Lesson 4: Globalisation and exchange rates

KNOWLEDGE ORGANISER

🎯 Learning goals

- ✓ Explain globalisation and its benefits and drawbacks
- ✓ Explain how UK businesses can compete internationally
- ✓ Explain exchange rates and their effect on exporters and importers
- ✓ Apply these ideas to a fashion retailer

🔑 Key words

Globalisation Increased international trade and competition.

Exporter A business that sells goods to other countries.

Exchange rate The value of one currency compared to another.

Importer A business that buys goods from other countries.

📘 What you need to know

A strong pound makes exports dearer; a weak pound makes them cheaper.

1. Globalisation

Globalisation means increased international trade and competition between countries. It gives UK businesses **access to new markets and customers** and cheaper materials from abroad, but it also brings **more competition** from overseas firms and a reliance on distant suppliers. UK businesses can still compete by offering **better design, higher quality or lower prices**.

Globalisation — benefits

- ✓ Access to new markets and customers.
- ✓ Cheaper materials from abroad.
- ✓ New ideas and designs.

Globalisation — drawbacks

- ✗ More competition from overseas firms.
- ✗ Pressure on prices.
- ✗ Reliance on distant suppliers.

2. Exchange rates

An **exchange rate** is the value of one currency compared to another — for example how many euros you get for £1. A **stronger pound** makes UK exports **more expensive** overseas (harder to sell abroad), but makes imports cheaper. A **weaker pound** makes UK exports **cheaper** for foreign customers (easier to sell abroad), but makes imports dearer.

> *"A weaker pound makes UK exports cheaper abroad, but makes imported stock more expensive."*

Exchange rates matter to **importers** too. Urban Threads buys much of its stock from abroad, so a weaker pound pushes up the cost of that stock and squeezes its profit.

✅ Test yourself

Cover the answers below, answer Q26–Q33, then check.

Q26 What is globalisation?

Q27 One benefit of globalisation for UK businesses?

Q28 One drawback of globalisation for UK businesses?

Q29 How can UK businesses compete internationally?

Q30 What is an exchange rate?

Q31 How does a stronger pound affect exporters?

Q32 How does a weaker pound affect exporters?

Q33 Why do exchange rates matter to importers?

ANSWERS

A26 Increased international trade and competition.
A27 Access to new markets and customers.
A28 Increased competition from overseas firms.
A29 By offering better design, higher quality or lower prices.
A30 The value of one currency compared to another.
A31 Exports become more expensive overseas.
A32 Exports become cheaper for foreign customers.
A33 They affect the cost of imported goods.