Erik and Cynthia are traveling to China from Minnesota. They want to buy some souvenirs while they are visiting but have to figure out how much everything is worth. All the goods in China are priced in that currency – the Yuan (¥). The value of the goods will depend upon the current exchange rate of dollars to yuan ($ to ¥).

Exchange Rate Practice

U.S. Dollars in Yuan: 6.3080      This means $1 = 6.3080 ¥

Yuan in U.S. Dollars: 0.1585       This means 1 ¥ = $ 0.1585

Using this exchange rate, calculate the following values:

1. $2 = \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
2. $10 = \_\_\_\_\_\_\_\_\_\_\_\_\_\_
3. $100 = \_\_\_\_\_\_\_\_\_\_\_\_\_
4. $50 = \_\_\_\_\_\_\_\_\_\_\_\_\_\_
5. 10 ¥ = \_\_\_\_\_\_\_\_\_\_\_\_\_\_
6. 100 ¥ = \_\_\_\_\_\_\_\_\_\_\_\_\_
7. 1000 ¥ = \_\_\_\_\_\_\_\_\_\_\_\_
8. 50 ¥ = \_\_\_\_\_\_\_\_\_\_\_\_\_\_

**PRACTICE**

Using the exchange rates above, calculate the following U.S. Dollars to Yuan prices:

1. How much would a $1 can of pop be in yuan?   \_\_\_\_\_\_\_\_\_\_\_\_\_  ¥
2. How much would a $3.5 lunch be in yuan?   \_\_\_\_\_\_\_\_\_\_\_\_\_  ¥
3. How much would a $150 television be in yuan?   \_\_\_\_\_\_\_\_\_\_\_\_\_  ¥
4. How much would a $1,050 plane ticket be in yuan?     \_\_\_\_\_\_\_\_\_\_\_\_\_ ¥

Using the exchange rates above, calculate the following Yuan to U.S. Dollars prices:

1. How much would 104 ¥  lunch be in dollars ?  \_\_\_\_\_\_\_\_\_\_\_\_\_  $
2. How much would a 480 ¥  hotel room be in dollars ?  \_\_\_\_\_\_\_\_\_\_\_\_\_  $
3. A tour of the Forbidden City costs 60 ¥. How much is that in dollars?  \_\_\_\_\_\_\_\_\_\_\_\_\_  $
4. An audio tape to go with the tour costs 20 ¥. How much is that in dollars?  \_\_\_\_\_\_\_\_\_\_\_\_\_  $

**Currency Appreciation v Currency Depreciation**

Currencies can **appreciate** (gain in value) against other currencies which means they get stronger in value – it takes less domestic currency to equal foreign currency. Foreign goods look cheaper now so imports rise.

 For example: in 2006 the dollar to pound exchange rate was $2 = 1£ so you needed $2 to get 1£

 today the exchange rate is $1.59 = 1£ so now it only takes $1.59 to get 1£

That means the dollar has *appreciated* in value against the pound. This is great for American consumers because their money goes further in England but bad for American producers because now British consumers buy less US items AND Americans are importing more from Britain.

Currencies can **depreciate** (fall in value) against other currencies which means they get weaker in value – it takes more domestic currency to equal foreign currency. Foreign goods look more expensive now so imports fall.

 For example: in 2006 the dollar to euro exchange rate was $1.40 = 1€ so you needed $1.40 to get 1€

 today the exchange rate is $1.31 = 1€ so now it only takes $1.31 to get 1€

That means the euro has *depreciated* in value against the dollar. This is bad for European consumers because their money does not go as far in America so they buy less which hurts American producers as exports fall. American consumers benefit because their money goes farther in Europe and they can buy more imports.