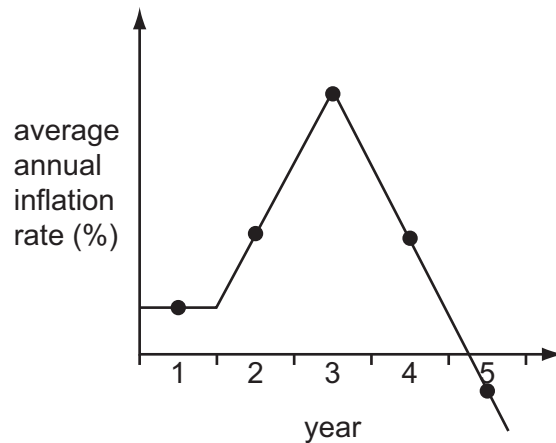


- 25 The graph shows a country's average annual inflation rate over a five year period.



What can be concluded about the general price level during the five years?

- A It fell in only one year.
  - B It fell in only two years.
  - C It rose in only two years.
  - D It was constant in only one year.
- 26 A country has a balance of payments disequilibrium with a long-run deficit on its current account.
- Which outcome of the disequilibrium will cause inflationary pressure?
- A the depreciation of the country's exchange rate
  - B the fall in the country's reserves of international currencies
  - C the increase in the demand for imports of goods and services
  - D the introduction of expenditure-dampening policies by the government
- 27 If interest rates are reduced, what is most likely to decrease?
- A borrowing by firms
  - B consumer spending
  - C import prices
  - D short-term capital inflows