

**26** In what circumstances will money lose its value?

- A** The economy experiences a period of deflation.
- B** The general level of prices is falling.
- C** The rate of inflation is positive.
- D** The growth of money supply falls below the growth of output.

**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 visible trade balance and on its current balance?

	visible trade balance	current balance
<b>A</b>	worsen	uncertain
<b>B</b>	worsen	improve
<b>C</b>	improve	uncertain
<b>D</b>	improve	improve

**28** Country X trades with only two countries, USA and Japan.

90 % of the country's trade in goods and services is with the USA and 10 % is with Japan.

The original value of the trade-weighted exchange rate index is 100.

The change in the value of country X's currency against the US\$ is +10 %. The change in the value of country X's currency against the Japanese yen is +50 %.

What will be the value of country X's new trade-weighted exchange rate index?

- A** 114                      **B** 115                      **C** 130                      **D** 160