6 Exchange rates and inflation – Part 2

Name: ______________ Class: __________ Date: ____________

Vocabulary 词汇

Write each word three times. 把每个单词抄写三遍。

English	中文	Write it 3 times (English)		
exchange rate	汇率			
appreciation	升值			
depreciation	贬值			
exporter	出口商			
Inflation	通货膨胀			

Recall

Two more external influences are the exchange rate and inflation.

New ideas

Read these first, then do the Practice.

■ 1 Exchange rates

The **exchange rate** 汇率 is the price of one currency in terms of another:

currency up (appreciation):

exports dearer, imports cheaper

currency down (depreciation):

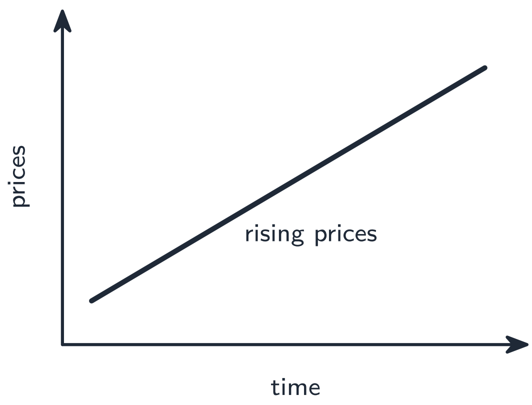
exports cheaper, imports dearer

- **appreciation** 升值 (the currency rises) → exports dearer, imports cheaper;
- **depreciation** 贬值 (the currency falls) → exports cheaper, imports dearer.

So an **exporter** 出口商 often gains from a weaker currency.

■ 2 Inflation

Inflation 通货膨胀 is a general rise in prices over time:



High inflation raises a firm's costs and makes planning harder.

Watch out: appreciation (strong currency) → exports *dearer*, imports *cheaper*; depreciation (weak currency) → exports *cheaper*, imports *dearer*. A handy memory aid is SPICED — Strong Pound, Imports Cheaper, Exports Dearer.

Practice

Try these in order.

6.6 What is the *exchange rate*? [1]

6.7 What is *appreciation* of a currency? [1]

6.8 When the local currency depreciates, what happens to exports abroad? [1]

6.9 Who tends to gain from a weaker currency — exporters or importers? [1]

6.10 Give one problem high inflation causes a business. [1]

6.11 Challenge. A country's currency falls in value (depreciates). Explain why a business that *exports* its products is likely to benefit. [2]