6 Exchange rates and inflation – Part 2 —Answers

Answers

Work through these after trying the questions yourself.

6.6 The price of one currency in terms of another.
6.7 When the currency rises in value.
6.8 They become cheaper abroad.
6.9 Exporters.
6.10 Higher costs, harder planning, or customers can afford less (any one).

6.11 When the currency depreciates, the firm's goods become *cheaper* for foreign buyers (their money buys more of the weaker currency). The lower price abroad makes the exports more competitive, so foreign customers buy more and the exporter's sales rise.