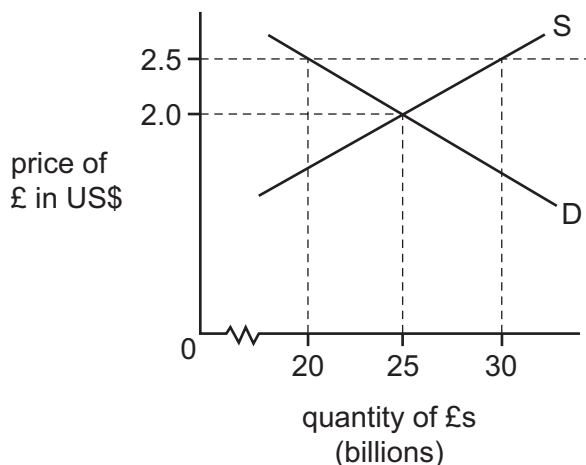


23 The diagram shows the market for £ sterling, which is in equilibrium.



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** $\frac{\text{export price index}}{\text{import price index}} \times 100$
- B** $\frac{\text{export price index}}{\text{quantity of exports traded}} \times 100$
- C** $\frac{\text{import price index}}{\text{export price index}} \times 100$
- D** $\frac{\text{quantity of imports traded}}{\text{quantity of exports traded}} \times 100$