23 At present, one unit of a country's currency exchanges for US\$1.20. The country aims to set its exchange rate at US\$1.00.

Which combination of government actions in the foreign exchange market must achieve this aim?

A buying US currency and buying its own currency

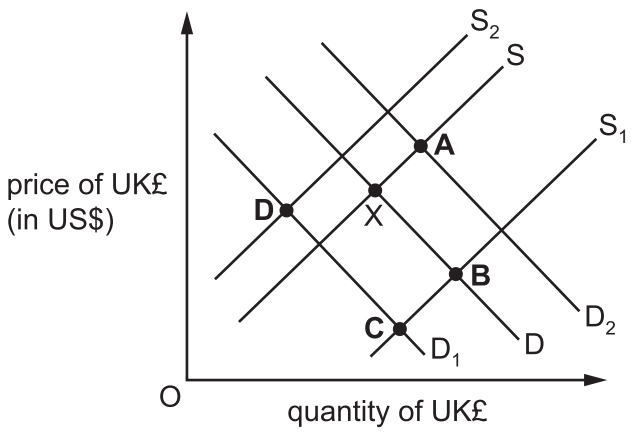
B buying US currency and selling its own currency

C selling US currency and buying its own currency

D selling US currency and selling its own currency

24 The diagram shows the exchange rate for the UK£ in terms of the US\$. The original equilibrium exchange rate is at X.

What will be the new exchange rate equilibrium of the UK£ following a rise in UK interest rates?



25 A country's terms of trade increased from a base year value of 100 to 120 in the following year.

If export prices had increased by 50%, what was the change in the price of the country's imports?

A –30% **B** –25% **C** +25% **D** +30%