

**FX Education Series:**

## How Does FX Influence Import Costs?

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Understanding the impact of exchange rate movements can help your bottom line. Even if you pay in US dollars, currency fluctuations will have an effect on your import costs.

A strong dollar reduces your purchasing costs, while dollar weakness increases them. But even when the dollar is strong, you may end up incurring additional expense. That's because by paying in US dollars you're transferring the risk of currency movement to the overseas company you're buying from. To compensate for this, exporters generally build in a risk premium. This can add more than 5% to the price they offer you.

By managing this risk yourself and converting to an exporter's currency, you'll have greater control over the price you pay.

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