1. If inflation is 3 percent in Germany, 1 percent in Japan, and 5 percent in the United States. The deutsche mark/dollar real exchange rate is rising at a 2 percent rate, and the yen/dollar is falling at 3 percent rate. Find the percentage change in the dollar’s nominal exchange rate relative to the deutsche mark and the yen.

2. Suppose that the pound/yen exchange rate rises while the dollar/yen exchange rate falls. What should happen to the prices of imports into Japan, Britain and the United States?

3. If the current exchange rate is 3 franc/pound and it is expected to fall to 2.7 franc/pound next year, if the current nominal interest rate in the United Kingdom is 12 percent, what should be the interest rate in France, according to the nominal interest rate parity condition?

4. If a compact disc (CD) cost $16 in the United States, 6 sterling in Britain and 3500 yen in Japan-and the exchange rates are $2/sterling and 200yen/dollar-what are the real exchange rates in terms of CDs?