28 An appreciation of country X's currency leads to an increase in its foreign currency earnings from tourism.

What can be concluded from this about the demand by foreigners for holidays in country X?

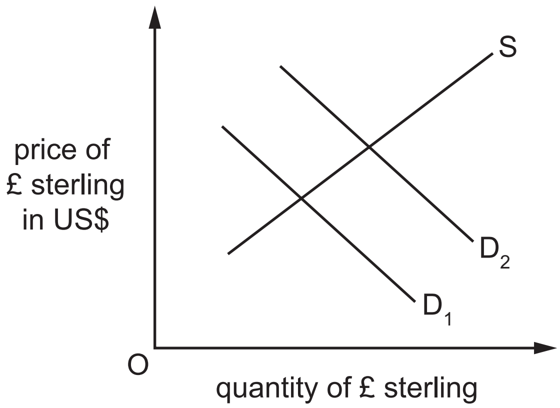
A It is income elastic.

B It is price elastic.

C It is income inelastic.

D It is price inelastic.

29 In the diagram, curves D_1 and S relate to the demand for and supply of £ sterling in the foreign exchange market.



What may cause the demand curve to shift from D_1 to D_2?

A a decrease in UK interest rates

B a decrease in the price of US goods sold in the UK

C the removal of UK tariffs against US goods

D the development of UK substitutes for US goods

30 A government uses monetary policy to manage its economy.

Which sequence correctly describes the most likely consequence of an increase in the country's inflation rate?

	expectations about future interest rates	→	capital inflows	→	exchange rates
A	fall		decrease		depreciate