Solutions

Each answer shows the steps, then the **result**.

2.1

- demand comes from foreigners buying the country's exports and assets; supply comes from residents buying foreign goods and assets

2.2

- the equilibrium exchange rate

2.3

- to buy that country's exports or assets (any one)

3.1 B

3.2 B

3.3

(a)

- it rises

(b)

- the exchange rate rises

(c)

- appreciation