Interest Rates and Exchange Rates

But remember:

* The interest rate must be higher than in other countries for it to be an attractive investment opportunity
* If inflation is higher than the interest rate then investors will not gain from investment in real terms (i.e. if the value of their money is going down at a greater rate than they are benefitting from interest)
* There are many other factors that impact on the supply and demand of a currency that you may need to consider when answering a question in relation to a specific case study – remember Iceland!

Remember **SPICED** when looking at who benefits and suffers from fluctuations in the Exchange Rate……..

Strong

Pound

Imports

Cheap

Exports

Dear