

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]
