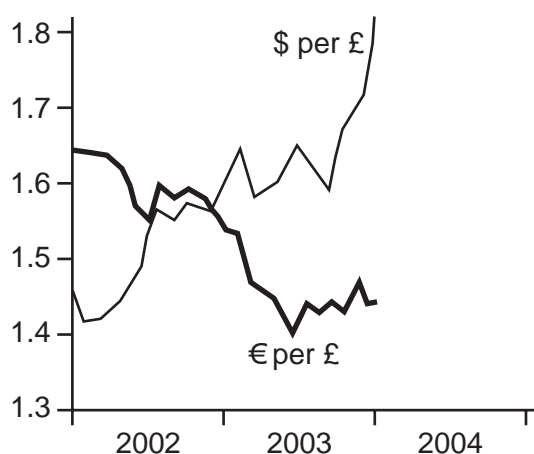


- 27 The diagram shows the number of US dollars (\$) and Euros (€) which exchanged for one pound sterling (£) between 2002 and 2004.



What happened to the exchange rate of the \$ against the £ and € during this period?

	\$ exchange rate against £	\$ exchange rate against €
<b>A</b>	appreciated	appreciated
<b>B</b>	appreciated	depreciated
<b>C</b>	depreciated	appreciated
<b>D</b>	depreciated	depreciated

- 28 In a country the Marshall-Lerner condition for an improvement in the trade balance is satisfied in the long run, but quantities of imports and exports are slow to respond to price changes. The government devalues its currency to reduce its trade deficit.

Which curve indicates the probable behaviour of the trade balance?

