

- 20** A country devalues its currency in the expectation that a deficit on the current account of the balance of payments will be reduced.

What is necessary to make this happen?

- A** any tariff on imports must be matched by a subsidy on goods to be exported
  - B** the elasticity of demand for imports and the elasticity of demand for exports must both be greater than 1
  - C** the rate of domestic inflation is equal to the rate of inflation in the foreign market
  - D** the sum of the elasticities of demand for domestic imports and the foreign demand for exports is greater than 1
- 21** The current account of the balance of payments for Nigeria changed from US\$899m in 2014 to US\$ –15 763m in 2015.

Assuming that nothing else changes, what is likely to be the impact in 2015 on GDP and the exchange rate in Nigeria?

	GDP	exchange rate
<b>A</b>	falls	appreciates
<b>B</b>	falls	depreciates
<b>C</b>	rises	appreciates
<b>D</b>	rises	depreciates

- 22** Australia's aggregate demand decreased over the last year.

What might have been the cause of this?

- A** a reduction in consumer saving
- B** a reduction in direct taxes
- C** a reduction in imports
- D** a reduction in investment