

28 What does **not** directly increase the supply of £ sterling on the world currency market?

- A** lower interest rates in the United Kingdom
- B** higher interest rates in the United States
- C** an increase in investment opportunities for foreign capital in Latin America
- D** an increase in sales of United Kingdom exports to the United States

29 There is a depreciation in a country's exchange rate.

If wage costs remain unchanged, what would be the most likely consequence?

- A** a fall in the rate of inflation
- B** an increase in profits of manufacturing exporters
- C** an increase in unemployment
- D** an outflow of foreign direct investment

30 The currency of a small island economy floats against the US\$. The island's Government introduces foreign exchange control restrictions on its citizens.

What is the likely effect on the international value of the island currency and of the US\$?

| | island currency value | US\$ value |
|----------|-----------------------|------------|
| A | falls | rises |
| B | rises | no effect |
| C | rises | rises |
| D | uncertain | falls |