

25 The table shows a country's rate of inflation for four years.

year	rate of inflation %
2005	4.0
2006	3.0
2007	2.5
2008	2.0

What fell between 2005 and 2008?

- A** average prices
 - B** the cost of living
 - C** the exchange rate
 - D** the value of money
- 26** When is a deficit on the current account of the balance of payments likely to worsen?
- A** when the government adopts a deflationary macroeconomic policy
 - B** when the government devalues the currency
 - C** when the prices of imported products that are demand-inelastic increase significantly
 - D** when tariffs are placed on imported products that are demand-elastic
- 27** What would identify a country with a balance of payments disequilibrium?
- A** alternate annual deficits and surpluses in the current account
 - B** a continually growing balancing item
 - C** a large short-term outflow of foreign direct investment
 - D** a persistent rise in foreign currency reserves