EE312 (1/2020 Section 046401): Quiz 5 Student ID................................

D for \$ = Demand for dollar, S of \$ = Supply of dollar, BP = Balance of Payments, ↑ = increases, ↓ = decreases, Host country is Thailand.

PART I. (35 marks, 7 each) **Under flexible exchange rate regime. How does each of the following situation affect the exchange rate market?** Please choose the correct answer by **circling one** letter only.

1. Thailand's GDP increases. $M = M_a + m.Y$. Import increases.

   a. D for \$ increases b. D for \$ decreases c. S of \$ increases d. S of \$ decreases e. no correct answer given

2. Thailand has fewer foreign toursists. Tourists's spending in Thailand is much lower.

   a. D for \$ increases b. D for \$ decreases c. S of \$ increases d. S of \$ decreases e. no correct answer given

3. Foreigners sell stocks in SET. They want to move their funds away from Thailand.

   a. D for \$ increases b. D for \$ decreases c. S of \$ increases d. S of \$ decreases e. no correct answer given

4. Thai government borrows from abroad.

   a. D for \$ increases b. D for \$ decreases c. S of \$ increases d. S of \$ decreases e. no correct answer given

5. Thailand's interest rate increases. It becomes relatively higher than the other Asian countries's. There is a massive capital inflow.

   a. D for \$ increases b. D for \$ decreases c. S of \$ increases d. S of \$ decreases e. no correct answer given

PART II. (56 marks, 7 each) Please choose the correct answer by **circling one** letter only.

1. Under flexible exchange rate regime, at equilibrium exchange rate, which of the following is correct.

   a. BP is surplus b.BP is deficit c. BP is equal to zero d. cannot be determined e. no correct answer given

2. Under fixed exchange rate regime, suppose the official exchange rate is above the market equilibrium exchange rate. At the official exchange rate, which of the following is correct.

   a. BP is surplus b.BP is deficit c. BP is equal to zero d. cannot be determined e. no correct answer given

3. Under fixed exchange rate regime, suppose the official exchange rate is below the market equilibrium exchange rate. At the official exchange rate, which of the following is correct.

   a. BP is surplus b.BP is deficit c. BP is equal to zero d. cannot be determined e. no correct answer given

4. Suppose Thailand's interest rate increases, which of the following is correct?

   a. Net Capital Inflow ↑ b. Net Capital Inflow ↓ c. Net Export ↑ d. Net Export ↓ e. no correct answer given

5. Suppose Thailand's GDP increases, which of the following is correct?

   a. Net Capital Inflow ↑ b. Net Capital Inflow ↓ c. Net Export ↑ d. Net Export ↓ e. no correct answer given

6. Under fixed fixed exchange rate regime, if the official exchange rate is below the market equilibrium exchange rate, which of the following is correct.

   a. Central bank needs to buy dollars. b. Central bank needs to sell dollars.
   c. Central bank does not need to buy or to sell dollars d. no correct answer given

$\frac{eP^*}{P} = 1$

7. PPP. Suppose inflation rate in Thailand is higher while inflation rate aboard remains the same. Under the Purchasing Power Parity, which of the following is correct.

   a. e ↑. Baht appreciates b. e ↓. Baht appreciates c. e ↑. Baht depreciates d. e ↓. Baht depreciates e. no correct answer given

$eP^* = P$

$e = P/P^*$

$= 2$

8. Supoose $P^* = 50, P = 100$, exchange rate (e) now = 1.9. Suppose PPP holds, how does the exchange rate change overtime?

   a. increases b. decreases c. remain the same d. cannot be determined e. no correct answer given

PART III. (9 marks) Define how to calculate Balance of Payments of a country. Please write in terms of $X(Y^f, e), M(Y, e), F(r, r^f)$.

Balance of Payments = CA + KA = X − M + F = $X(Y^f, e) - M(Y, e) + F(r, r^f)$

EE312 (1/2020 Section 046401): Quiz 5 Student ID................................

D for \$ = Demand for dollar, S of \$ = Supply of dollar, BP = Balance of Payments, ↑ = increases, ↓ = decreases, Host country is Thailand.

PART I. (35 marks, 7 each) **Under flexible exchange rate regime. How does each of the following situation affect the exchange rate market?** Please choose the correct answer by **circling one** letter only.

1. Thailand's interest rate increases. It becomes relatively higher than the other Asian countries's. There is a massive capital inflow.

   a. S of \$ decreases b. S of \$ increases c. D for \$ decreases d. D for \$ increases e. no correct answer given

2. Thailand's GDP decreases. $M = M_a + m.Y$. Import decreases.

   a. S of \$ decreases b. S of \$ increases c. D for \$ decreases d. D for \$ increases e. no correct answer given

3. Thailand has fewer foreign toursists. Tourists's spending in Thailand is much lower.

   a. S of \$ decreases b. S of \$ increases c. D for \$ decreases d. D for \$ increases e. no correct answer given

4. Thai government borrows from abroad.

   a. S of \$ decreases b. S of \$ increases c. D for \$ decreases d. D for \$ increases e. no correct answer given

5. Foreigners sell stocks in SET. They want to move their funds away from Thailand.

   a. S of \$ decreases b. S of \$ increases c. D for \$ decreases d. D for \$ increases e. no correct answer given

PART II. (56 marks, 7 each) Please choose the correct answer by **circling one** letter only.

1. Under fixed exchange rate regime, suppose the official exchange rate is below the market equilibrium exchange rate. At the official exchange rate, which of the following is correct.

   a. BP is surplus b.BP is deficit c. BP is equal to zero d. cannot be determined e. no correct answer given

2. Under fixed exchange rate regime, suppose the official exchange rate is above the market equilibrium exchange rate. At the official exchange rate, which of the following is correct.

   a. BP is surplus b.BP is deficit c. BP is equal to zero d. cannot be determined e. no correct answer given

3. Under flexible exchange rate regime, at equilibrium exchange rate, which of the following is correct.

   a. BP is surplus b.BP is deficit c. BP is equal to zero d. cannot be determined e. no correct answer given

4. Suppose Thailand's GDP increases, which of the following is correct?

   a. Net Capital Inflow ↑ b. Net Capital Inflow ↓ c. Net Export ↑ d. Net Export ↓ e. no correct answer given

5. Suppose Thailand's interest rate increases, which of the following is correct?

   a. Net Capital Inflow ↑ b. Net Capital Inflow ↓ c. Net Export ↑ d. Net Export ↓ e. no correct answer given

6. Under fixed fixed exchange rate regime, if the official exchange rate is above the market equilibrium exchange rate, which of the following is correct.

   a. Central bank needs to buy dollars. b. Central bank needs to sell dollars.
   c. Central bank does not need to buy or to sell dollars d. no correct answer given

$\frac{e\bar{P}^*}{P\downarrow} = 1$

7. PPP. Suppose inflation rate in Thailand is lower while inflation rate aboard remains the same. Under the Purchasing Power Parity, which of the following is correct.

   a. e ↑. Baht appreciates b. e ↓. Baht appreciates c. e ↑. Baht depreciates d. e ↓. Baht depreciates e. no correct answer given

$e = \frac{P}{P^*} = 2$

8. Supoose $P^* = 50, P = 100$, exchange rate (e) now = 2.2. Suppose PPP holds, how does the exchange rate change overtime?

   a. increases b. decreases c. remain the same d. cannot be determined e. no correct answer given

PART III. (9 marks) Define how to calculate Balance of Payments of a country. Please write in terms of f $X(Y^f, e), M(Y, e), F(r, r^f)$.

Balance of Payments = CA + KA = X − M + F = $X(Y^f, e) - M(Y, e) + F(r, r^f)$

EE312 (1/2020 Section 046401): Quiz 5 Student ID................................

D for \$ = Demand for dollar, S of \$ = Supply of dollar, BP = Balance of Payments, ↑ = increases, ↓ = decreases, Host country is Thailand.

PART I. (35 marks, 7 each) **Under flexible exchange rate regime. How does each of the following situation affect the exchange rate market?** Please choose the correct answer by **circling one** letter only.

1. Foreigners sell stocks in SET. They want to move their funds away from Thailand.
   a. D for \$ increases b. D for \$ decreases c. S of \$ increases d. S of \$ decreases e. no correct answer given
2. Thai government borrows from abroad.
   a. D for \$ increases b. D for \$ decreases c. S of \$ increases d. S of \$ decreases e. no correct answer given
3. Thailand's GDP increases. $M = M_a + m.Y$. Import increases.
   a. D for \$ increases b. D for \$ decreases c. S of \$ increases d. S of \$ decreases e. no correct answer given
4. Thailand has fewer foreign toursists. Tourists's spending in Thailand is much lower.
   a. D for \$ increases b. D for \$ decreases c. S of \$ increases d. S of \$ decreases e. no correct answer given
5. Thailand's interest rate increases. It becomes relatively higher than the other Asian countries's. There is a massive capital inflow.
   a. D for \$ increases b. D for \$ decreases c. S of \$ increases d. S of \$ decreases e. no correct answer given

PART II. (56 marks, 7 each) Please choose the correct answer by **circling one** letter only.

1. Under flexible exchange rate regime, at equilibrium exchange rate, which of the following is correct.
   a. BP is deficit b.BP is equal to zero c. BP is surplus d. cannot be determined e. no correct answer given
2. Under fixed exchange rate regime, suppose the official exchange rate is above the market equilibrium exchange rate. At the official exchange rate, which of the following is correct.
   a. BP is deficit b.BP is equal to zero c. BP is surplus d. cannot be determined e. no correct answer given
3. Under fixed exchange rate regime, suppose the official exchange rate is below the market equilibrium exchange rate. At the official exchange rate, which of the following is correct.
   a. BP is deficit b.BP is equal to zero c. BP is surplus d. cannot be determined e. no correct answer given
4. Suppose interest rate increases, which of the following is correct?
   a. Net Export ↑ b.Net Export ↓ c. Net Capital Inflow ↑ d. Net Capital Inflow ↓ e. no correct answer given
5. Suppose Thailand's GDP increases, which of the following is correct?
   a. Net Export ↑ b.Net Export ↓ c. Net Capital Inflow ↑ d. Net Capital Inflow ↓ e. no correct answer given
6. Under fixed fixed exchange rate regime, if the official exchange rate is below the market equilibrium exchange rate, which of the following is correct.
   a. Central bank needs to buy dollars. b. Central bank needs to sell dollars.
   c. Central bank does not need to buy or to sell dollars d. no correct answer given
7. PPP. Suppose inflation rate in Thailand is higher while inflation rate aboard remains the same. Under the Purchasing Power Parity, which of the following is correct.
   $\frac{e\bar{P}^*}{P\uparrow} = 1$
   a. e ↑. Baht appreciates b. e ↓. Baht appreciates c. e ↑. Baht depreciates d. e ↓. Baht depreciates e. no correct answer given
8. Supoose $P^* = 50, P = 100$, exchange rate (e) now $= 2.1$. Suppose PPP holds, how does the exchange rate change overtime?
   $eP^* = P$
   $e = \frac{P}{P^*} = 2$
   a. increases b. remain the same c. decreases d. cannot be determined e. no correct answer given

PART III. (9 marks) Define how to calculate Balance of Payments of a country. Please write in terms of f $X(Y^f, e), M(Y, e), F(r, r^f)$.

Balance of Payments = CA + KA = X − M + F = $X(Y^f, e) - M(Y, e) + F(r, r^f)$

EE312 (1/2020 Section 046401): Quiz 5 Student ID................................

D for \$ = Demand for dollar, S of \$ = Supply of dollar, BP = Balance of Payments, ↑ = increases, ↓ = decreases, Host country is Thailand.

PART I. (35 marks, 7 each) **Under flexible exchange rate regime. How does each of the following situation affect the exchange rate market?** Please choose the correct answer by **circling one** letter only.

1. Thai government borrows from abroad.

   a. D for \$ increases b. D for \$ decreases c. S of \$ increases d. S of \$ decreases e. no correct answer given

2. Thailand's GDP increases. $M = M_a + m.Y$. Import increases.

   a. D for \$ increases b. D for \$ decreases c. S of \$ increases d. S of \$ decreases e. no correct answer given

3. Thailand has fewer foreign toursists. Tourists's spending in Thailand is much lower.

   a. D for \$ increases b. D for \$ decreases c. S of \$ increases d. S of \$ decreases e. no correct answer given

4. Foreigners sell stocks in SET. They want to move their funds away from Thailand.

   a. D for \$ increases b. D for \$ decreases c. S of \$ increases d. S of \$ decreases e. no correct answer given

5. Thailand's interest rate increases. It becomes relatively higher than the other Asian countries's. There is a massive capital inflow.

   a. D for \$ increases b. D for \$ decreases c. S of \$ increases d. S of \$ decreases e. no correct answer given

PART II. (56 marks, 7 each) Please choose the correct answer by **circling one** letter only.

1. Suppose Thailand's interest rate increases, which of the following is correct?

   a. Net Export ↑ b.Net Export ↓ c. Net Capital Inflow ↑ d. Net Capital Inflow ↓ e. no correct answer given

2. Suppose Thailand's GDP increases, which of the following is correct?

   a. Net Export ↑ b.Net Export ↓ c. Net Capital Inflow ↑ d. Net Capital Inflow ↓ e. no correct answer given

3. Under flexible exchange rate regime, at equilibrium exchange rate, which of the following is correct.

   a. BP is deficit b.BP is equal to zero c. BP is surplus d. cannot be determined e. no correct answer given

4. Under fixed exchange rate regime, suppose the official exchange rate is above the market equilibrium exchange rate. At the official exchange rate, which of the following is correct.

   a. BP is deficit b.BP is equal to zero c. BP is surplus d. cannot be determined e. no correct answer given

5. Under fixed exchange rate regime, sppose the official exchange rate is below the market equilibrium exchange rate. At the official exchange rate, which of the following is correct.

   a. BP is deficit b.BP is equal to zero c. BP is surplus d. cannot be determined e. no correct answer given

6. Under fixed fixed exchange rate regime, if the official exchange rate is below the market equilibrium exchange rate, which of the following is correct.

   a. Central bank needs to buy dollars. b. Central bank needs to sell dollars.
   c. Central bank does not need to buy or to sell dollars d. no correct answer given

$\frac{eP^*}{P\uparrow} = 1$

7. PPP. Suppose inflation rate in Thailand is higher while inflation rate aboard remains the same. Under the Purchasing Power Parity, which of the following is correct.

   a. e ↑. Baht appreciates b. e ↓. Baht appreciates c. e ↑. Baht depreciates d. e ↓. Baht depreciates e. no correct answer given

$e = \frac{P}{P^*} = 2$

8. Supoose $P^* = 50, P = 100$, exchange rate (e) now $= 2.5$. Suppose PPP holds, how does the exchange rate change overtime?

   a. increases b. remain the same c. decreases d. cannot be determined e. no correct answer given

PART III. (9 marks) Define how to calculate Balance of Payments of a country. Please write in terms of $X(Y^f, e), M(Y, e), F(r, r^f)$.

Balance of Payments = CA + KA = $X - M + F$ = $X(Y^f, e) - M(Y, e) + F(r, r^f)$