

25 The figures show the consumer price index (CPI) of a country. (1971 = 100)

	CPI
1998	200
1999	204
2000	206
2001	209

What can be deduced from the data?

- A There was hyperinflation between 1971 and 1998.
 - B The rate of inflation rose in 2000.
 - C The rate of inflation in 1999 was 4 %.
 - D The country experienced inflation in the three years down to the end of 2001.
- 26 What is the most likely consequence of an increase in a country's balance of payments deficit?
- A an increase in the foreign value of the currency of the country
 - B an increase in the level of income within the country
 - C a reduction in the quantity of money within the country
 - D a reduction in unemployment within the country
- 27 Which factor determines the purchasing power parity of a currency?
- A relative costs of living
 - B relative rates of interest
 - C the volume of trade creation
 - D the visible balance of payments
- 28 Which is **most** likely to cause country X's exchange rate to depreciate?
- A an increase in country X's demand for imports
 - B an increase in country X's interest rate
 - C an increase in foreign demand for country X's exports
 - D an increase in tourist visits to country X