

A business can deliver exactly what it promised, receive exactly the payment it agreed to, and still discover that the money buys less than expected. That can happen when the sale involves two currencies and their relationship changes before payment arrives. The product may be excellent. The customer may be satisfied. Yet the financial result can shift because money itself has a price when exchanged for another kind of money. Understanding that relationship helps us see how an international sale, a family transfer, a vacation, or a business loan can be affected by events thousands of miles away.

A currency is the money used in an economy, such as the United States dollar, Ghanaian cedi, or Tanzanian shilling. An exchange rate tells us how much of one currency can be exchanged for another. Suppose, using an invented rate for easy calculation, one U.S. dollar exchanges for 10 Ghanaian cedis. Someone exchanging \$100 would receive 1,000 cedis before fees. Someone exchanging 1,000 cedis would receive \$100. We are expressing the same relationship from opposite directions. Whenever we read an exchange rate, our first task is to identify which currency we are starting with and which currency we are receiving. The [Reserve Bank of Australia's explanation of exchange rates](#) describes this relationship as the relative price of currencies.

Now imagine that the rate changes from 10 cedis per dollar to 12 cedis per dollar. A dollar now purchases more cedis, so the dollar has appreciated, meaning it has increased in value relative to the cedi. The cedi has depreciated, meaning it purchases less of the other currency. Notice that the larger number—12 instead of 10—describes a decline in the cedi's value against the dollar. It takes more cedis to purchase the same dollar. This is why a headline saying an exchange rate “went up” needs more explanation. We need to know which way the rate is quoted before we can understand what changed.

Consider Selassie Atadika, the Ghanaian founder and chef behind Midunu, whose work includes handcrafted chocolates made with Ghanaian cocoa and African flavors. She has built a business around culinary knowledge, ingredients, and the cultural significance of food. Her professional experience includes travel across more than 40 African countries, and her work received a TIME Earth Award in 2025, according to [Midunu's account of her career](#). The company's [chocolate business](#) gives us a useful setting for understanding currency. A finished product brings together agricultural production, specialized skill, packaging, and a brand customers recognize. Selling that product across borders adds another consideration: the currency in which the business gets paid.

For illustration, imagine a separate Ghanaian chocolate producer receiving a \$1,000 order from an overseas customer. These figures are hypothetical and do not describe Midunu's accounts. At 10 cedis per dollar, the payment converts to 10,000 cedis. At 12 cedis per dollar, it converts to 12,000 cedis. If the producer's expenses stayed unchanged in cedis, the second exchange rate would leave more local money available after paying those expenses. But suppose the producer also needs a replacement machine priced at \$2,000. That machine would now cost 24,000 cedis instead of 20,000.

The same currency movement improves the conversion of foreign sales revenue while increasing the local cost of imported equipment.

This explains why a depreciating currency does not have one uniform effect on businesses. An exporter with mostly local expenses may benefit, while a company buying many supplies abroad may face rising costs. Some companies experience both effects at once. Their result depends on the currencies in which they earn, spend, borrow, and repay. Households can feel these changes too: imported products may become more expensive, and local products can also become costlier when their production requires imported fuel or materials. The changes may take time to reach customers because sellers have existing inventory, contracts, and pricing decisions to consider. The Reserve Bank of Australia explains these connections between exchange rates, trade, and domestic prices.

Another Black entrepreneur whose work brings these relationships into view is Doreen Mashika, the Tanzanian designer behind her namesake fashion business in Zanzibar. Mashika studied and worked in Switzerland before returning to Tanzania to build her company. Her brand describes partnerships with women's groups in villages and Stone Town, where makers produce goods largely by hand using traditional techniques. These are concrete business achievements: developing a distinctive product, organizing production, and turning design knowledge into commercial activity. Her business background and relationships with makers also remind us that a product's economic value includes the knowledge and coordination required to bring it into existence.

Imagine a visitor shopping at a fictional Zanzibar clothing store. A garment costs 260,000 Tanzanian shillings. At an invented rate of 2,600 shillings per dollar, its price is equivalent to \$100. At 3,250 shillings per dollar, that same garment costs the visitor \$80 before conversion fees. The shop has not lowered its shilling price, but the visitor experiences a lower dollar price. A more favorable exchange rate could encourage that visitor to purchase another item. However, extra sales are not automatic: visitors still care about design, quality, their budgets, and the cost of reaching the destination. Currency changes influence decisions alongside those other considerations.

Exchange rates move because people and institutions change their demand for currencies and their willingness to exchange them. International purchases matter, but so do investments, borrowing, and expectations. An investor purchasing an asset priced in another currency may need to obtain that currency first. Higher interest rates relative to other countries can attract investment, supporting demand for a currency. Yet investors also consider inflation, political and economic uncertainty, and possible currency losses. A higher interest payment may look less attractive if the money received could lose substantial value when converted back. The Reserve Bank of Australia's explanation of exchange-rate drivers shows how interest-rate differences and investment flows interact. There is no single factor that reliably predicts every movement.

Countries also use different arrangements for their currencies. With a floating exchange rate, market supply and demand largely determine the price. With a fixed or pegged exchange rate, authorities seek to maintain a stated relationship with another currency or a group of currencies. Maintaining a peg can require buying and selling currencies and holding foreign assets called reserves. It can also limit freedom to set domestic interest rates. Some arrangements fall between these approaches, allowing movement while authorities intervene to influence it. A peg is a policy commitment that requires resources and management. These distinctions are explained in the [Reserve Bank of Australia's discussion of exchange-rate arrangements](#).

We also need to distinguish converting money from measuring what it can purchase. The nominal exchange rate is the quoted currency conversion rate. A real exchange rate takes account of prices in the economies being compared. Suppose a currency depreciates, making a country's products appear cheaper to foreign buyers. If domestic prices rise enough at the same time, some or all of that apparent price advantage can disappear. Economists therefore examine both currency movements and changes in prices. The [International Monetary Fund's explanation of real exchange rates](#) develops this distinction. More units of money received at conversion do not necessarily mean a proportionate increase in purchasing power.

Nor does the number of currency units exchanged tell us which population is wealthier. Consider a purely imaginary country that replaces every 100 old currency units with one new unit. A worker's 100,000-unit salary becomes 1,000 new units. A 5,000-unit grocery purchase becomes 50 new units. If everything converts consistently, the worker can buy the same groceries as before. The smaller numbers have changed the measuring scale without increasing production or living standards. This thought experiment helps us avoid treating a currency quotation as a national report card. To understand prosperity, we must examine earnings alongside prices, productive capacity, access to useful services, and the distribution of economic opportunities.

Money also crosses borders to finance businesses. Foreign direct investment involves an investor establishing a lasting interest and significant influence in a business in another economy. Portfolio investment includes holdings of shares or bonds that do not establish that direct-investment relationship. A share represents ownership; a bond represents borrowing. Imagine a fictional manufacturer receiving overseas funding to establish a second workshop. An ownership investor may receive a share of future profits and agreed decision-making rights. A lender expects repayment under the loan's terms. Both arrangements can provide resources for expansion, but they create different obligations. The [Reserve Bank of Australia's balance-of-payments explainer](#) distinguishes these forms of international investment.

The currency of a loan adds another layer. Suppose our fictional manufacturer earns cedis but owes \$10,000. At 10 cedis per dollar, obtaining the dollars needed to repay the principal—the amount borrowed—requires 100,000 cedis. At 12 cedis per dollar, it requires 120,000 cedis. The dollar principal has remained unchanged, but its

local-currency cost has increased by 20,000 cedis, before considering interest or fees. This is a currency mismatch: income and obligations are expressed in different currencies. Receiving enough dollar revenue could offset part of that mismatch, depending on amounts and timing. The example shows why understanding a financing agreement requires looking beyond its advertised interest rate.

Businesses sometimes use hedging, meaning arrangements intended to reduce exposure to a financial risk. One method is a forward contract, an agreement to exchange a specified amount of currency at an agreed rate on a future date. A business expecting a foreign-currency payment can use such an arrangement to make its eventual conversion value more predictable. That certainty involves tradeoffs: the business generally gives up the benefit of a later favorable movement for the contracted amount, and the agreement carries terms and obligations. Pricing a sale in the seller's own currency is another approach, though it shifts conversion exposure toward the buyer and may affect the buyer's willingness or ability to pay. The [U.S. International Trade Administration explains these foreign-exchange risks and approaches.](#)

For families, international money movement often takes the form of a remittance, such as money someone sends to relatives living abroad. The exchange rate affects what arrives, and the transfer service's charges matter as well. Suppose someone has \$200 total to send. A fictional service deducts a \$5 fee and converts the remaining \$195 at 10 local units per dollar, delivering 1,950 units. Another service charges no separate fee but converts the \$200 at 9.6 units per dollar, delivering 1,920 units. The "no fee" offer delivers less in this example. Comparing the recipient's final amount reveals more than comparing the advertised fee alone. The World Bank's [Remittance Prices Worldwide](#) provides information about the costs of sending and receiving money across countries.

At the national level, economists organize cross-border transactions in the balance of payments. Its current account includes trade in goods and services, income flows, and current transfers. Its financial account records transactions in financial assets and liabilities, including international investment and borrowing. These records help connect a country's purchases and earnings with changes in what its residents own and owe abroad. A current-account deficit can be associated with borrowing, foreign equity investment, or reductions in foreign assets; it does not mean every dollar of the gap is government debt. The [Reserve Bank of Australia explains how these accounts fit together.](#) The financing arrangement matters because loans, ownership investments, and asset sales have different future consequences.

An international price becomes much more informative once we attach a few practical details to it. We can identify the currency, the payment date, the conversion charges, and the expenses the proceeds must cover. We can ask whether a business's earnings and obligations move together or whether an exchange-rate change pulls them apart. We can recognize the value created by a skilled producer while also understanding the financial conditions surrounding the sale. These are learnable habits of attention. They help us read a contract more carefully, interpret a currency headline more accurately, and

understand how work performed in one place becomes income, purchasing power, and opportunity somewhere else.