Economy and finance

VOCABULARY PRACTICE
INTERMEDIATE | B1-B2

Name: _____ Date: _____

1 Tick the correct category for each economy word.

Word | Indicator | Institution | Process | Concept

1 GDP [ ] [ ] [ ] [ ] [ ]
2 central bank [ ] [ ] [ ] [ ] [ ]
3 recession [ ] [ ] [ ] [ ] [ ]
4 monetary policy [ ] [ ] [ ] [ ] [ ]
5 stock market [ ] [ ] [ ] [ ] [ ]
6 fiscal policy [ ] [ ] [ ] [ ] [ ]
7 consumer spending [ ] [ ] [ ] [ ] [ ]
8 exchange rate [ ] [ ] [ ] [ ] [ ]

2 Correct the mistake in each sentence.

1 GDP measure the size of economy. _____
2 The central bank set of interest rates. _____
3 The country entered recession of. _____
4 The government changed monetary of policy. _____
5 Shares are traded on stock of market. _____
6 Fiscal policy involve taxes and spending. _____
7 Consumer spending drive growth. _____
8 The exchange rate fluctuate daily. _____

3 Choose the more suitable description.

1 For the total value of goods and services produced: GDP / personal salary.
2 For the institution that controls a country's money supply: central bank / local shop.
3 For a period of significant economic decline: recession / boom.
4 For decisions about interest rates and money supply: monetary policy / personal budgeting.
5 For decisions about government spending and taxation: fiscal policy / private investment.
6 For the value of one currency against another: exchange rate / interest rate.

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4 Complete the reports with words from the box.

central bank | consumer spending | exchange rate | fiscal policy | GDP | monetary policy | recession | stock market

Report A: 1 _____ grew slower than expected, raising concerns about a possible 2 _____ later this year.
Report B: The 3 _____ raised interest rates as part of its 4 _____ to control inflation.
Report C: The government adjusted its 5 _____, increasing spending on public services.
Report D: 6 _____ fell sharply last month, while the 7 _____ experienced significant volatility. The 8 _____ also weakened against major currencies.

5 Read the text and answer the questions briefly.

How central banks fight inflation

When inflation rises significantly above target, central banks typically respond by raising interest rates, a core tool of monetary policy intended to reduce consumer spending and cool an overheating economy. Higher rates make borrowing more expensive, discouraging both consumer purchases and business investment, which can slow price growth but also risks tipping the economy into recession if applied too aggressively. Fiscal policy can complement these efforts, though government spending decisions typically move more slowly than central bank rate changes, since they usually require parliamentary approval. Striking the right balance between controlling inflation and avoiding unnecessary economic slowdown remains a persistent challenge for policymakers.

1 How do central banks typically respond when inflation rises significantly? _____

2 What is this a core tool of? _____

3 What do higher rates discourage? _____

4 What risk does raising rates too aggressively carry? _____

5 Why does fiscal policy typically move more slowly than central bank rate changes? _____

6 What remains a persistent challenge for policymakers? _____

6 Rewrite each phrase using the word in capitals.

1 The size of the economy shrank. RECESSION _____

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2 The bank that controls the money supply raised rates. CENTRAL BANK _____

3 The government changed its tax and spending decisions. FISCAL POLICY _____

4 The currency's value against others changed. EXCHANGE RATE _____

OVER TO YOU

Write a 100-120 word account of how a central bank or government could respond to rising inflation. Include specific tools and trade-offs.

[ ] Use at least ten target expressions. [ ] Include polite, precise wording. [ ] Organise the account clearly.

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ANSWER KEY

1 Categories

1 Indicator 2 Institution 3 Indicator 4 Process 5 Institution 6 Process 7 Indicator 8 Indicator

2 Corrections

1 GDP measures the size of the economy 2 the central bank sets interest rates 3 entered a recession
4 changed its monetary policy 5 traded on the stock market 6 Fiscal policy involves taxes and spending
7 drives growth 8 fluctuates daily

3 Suitable descriptions

1 GDP 2 central bank 3 recession 4 monetary policy 5 fiscal policy 6 exchange rate

4 Reports

1 GDP 2 recession 3 central bank 4 monetary policy 5 fiscal policy 6 Consumer spending
7 stock market 8 exchange rate

5 Reading - suggested answers

1 By raising interest rates.
2 Monetary policy.
3 Both consumer purchases and business investment.
4 Tipping the economy into recession.
5 Because government spending decisions usually require parliamentary approval.
6 Striking the right balance between controlling inflation and avoiding unnecessary economic slowdown.

6 Rewriting - possible answers

1 The economy entered a recession. 2 The central bank raised rates.
3 The government changed its fiscal policy. 4 The exchange rate changed.

Over to you

Answers will vary. Check range, respectful register and clear organisation.