Currency Changes Trade

Assess how exchange rates can change international buying and selling.

SS.7.E.3.2 "Assess how the changing value of currency affects trade of goods and services between nations."

NAME ______________________________ DATE ______________

1 READ AND MARK

Read it twice

YOUR JOB Underline each phrase that tells how one currency gains or loses buying power. Circle each sentence that predicts a change in buying, ordering, visiting, or importing because of that currency change.

Prices Across Borders

1 An exchange rate tells how much of one currency can buy another. Currency values affect what buyers in one nation pay for goods and services from another nation. Suppose the U.S. dollar strengthens against Mexico's peso. One dollar then buys more pesos than before. A U.S. store can exchange its dollars for enough pesos to buy Mexican-made bicycles at a lower dollar cost. The store may order more bicycles, because they cost less in dollars. Mexican buyers, however, need more pesos to buy U.S. products priced in dollars.

2 When the dollar weakens, the result can reverse. Imagine that the dollar loses value against the euro. A family from France now exchanges fewer euros for the same number of dollars, so a U.S. hotel stay costs fewer euros. More French visitors may choose U.S. hotels, meals, and museum tickets. These are services sold by U.S. businesses. At the same time, a U.S. family finds a vacation in France more expensive in dollars and may spend less there.

3 Exchange rates do not force every business or traveler to change plans. Quality, shipping costs, taxes, and long-term contracts also matter. Still, a changing currency alters the price seen by foreign buyers. If Brazil's real weakens against the dollar, a U.S. company may pay fewer dollars for Brazilian coffee, which can raise coffee imports. To assess trade, compare the old and new prices in the buyer's currency and identify who gains purchasing power from that exchange.

2 ANSWER WITH EVIDENCE

Use the passage

1. How does a stronger U.S. dollar affect the dollar cost of Mexican-made bicycles for the U.S. store? What trade choice might the store make?

2. Why do U.S. products become harder for Mexican buyers to purchase when the dollar strengthens against the peso?

3. When the dollar loses value against the euro, how might trade in U.S. services and travel to France change?

4. Brazil's real weakens against the dollar. Explain why this change could increase U.S. coffee imports.

3 YOUR TURN

Your own words

Write a three-sentence trade assessment about a country and a good or service not named in the passage. State whether that country's currency strengthens or weakens against the U.S. dollar, explain the price change for a U.S. buyer, and predict how U.S. imports might change.

Currency Changes Trade

PART 1 · READ AND MARK

Underline each phrase that tells how one currency gains or loses buying power. Circle each sentence that predicts a change in buying, ordering, visiting, or importing because of that currency change. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	How does a stronger U.S. dollar affect the dollar cost of Mexican-made bicycles for the U.S. store? What trade choice might the store make?	**The bicycles cost fewer dollars, so the store may order more bicycles from Mexico.**
2	Why do U.S. products become harder for Mexican buyers to purchase when the dollar strengthens against the peso?	**Mexican buyers need more pesos to buy products priced in dollars.**
3	When the dollar loses value against the euro, how might trade in U.S. services and travel to France change?	**U.S. hotel stays and other services cost fewer euros, so more French visitors may buy them. A vacation in France costs more dollars for U.S. families, so they may spend less there.**
4	Brazil's real weakens against the dollar. Explain why this change could increase U.S. coffee imports.	**A U.S. company may need fewer dollars to buy Brazilian coffee. The lower dollar cost can lead the company to import more coffee.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

The Canadian dollar weakens against the U.S. dollar. A U.S. builder can buy Canadian lumber for fewer U.S. dollars. The builder may import more lumber from Canada because its dollar price is lower.

Accept any accurate country, good or service not used in the passage, and a logically correct currency-price-trade chain. The response should clearly identify the currency direction, the price effect for a U.S. buyer, and a supported import prediction.