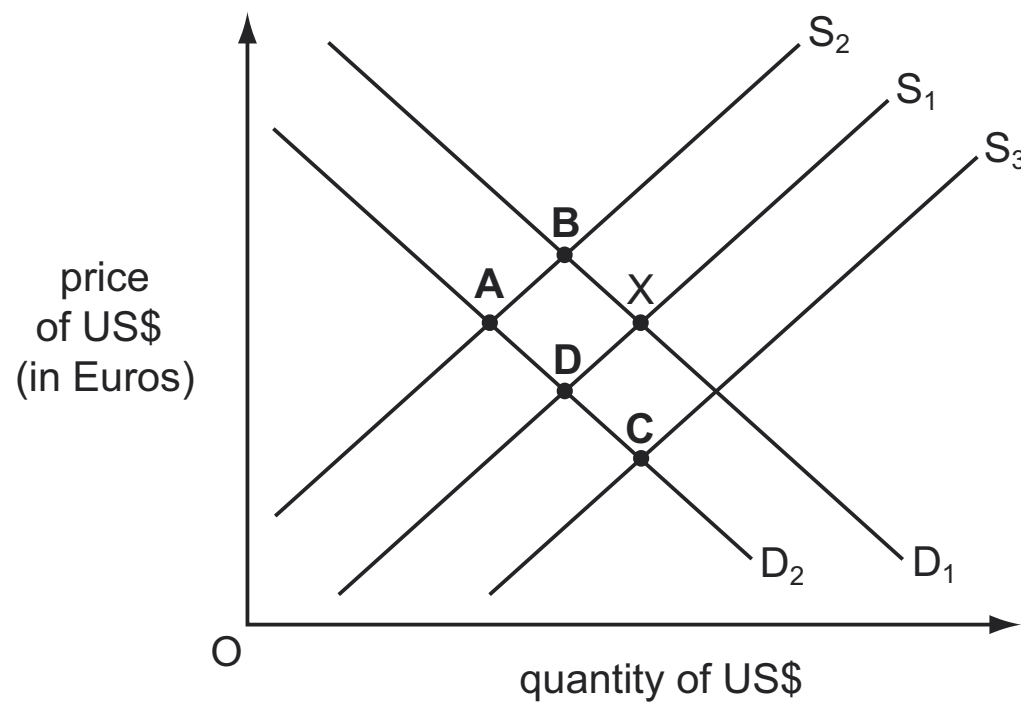


- 28 In the diagram, the foreign exchange market is initially in equilibrium at X.

What could be the new equilibrium position after a decrease in demand from US residents for European consumer goods?



- 29 In the absence of offsetting changes, what would be likely to increase if a country's exchange rate appreciates?

- A the cost of imported consumer goods
- B the level of domestic inflation
- C the rate of unemployment
- D the volume of manufacturing exports

- 30 Tourism is seen as a good way of increasing net export earnings. Luxury tourism, such as wildlife safaris and cultural tours, is considered by an economy to have a very price-inelastic demand.

If this is correct, which is **most** likely to increase export revenue earned by this economy from luxury tourism?

- A a depreciation of the economy's currency
- B a reduction in the taxes levied on hotels
- C an appreciation of the economy's currency
- D cheap government loans to increase the construction of hotels