

- 25** The data given below refers to money supply and prices in the years 2001 and 2004 in four countries **A**, **B**, **C** and **D**.

Between 2001 and 2004, in which country was the rate of inflation the highest?

	2001		2004	
	money supply (\$ million)	price index (2000 = 100)	money supply (\$ million)	price index (2000 = 100)
<b>A</b>	69	104	78	153
<b>B</b>	65	112	120	247
<b>C</b>	70	101	213	157
<b>D</b>	172	105	360	210

- 26** A government announces that it has achieved its target of 2.5 % inflation per annum and that it expects to maintain it.

How might such an announcement reduce inflationary pressure?

- A** by encouraging the government to reduce its spending
  - B** by putting downward pressure on the country's exchange rate
  - C** by putting pressure on the central bank to reduce interest rates
  - D** by reducing workers' expectations of future inflation
- 27** A Japanese company builds a factory in the UK to supply both the UK market and the market in the rest of Europe.

What is likely to be the long-run impact on the UK's balance of trade in goods and on its current balance?

	balance of trade in goods	current balance
<b>A</b>	worsen	uncertain
<b>B</b>	worsen	improve
<b>C</b>	improve	uncertain
<b>D</b>	improve	improve