

Questions *Macroeconomics* (with answers)

5 Exchange rate and balance of payments

01 Real exchange rate

Calculate the real exchange rate:

- Nominal exchange rate in the \$-country: \$1 = €0.79
- Price index in the \$-country 120, in the €-country 112

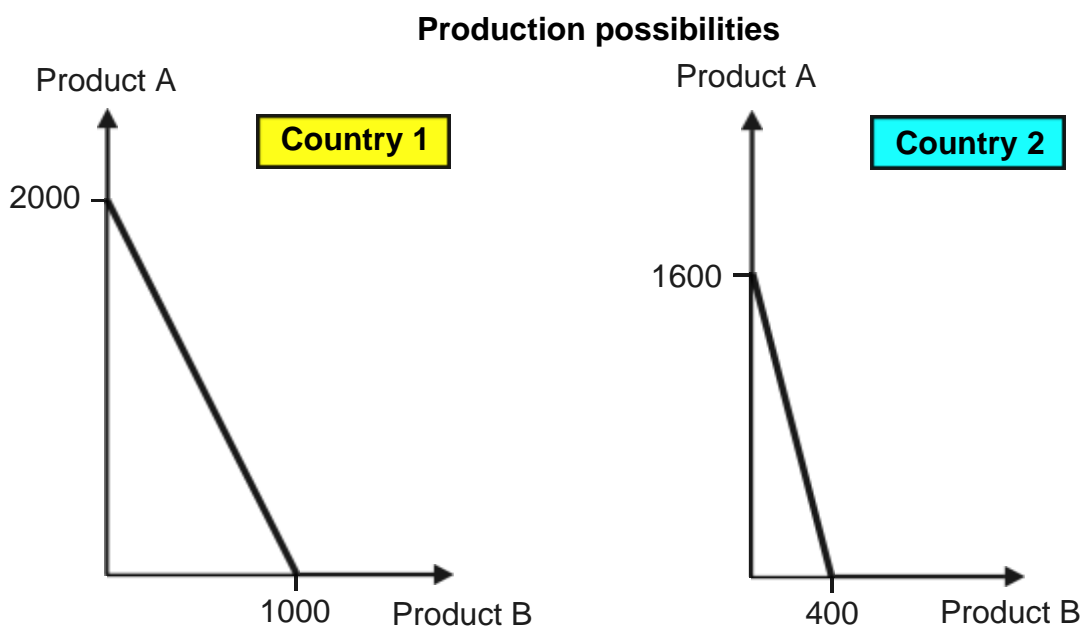
02 Comparative advantage 1

Is there specialization and trade (no tariff and no cost of transport)?

	Production possibilities	
	Product A	Product B
Country 1	900	1'800
Country 2	1200	3'600

03 Comparative advantage 2

Is there specialization and trade (no tariff and no costs of transport)?



04 Balance of payments 1

Parts of the US balance of payments:

A Current account

A1 Trade in goods

A2 Trade in services

A3 Investment income

etc.

B Financial account, capital account and statistical error

To which of the above mentioned parts do the following activities belong?

(Add + for inflows of foreign currencies or - for outflows)

① A European investor buys US-shares on Wall Street.

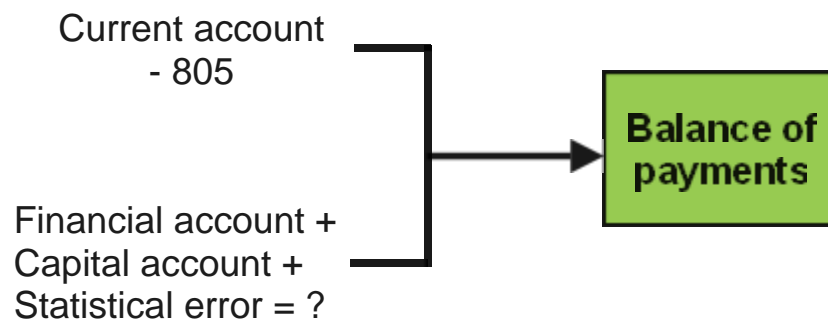
② The US-company pays dividend to the European investor.

③ A US-citizen flies to Paris to spend three weeks in France.

④ A US-fruit company imports bananas from Costa Rica.

05 Balance of payments 2

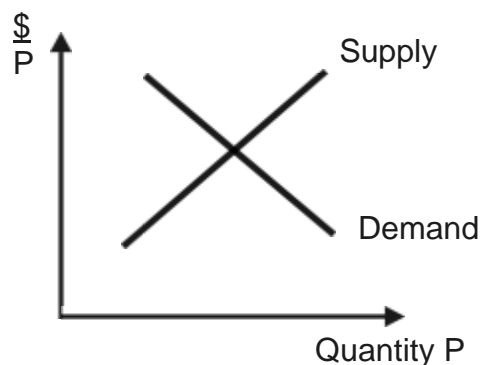
Calculate the unknown number (?):



06 Flexible exchange rate 1

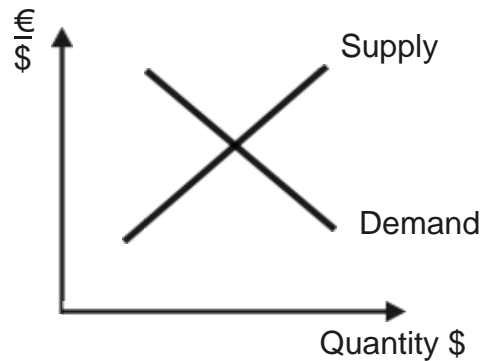
In a country with the currency P domestic interest rates rise. What happens to the exchange rate and to exports?

Situation of the currency market for P before the rise in interest rates:



07 Flexible exchange rate 2

Market for € in the US:

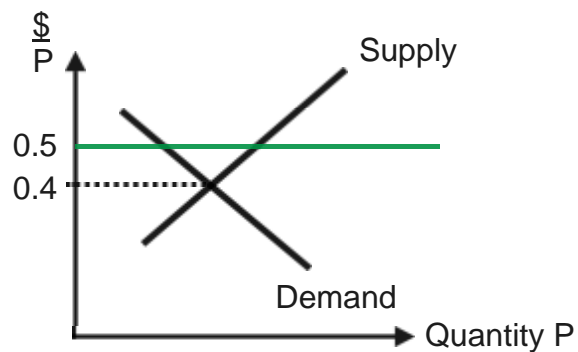


What happens to the market for € if

- ① more people from €-countries spend their vacation in the US and
- ② imports from €-countries to the US fall dramatically.

08 Fixed exchange rate

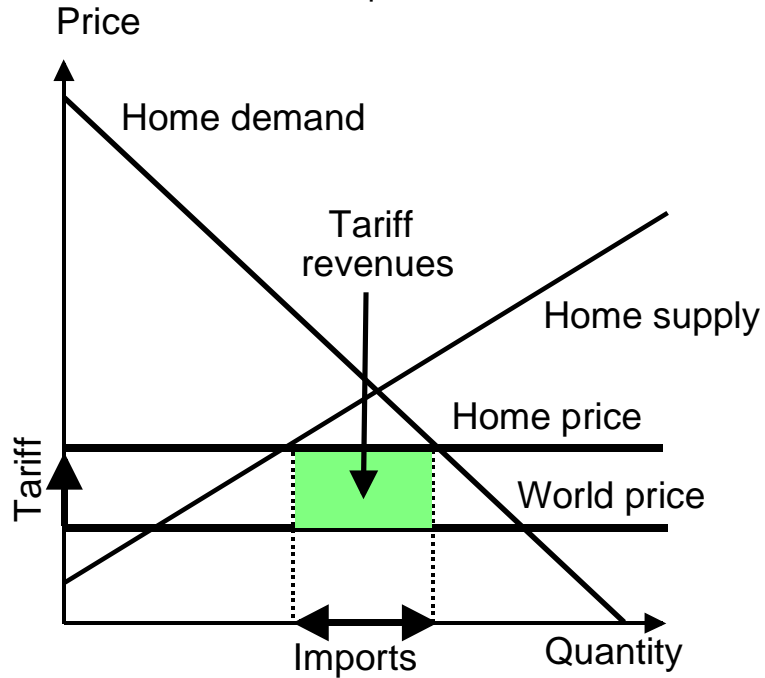
A country with the currency P has a fixed exchange rate against the \$ ($\$ 0.5 = P 1$). Due to unfavourable economic conditions, P is devalued as follows:



How can the parity be reestablished?

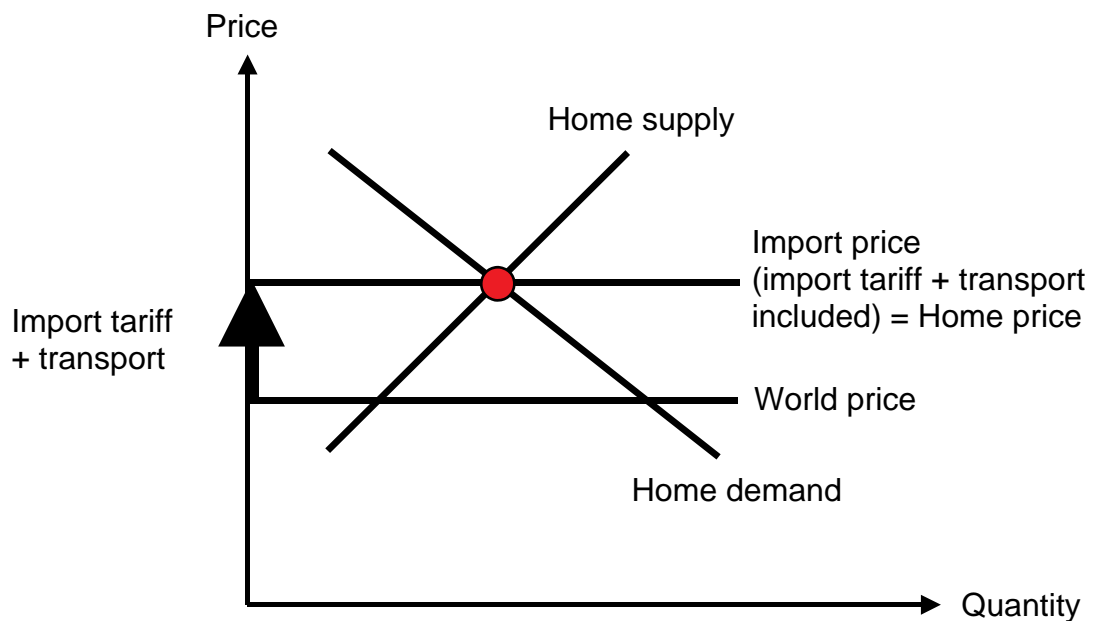
09 Import tariff 1

Who gains, who loses in the case of an import tariff?



10 Import tariff 2

Explain this situation:



→ [Answers. Click here!](#)