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“The Northern
Professionals”

NOTE ON RECENT EXCHANGE RATE MOVEMENTS

Ref: J2835 - February 2015

Fall in Australian Dollar Value 25-07-2014 to 05-02-2015

US Dollar	-17.5%
Chinese Yuan	-16.4%
Japanese Yen	-4.7%
Korean Won	-12.1%
Euro	-2.1%
British Pound	-7.6%
Trade Weighted Index	-11.7%

Source: Cummings Economics based on Reserve Bank of Australia Data.

The fall against the US dollar of 17.5 per cent is roughly paralleled by the fall against the Chinese yuan of 16.4 per cent (China has had a policy of maintaining parity with the US dollar but allowing small upward appreciations).

It has also fallen strongly by -12.1 per cent against the Korean won.

However the rise in the US dollar has also been accompanied by depreciations of the Japanese yen and the Euro and the falls of the Australian dollar against those currencies have been modest.

The overall Trade Weighted Index (a basket of currencies weighted by extent of trade with those countries) is down 11.7 per cent.

What does it mean for the Cairns region?

Overall it is very good news. The Australian dollar has fallen from an historic peak a few years ago of around 108 US cents by 28 per cent.

For tourism, this helps attract overseas visitors and discourages Australians from travelling overseas. However Japan and Europe figures heavily in our international visitor trade and the falls against those currencies are quite modest.

On the other hand, a side effect of the higher US dollar will mean that we will be more competitive against Guam and Hawaii in attracting Japanese and other Asian visitors.

The lower dollar will be good for maintaining competitiveness of and returns to sugar, beef and seafood producers and for the international education sector.

Not all effects are positive. A lower dollar normally means higher fuel prices, but this effect is currently being offset by the collapse in world fuel prices.

The fall in the Australian dollar is not just due to lower commodity prices. I am delighted that the Reserve Bank is now recognising that bringing down interest rates to levels more in line with those overseas, helps get the dollar down.