

**27** Why might an increase in a current account surplus cause inflation?

- A** It will decrease aggregate supply.
- B** It will decrease the money supply.
- C** It will increase aggregate demand.
- D** It will increase the exchange rate.

**28** Demand for imports is often price inelastic in the short term. Over time, demand tends to become more price elastic.

What does this help to explain?

- A** why a fall in the exchange rate causes a deficit on the current account of the balance of payments to increase before decreasing
- B** why a fall in the exchange rate causes inflation to rise before falling
- C** why a rise in the exchange rate causes a surplus on the current account of the balance of payments to decrease before increasing
- D** why a rise in the exchange rate causes the terms of trade to worsen before improving

**29** The table shows the number of Jamaican dollars which exchanged for one unit of other currencies in time period 1 and time period 2.

	Jamaican \$ time period 1	Jamaican \$ time period 2
Barbados \$	23.19	23.12
Guyana \$	0.25	0.25
US\$	45.78	45.77
UK£	63.86	64.37

What might be concluded from the table?

- A** There was a decreased demand for Barbados \$ by Jamaicans.
- B** There was a decreased supply of Guyana \$ to Jamaicans.
- C** There was an increased demand for US\$ by Jamaicans.
- D** There was an increased supply of UK£ to Jamaicans.