

GTTP South Africa

Foreign Exchange



Webinar Content:

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1. Foreign Exchange

What is Foreign Exchange? (Forex)

- When you travel to another country, you need to pay for products and services in the applicable currency
- You will need to exchange SA Rand (ZAR) for the specific foreign currency of the country/countries you will be visiting
- People visiting South Africa need to exchange their money for SA Rand in order to purchase products and services
- This practice of converting one currency to another is called “Foreign Exchange”



What is Foreign Exchange? (Forex)

- It is standard practice to compare local currencies to the US Dollar because it is a convenient denominator
- Estimated that 80% of all foreign exchange transactions around the world involve the US Dollar
- Other major currencies include the Euro, the Pound and the Japanese Yen



2. Foreign Currency

What is Foreign Currency?

- Money used in other countries
- Each country has their own currency, except many European countries who have adopted the Euro
- The currency codes are official and always precede the amount (ZAR100)
- Abbreviations include the official country code (ZA) and the letter of the alphabet that indicates the currency (R)
 - South African Rand = ZAR
 - Great Britain Pound = GBP (Pound Sterling)
 - Japanese Yen = JPY
 - American Dollar = USD

Examples of major Global Currencies:

CURRENCY	ABBREVIATION
US Dollar	USD
Pound Sterling	GBP
Japanese Yen	JPY
Swiss Franc	CHF
Australian Dollar	AUD
New Zealand Dollar	NZD
Euro	EUR
Canadian Dollar	CAD
Hong Kong Dollar	HKD
Saudi Riyals	SAR



South African Rand



British Pound



Japanese Yen



American Dollar



Euro



Saudi Riyals



Forms of Foreign Currency:

- Bank notes are not the only form of foreign currency
- Some substitutes include:
 - Travellers' Cheques
 - Credit Cards (Visa / Mastercard)
 - Debit Cards and Stored Value Cards (Visa TravelMoney)
 - Charge Cards (American Express Cards)
 - Electronic Money (Bank drafts and Transfers)



DID YOU KNOW:

American Express developed the Travellers' Cheque in 1891



Who can get Foreign Currency:

- Foreign currency may be issued to South African residents travelling on holiday or business as long as:
 - Forex is applied for within a 60 day period prior to departure
 - A valid ticket and passport is presented
 - The amount applied for is within the annual allowance
 - Older than 12yrs = R160 000.00 per calendar year
 - Younger than 12yrs = R50 000.00 per calendar year
 - All unused foreign currency must be returned within 30 days upon return to South Africa

Where can you exchange currency?

- Foreign exchange kiosks at airports
- Banks
- Bureaux de change
- Authorised Travel Agents
- Authorised Foreign Exchange Dealers (e.g. Amex)
- Some major hotels and cruise ships have agencies
- In major cities in Europe, currency can be exchanged at kiosks in the streets

3. Exchange Rates

What is the Exchange Rate?

- It is the rate at which currency is exchanged
- Also known as the “Rate Of Exchange” (ROE)
- Simply: At what price can one buy foreign currency using local currency
e.g. How many ZA Rands to buy one US Dollar
- The rate at which the Rand is trading against major currencies can be found in most newspapers, on TV, radio, on the internet, commercial banks or by calling 083 123 3882

What is the Exchange Rate?

The following table contains exchanges rates as of 14 September 2011

CURRENCY	CODE	EXCHANGE RATE (14/09/11)	
US Dollar	USD	7.33	US\$1 = R7.33
Pound Sterling	GBP	11.60	£1 = R11.60
Australian Dollar	AUD	7.57	AU\$1 = R7.57
Japanese Yen	JPY	0.09	¥1 = R0.09
Canadian Dollar	CAD	7.39	CA\$ = R7.39
Indian Rupee	INR	0.15	₹1 = R0.15
New Zealand Dollar	NZD	6.04	NZ\$1 = R6.04
Euro	EUR	10.01	€1 = R10.01

Exchange Rates:

- Exchange rates fluctuate daily
- These are a few factors that could effect the ROE:
 - Discovery of minerals
 - Political unrest
 - Time of the year e.g. Christmas
 - Natural disasters
 - Economic stability of a country
 - Elections

Converting Exchange Rates:

- Simply multiplying or dividing
- If your currency is worth more then you divide the price of the item by the exchange rate

▫ Example: SA Rand and Indian Rupee

$$\frac{\text{Indian Rupee}}{\text{Exchange Rate}} = \text{ZAR}$$

$$\frac{\text{₹} 100}{0.15} = \text{R}6.66$$

- If your currency is worth less then you multiply the price of the item by the exchange rate

▫ Example: SA Rand and British Pound

$$\text{Pound} \times \text{Exchange Rate} = \text{ZAR}$$

$$\text{£}100 \times 11.60 = \text{R}1160.00$$

4. Terms

Bank Selling Rate (BSR):

- The rate used by the bank when local currency is converted into foreign currency



Bank Buying Rate (BBR):

- The rate used by the bank when foreign currency is converted into local currency



5. Buying Power

What is “Buying Power”?

- Term used to measure the relative value of different currencies
 - i.e. to determine what buying power our currency has relative to another currency
- One must compare the price of the same item in both countries
- If our currency is worth more than another currency (e.g. Indian Rupee) then we will have more “buying power”
- If our currency is worth less than another currency (e.g. British Pound) then we will have less “buying power”

The Big Mac™ Standard

- Big Macs are standardised products sold in over 120 countries but it is not sold at the same price all over the world

COUNTRY	BIG MAC PRICE		ACTUAL EXCHANGE RATE
	Local Currency	US Dollars	In SA Rands
South Africa	R13.21	\$1.94	R13.21
United States	\$2.65	\$2.65	R18.04
Britain	£ 1.99	\$3.57	R24.31
China	Yuan9.95	\$1.20	R8.17
Thailand	Baht55.00	\$1.30	R8.85
Russia	Rouble40.00	\$1.38	R9.39
European Union	€ 2.75	\$3.40	R23.15

6. Travel Trends

How does “Buying Power” affect Travel?

- When foreign tourists come to SA and get more Rands for their money (i.e. their currency is stronger), it means they have more money to spend on accommodation, transport, entertainment, and goods
- Tourists with a stronger currency than the Rand are more likely to stay longer and spend more
- South Africa is perceived as a “cheap” or “good value for money” destination by countries with a stronger currency (e.g. Britain, Western European countries, USA, etc)

How does “Buying Power” affect Travel?

- When foreign tourists come to SA and get less Rands for their money (i.e. their currency is weaker), it means they have less money to spend on accommodation, transport, entertainment, and goods
- Tourists with a weaker currency than the Rand are more likely to have a shorter stay and spend less, or not come at all
- South Africa is also a long haul destination for tourists from other countries so it becomes even more expensive

7. Learner Activities and Teaching Tips

Learner Activities:

- FOREIGN CURRENCY:
 - Divide the class into groups
 - Ask each group to think of a product that they would like to manufacture and sell to foreign tourists visiting SA
 - Each group should decide on the price in US dollars as well as in Euros
 - For the next week, the learners must listen to the news and write down the exchange rate for the USD and EURO everyday
 - At the end of the week, learners must discuss what affect the exchange rate had on their business



Learner Activities:



- EXAMPLE:

DAY	PRICE IN USD (\$)	Exchange Rate	PRICE IN ZAR (R)	PRICE IN EURO (€)	Exchange Rate	PRICE IN ZAR (R)
Monday	\$10	7.33	R73.30	€8	10.01	R80.08
Tuesday	\$10	7.43	R74.30	€8	10.05	R80.04
Wednesday	\$10	6.91	R69.10	€8	10.50	R84.00
Thursday	\$10	7.20	R72.00	€8	9.97	R79.76
Friday	\$10	7.10	R71.00	€8	9.99	R79.92

Learner Activities:

- **CLASS DISCUSSION:**
 - Facilitate a class discussion on whether anybody has ever travelled to another country
 - Ask them what the currency was in that country
 - Ask to share an experience about foreign currency with the class
 - Ask all learners if they have examples of foreign currency at home that they could bring to show the class (could even be from Zimbabwe, Botswana, etc)

Teaching Tip:



- INVITE A GUEST SPEAKER
 - Approach a foreign exchange outlet (e.g. Amex) or Rennie's and invite a representative to give a lecture to your class about foreign exchange
 - If you do not have an outlet in your area, then maybe approach a local bank, as most banks deal with Forex.
 - Ask the guest to bring along any resource material that could be used such as travellers' cheques, different examples of foreign currency, examples of exchange rate tables, etc.

Questions & Comments

Thank You!

