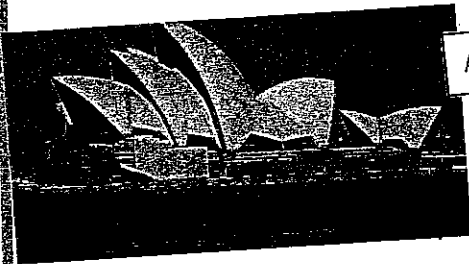


ACTIVITIES

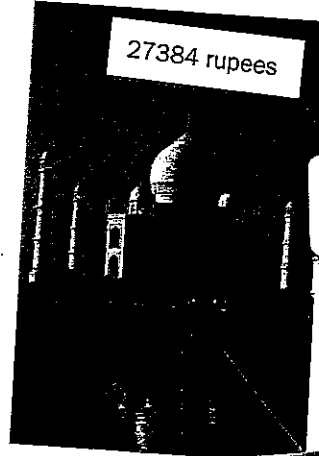
3 You have just returned from a round-the-world trip. You have carefully kept a record of all the spending you did in each country that you visited. You have written the information on a photograph taken in each country. The photographs and the amounts are shown below. Use the information to calculate the cost of your trip in current New Zealand dollars. You will need a copy of up-to-date exchange rates to complete this activity (or use the table on page 82).



A\$2963

Australia

NZ\$ _____



27384 rupees

India

NZ\$ _____



4862 rand

South Africa

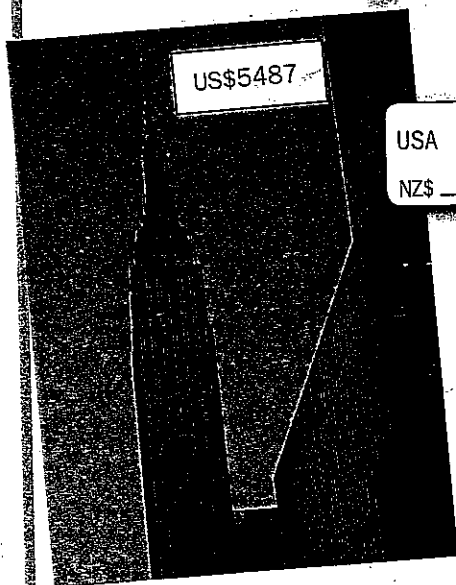
NZ\$ _____



1875 euro

Italy

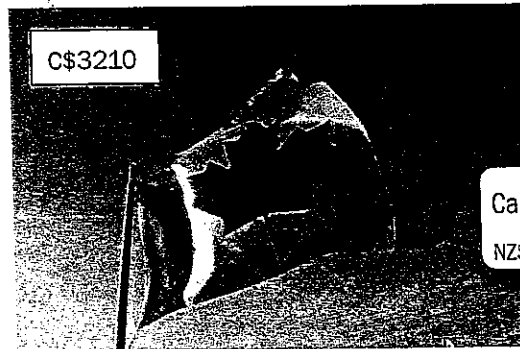
NZ\$ _____



US\$5487

USA

NZ\$ _____



C\$3210

Canada

NZ\$ _____

Imports

A similar analysis for imports applies.

If the world price of oil is US\$100 a barrel, the price of oil in NZ\$ will depend upon the exchange rate.

If the NZ dollar appreciates, it makes overseas imports **more competitive**; imports rise.

If the NZ dollar depreciates, it makes overseas imports **less competitive**; imports fall.

If the exchange rate was \$1 NZ = \$0.55 US
the cost of a US\$100 barrel of oil in New Zealand will be

	\$1 NZ	=	\$0.55 US
so	\$1.82 NZ	=	\$1 US
and	\$182.00 NZ	=	\$100 US

The barrel will cost
\$NZ182

If the exchange rate was \$1 NZ = \$0.25 US
the cost of a US\$100 barrel of oil in New Zealand will be

	\$1 NZ	=	\$0.25 US
so	\$4 NZ	=	\$1 US
and	\$400 NZ	=	\$100 US

The barrel will cost
\$NZ400

ACTIVITIES

8 Stainless steel bolts imported into New Zealand are priced at US\$10 a carton.

- Calculate the cost of the carton if the exchange rate is NZ\$1 = US\$ 0.45. _____
- Calculate the cost of the carton if the exchange rate is NZ\$1 = US\$ 0.65. _____
- Has the New Zealand exchange rate appreciated or depreciated between QA and QB? _____
- Calculate the cost of the carton if the exchange rate is NZ\$1 = US\$ 0.25. _____
- Has the New Zealand exchange rate appreciated or depreciated between QA and QD? _____
- Explain the effect of
 - an appreciation on the cost of imports priced in terms of the other currency _____

 - a depreciation on the cost of imports priced in terms of the other currency. _____

9 Wood pulp exported from New Zealand is priced at US\$50 a tonne.

- Calculate the cost of a tonne if the exchange rate is NZ\$1 = US\$ 0.30. _____
- Calculate the cost of a tonne if the exchange rate is NZ\$1 = US\$ 0.75. _____
- Has the New Zealand exchange rate appreciated or depreciated between QA and QB? _____
- Calculate the cost of a tonne if the exchange rate is NZ\$1 = US\$ 0.15. _____
- Has the New Zealand exchange rate appreciated or depreciated between QA and QD? _____
- Explain the effect of
 - an appreciation on the return on exports priced in terms of the other currency _____
