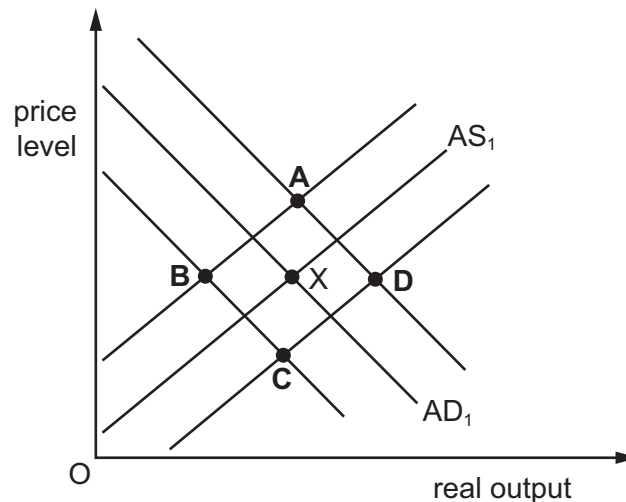


- 21 Between June and the end of July 2016 the UK pound sterling depreciated by 11% against a basket of currencies of the UK's major trading partners.

The diagram shows the original aggregate demand curve AD_1 and the original aggregate supply curve AS_1 for the UK economy before June 2016. The equilibrium is at X.

What will be the new equilibrium for the UK economy as a result of the depreciation of the pound sterling?



- 22 Which item is **not** included in the current account of a country's balance of payments?

- A exports of services
- B interest on foreign loans
- C profits from foreign investments
- D the purchase of foreign assets

- 23 A government wishes to raise the value of the external exchange rate of its currency.

What should it do?

- A discourage inward foreign direct investment
- B raise interest rates
- C raise the level of aggregate demand in the economy
- D remove quotas on imported products

- 24 Country X conducts 60% of its trade with country Y and 40% of its trade with country Z. The initial value of the trade-weighted exchange rate index of country X is 100.

What will be its new trade-weighted exchange rate index value if its currency falls in value by 20% against the currency of country Y and rises by 10% against the currency of country Z?

- A 84
- B 90
- C 92
- D 116