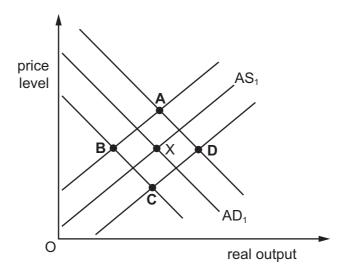
21 Between June and the end of July 2016 the UK pound sterling depreciated by 11% against a basket of currencies of the UK's major trading partners.

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