

PRINCIPLES OF MACROECONOMICS

(SBSD1053)

QUIZ-2 (5%)

Attention: Please answer the following question and upload the answers through e-learning platform by 1 pm 16th May 2022.

Name	SALIHAN SYAIRAH BINTI AZHARI
Metric No	A21BS0133

Question:

- a) What does mean by an appreciation and depreciation of the exchange rate?
- b) Give 2 effects how depreciation of a country's exchange rate can benefit the economy?
- c) Give 2 effects how appreciation of a country's exchange rate can benefit the economy?

Answers:

A) Appreciation is the value of a currency increases in relation from others currency. For example, the exchange rate of Singapore Dollar (SGD) to Malaysian Ringgit (MYR) in 12 May 2022 is 1 SGD = 3.1457 MYR , while in 13 May 2022 is 1 SGD = 3.1614 MYR. From this, we can say that Singapore Dollar (SGD) is appreciating in currency against the Malaysian Ringgit (MYR) because 1 SGD in 13 May 2022 is worth 3.1614 MYR that is higher than 1 SGD in 12 May 2022 (3.1457 MYR).

Depreciation is the value of a currency decreases in relation from others currency. For example, the exchange rate of Malaysian Ringgit (MYR) to Bangladesh Taka (BDT) in 11 May 2022 is 1 MYR = 19.8043 BDT , while in 12 May 2022 is 1 MYR = 19.7338 BDT . From this, we can say that Malaysian Ringgit (MYR) is having a depreciation in currency

against the Bangladesh Taka (BDT) because 1 MYR in 11 May 2022 (19.8043 BDT) is lower than 12 May 2022 (19.7338 BDT) .

B) - The benefit of the depreciation currency is the domestic tourism industry will be high and the worker will gain jobs in export industry. So the tourist will attract to come to our country due the lower price of currency . They can buy a lot of food or souvenir with a cheaper price .

C) The benefit of the appreciation in exchange rate is the import become cheaper and the export become more expensive which means that if we buy a Samsung A53 5G in korea is 508200 KRW which is (17040.50 MYR) but if we buy the same smartphone Samsung A53 5G in Malaysia is 1849.00 MYR . This shown that we should buy in korean country which the country that produce the Samsung brand.