

- 21** A country experienced an annual deflation rate of 2% for four successive years.

Which statement is correct for the four-year period?

- A** The price level fell by 8%.
- B** The price level fell by less than 8%.
- C** The real value of money fell by 8%.
- D** The real value of money fell by less than 8%.

- 22** In July 2013, orders for durable US manufactured goods from computers to aircraft fell 7.3%, the biggest fall for a year.

What might explain this change in trade and how would it have affected the US balance of payments?

	reason for change	effect on balance of payments
<b>A</b>	an expansion in domestic production	increased outflow in the current account
<b>B</b>	an expansion in foreign markets	reduced inflow in the financial account
<b>C</b>	a recession in domestic production	increased outflow in the financial account
<b>D</b>	a recession in foreign markets	reduced inflow in the current account

- 23** The following exchange rates were recorded in the foreign exchange market.

$$£1 = €1.208$$

$$\$1 = €0.727$$

$$€1 = \$1.375$$

Within which range of values should £1 exchange for \$?

- A** £1=less than \$0.50
- B** £1=between \$0.50 and \$1
- C** £1=between \$1 and \$1.50
- D** £1=more than \$1.50

- 24** Between 2005 and 2010, a country's import prices rose by 25% and its terms of trade rose to 120 (2005 = 100).

Which change has there been in the country's export prices?

- A** -5%
- B** 12.5%
- C** 45%
- D** 50%