

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]