any other goods. Some of the world's strongest currencies include the following:

Currency	Country used	Code	Symbol
Great British Pound	UK	GBP	£
United States Dollar	USA	USD	$
Japanese Yen	Japan	JPY	¥
Euro	Various European nations	EUR	€

How much a currency is worth could be affected by:

- **the stability of the country's economy** – how steady the state of the country's money is compared with other countries. If a country has a stable economy, people are confident that its currency won't suddenly drop in value and become weak.
- **a country's population and workers** – the total number of people living in the country and how productive they are.
- **how much its products or exports are in demand** – whether the products of the country are needed or wanted by people within the country or abroad. For example, if coffee from Costa Rica is in demand in the UK, it will be exported (sent) from Costa Rica to UK shops, and the Costa Rican sellers (exporters) will be able to charge the UK shops a high price. If the coffee is not in high demand in the UK the Costa Rican sellers will need to charge a lower price in order to sell it.
- **the cost of living** – how much the average person or family has to spend each week to pay for basic things such as household bills and food. For example the cost of renting a one-bedroom flat in London might be around £750 per month but a similar sized place in Cairo, Egypt, might only cost a quarter of this price. Countries with strong economies tend to have higher living costs.
- **the level of people's income** – the average amount a person earns in a week or month. For example, in poorer, less developed countries, where the economy is weaker, such as Cambodia, the average monthly income may be very low compared to more developed countries, such as England.
- **the rate of inflation** – how much the cost of goods rises each year. For example, the cost of items is much higher today than it was 20 years ago.
- **war or political instability within the country** – if a country is experiencing political problems, there will be instability (unrest). People might lose faith in the country's economy and avoid buying its products, so the currency would become 'weak'.