

6 Exchange rates and trade balance

– Part 2

Name: _____ Class: _____ Date: _____

Vocabulary

Write each word three times.

English

Write it 3 times (English)

exchange rate

balance of pay-
ments

Recall

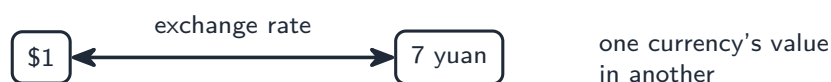
When countries trade, they swap currencies, and they keep a record of money flowing in and out.

New ideas

Read these first, then do the Practice.

■ 1 Exchange rates

An **exchange rate** is the value of one currency in terms of another:



If the exchange rate rises, your money buys more foreign currency.

■ 2 The balance of payments

The **balance of payments** records the money flowing in (from exports) and out (for imports):

exports (money in) > imports (money out)

= a surplus

imports > exports = a deficit

Watch out: an **exchange rate** is the value of one currency in another. A **surplus** is exports *greater than* imports (more money in); a **deficit** is imports *greater than* exports (more money out) – match the direction.

Practice

Try these in order.

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

6.7 If \$1 = 7 yuan, how many yuan do you get for \$5? [1]

6.8 What does the balance of payments record? [1]

6.9 What is a trade *surplus*? [1]

6.10 What is a trade *deficit*? [1]

6.11 Challenge. The exchange rate is \$1 = 6 yuan. (a) How many yuan would \$20 buy? (b) How many dollars would 300 yuan buy? [3]