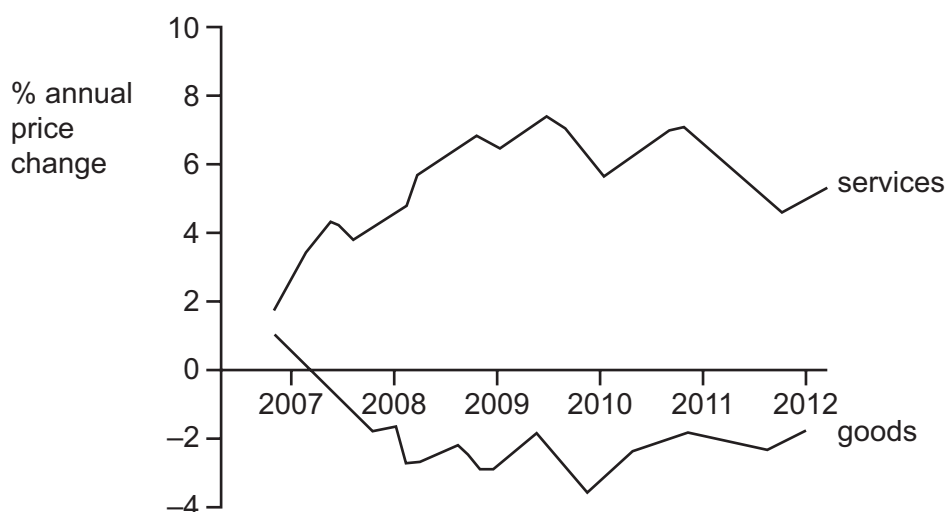


- 19 The graph shows the annual percentage change in the prices of services and in the prices of goods between 2007 and 2012.



What can be deduced from the graph?

- A On average the price of services was higher than the price of goods throughout the period.
 - B The average price of goods was higher in 2012 than in 2010.
 - C The average price of services was higher in 2012 than in 2010.
 - D There was a fall in the general price level between 2008 and 2010.
- 20 A government decides to devalue the country's currency to remove the deficit on its current account of the balance of payments.

What is the most likely reason why this would **not** work?

- A The country gains a competitive advantage from the devaluation.
 - B The country has a surplus on its capital and financial accounts.
 - C The price elasticities of demand for the country's exports and imports are greater than one.
 - D There are high trade barriers with the country's main trading partners.
- 21 What will increase if aggregate demand rises when aggregate supply is perfectly elastic?

- A labour shortages
- B real output
- C the price level
- D wage rates