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$899 m in 2014 to US$ –15 763 m 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
A	falls	appreciates
B	falls	depreciates
C	rises	appreciates
D	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