Exchange Rate

When firms import goods and services they must also use (1)_____ to pay the country they bought them from. The price of a foreign currency is known as its foreign (2)_____. That is, its value in terms of other countries' (3)_____. Most currencies are allowed to (4)_____ on the foreign exchange market according to the demand and (5)_____ of each currency. When the value of a currency falls it is known as a (6)_____ of its value. A rise in the price of a currency is known as an (7)_____. Some governments have intervened in the foreign exchange market to fix their own value for their currency. This is known as (8)_____ exchange rate. Sometimes due to changing international markets the governments have to lower the exchange rate which is known as (9)_____. Governments all control the price of its currency by selling or buying of their currency which is termed as (10)_____.

appreciation   currencies   depreciation   devaluation   exchange rate   fixed   float   foreign currency   managed flexibility   supply

Key

Exchange Rate

When firms import goods and services they must also use foreign currency to pay the country they bought them from. The price of a foreign currency is known as its foreign exchange rate. That is, its value in terms of other countries' currencies. Most currencies are allowed to float on the foreign exchange market according to the demand and supply of each currency. When the value of a currency falls it is known as a depreciation of its value. A rise in the price of a currency is known as an appreciation. Some governments have intervened in the foreign exchange market to fix their own value for their currency. This is known as fixed exchange rate. Sometimes due to changing international markets the governments have to lower the exchange rate which is known as devaluation. Governments all control the price of its currency by selling or buying of their currency which is termed as managed flexibility.