

25 Which combination is likely to result from demand-pull inflation?

	balance of trade	profits
A	worsening	rising
B	improving	rising
C	worsening	falling
D	improving	falling

26 What would be likely to increase inflation in an economy?

- A** an increase in consumer saving
- B** an increase in interest rates
- C** an increase in labour productivity
- D** an increase in taxes on imports

27 In which situation **must** a country's balance of trade in goods and services improve?

- A** Export orders rise more than import orders.
- B** Export prices rise more than import prices.
- C** Export revenues rise more than import revenues.
- D** Export volumes rise more than import volumes.

28 According to the Purchasing Power Parity theory, what determines the rate of exchange between two countries?

- A** relative price levels in the two countries
- B** the bargaining power of the respective governments
- C** the comparative advantage of the two countries
- D** the size of their foreign currency reserves

29 In the UK in the summer of 2002 the Euro was worth £0.62. In the summer of 2003 the Euro was worth £0.72.

How was this change likely to have affected the UK?

- A** higher demand for imports
- B** higher imported inflation
- C** higher priced exports
- D** higher unemployment