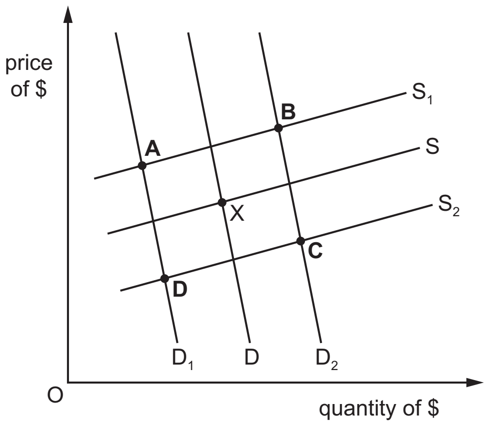
29 The US currently trades in oil with the UK. The discovery of new oil and gas deposits in the US will mean that its oil imports decrease and its oil exports increase.

From the initial equilibrium point of X, which letter indicates the new equilibrium point for the US exchange rate?



30 What is most likely to directly result from a persistent and large current account surplus on the balance of payments of a country?

A a lower exchange rate

B a lower standard of living

C an increase in gross domestic product

D an increase in the unemployment rate

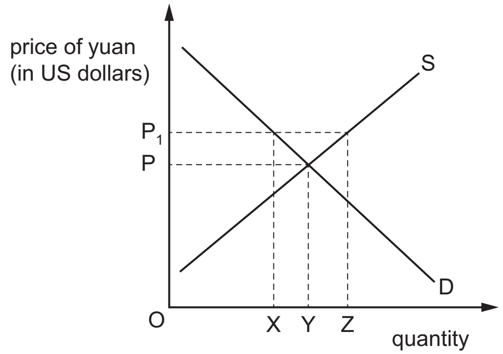
IGCSE Economics: **w25 13**

20 Which combination of policy measures is most likely to increase total demand in an economy?

	money supply	interest rate	exchange rate
A	decrease	decrease	revaluation
B	decrease	increase	devaluation
C	increase	decrease	devaluation
D	increase	increase	revaluation

IGCSE Economics: **s25 11**

29 In the diagram, D is the demand curve for the Chinese yuan and S is the supply curve of the Chinese yuan.



The Chinese central bank wishes to set the price of the yuan at P_1.

Which action would it have to take?

A buy XY yuan

B buy XZ yuan

C sell XY yuan

D sell XZ yuan

IGCSE Economics: **s25 12**

29 The table shows the retail price at which the same book can be bought in four countries.

country	price in local currency	local currency
Australia	\$14.99	Australian dollars
Canada	\$11.99	Canadian dollars
New Zealand	\$20.95	New Zealand dollars
United Kingdom	£6.99	GB pound

What additional information is required to make a meaningful comparison of the price of the book between the countries?

A direct tax rates

B exchange rates

C inflation rates

D level of import tariffs

29 The table shows the value of the UK pound (£) against the US dollar ($) in June and September.

June	September
£1 = $1.48	£1 = $1.32

What will be the likely consequence for the UK economy in the short run of the change in the exchange rate?

A an increase in the budget deficit

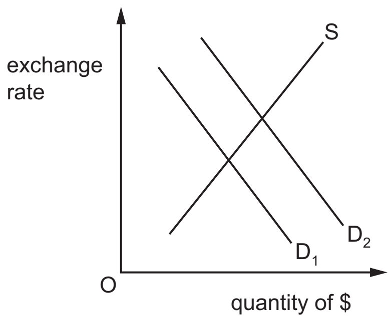
B an increase in the price of exports

C an increase in the price of imports

D an increase in unemployment

IGCSE Economics: **w24 11**

29 The diagram shows the change in the exchange rate market for country X's $.



Which change in country X would have caused this?

A a fall in its international competitiveness

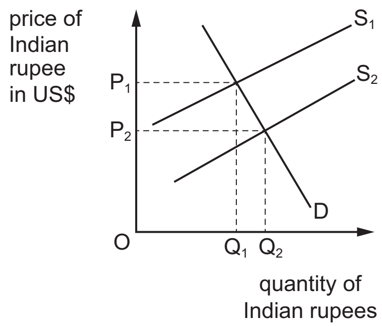
B a fall in its level of interest rates

C a rise in its exports of services

D a rise in its imports of goods

IGCSE Economics: **w24 13**

29 The diagram shows a change in the exchange rate for the Indian rupee against the US$.



What could cause the change in the exchange rate?

A a decrease in the rate of inflation in India

B an increase in demand for imports by people in India

C greater foreign direct investment into India

D greater purchases of its own currency by the Indian central bank

IGCSE Economics: **w24 22**

3 The central bank of Madagascar intervenes in the country's foreign exchange market. However, Madagascar has a largely market economic system. Nearly 70% of Madagascar's population live in poverty. Most of the country's industries are labour-intensive. In 2020, Madagascar had an economic growth rate of 6% and a deficit on the current account of its balance of payments of $0.6bn.

(a) Define *foreign exchange market*. [2]

(b) Explain **two** reasons why a firm may adopt labour-intensive production. [4]

(c) Analyse how the macroeconomic aims of economic growth and balance of payments stability may conflict. [6]

(d) Discuss whether or not a high level of poverty is likely to exist in a market economic system. [8]