

## How A Weak Dollar Affects The U.S. Economy - Currency Overview

With the anticipation of the Fed initiating its rate reduction objective in September, expectations are that the U.S. dollar will also begin to fall as well. Historically, nearly every time that interest rates have fallen in the U.S., the dollar has also fallen relative to other country currencies.

A weaker dollar can trigger numerous dynamics for the U.S. economy, as the nation's currency theoretically becomes less valuable yet offering some benefits to the economy. Since an enormous amount of what U.S. consumers buy is imported, a weaker dollar makes these imports more expensive because a weaker dollar is able to purchase less. The higher import costs can also lead to inflationary pressures for consumers.

Fortunately, a weaker dollar makes U.S. products and goods more competitive globally as the price of U.S. exports fall. A weak dollar has historically stimulated U.S. exports over the decades, yet has also created a challenge for consumers and companies reliant on imports which in-turn become more expensive.

Sources: Fed, U.S. Treasury, Commerce Dept.



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