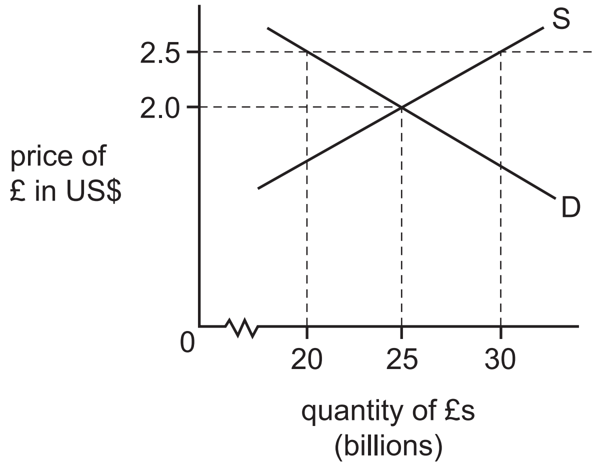
23 The diagram shows the market for £ sterling, which is in equilibrium.



What must the UK government do to achieve an exchange rate of £1 = US$2.50?

A buy £10 billion

B buy £20 billion

C sell £10 billion

D sell £20 billion

24 Country X trades with only two countries, Nigeria and Malaysia.

80% of Country X's trade is with Nigeria and 20% is with Malaysia.

The original value of the trade-weighted exchange rate index is 100.

The value of Country X's currency against the Nigerian Naira rises by 10%. The value of Country X's currency against the Malaysian Ringgit rises by 50%.

What will be the value of Country X's new trade-weighted exchange rate index?

A 115 **B** 118 **C** 130 **D** 160

25 How is the terms of trade index calculated?

A $\dfrac{\text{export price index}}{\text{import price index}} \times 100$

B $\dfrac{\text{export price index}}{\text{quantity of exports traded}} \times 100$

C $\dfrac{\text{import price index}}{\text{export price index}} \times 100$

D $\dfrac{\text{quantity of imports traded}}{\text{quantity of exports traded}} \times 100$