

21 Over a period of a year, the annual rate of inflation becomes negative.

Which statement must be correct?

- A** The cost of living has fallen.
- B** The purchasing power of money has fallen.
- C** The standard of living has increased.
- D** There has been an increase in the Consumer Price Index.

22 What would cause an immediate increase in the deficit in a country's balance of payments on the current account?

- A** a rise in government expenditure on education
- B** a rise in the cost of imported raw materials used in domestic production
- C** a rise in the foreign ownership of domestic companies
- D** a rise in the total wages earned by nationals working abroad

23 The table shows the Canadian current account of the balance of payments in 2005 and 2006.

The change in which item contributed the most to the move from surplus to deficit in the Canadian current account balance between 2005 and 2006?

		2005 (\$m)	2006 (\$m)
A	balance of trade in goods	62 372	−4 568
B	balance of trade in services	12 055	−22 663
C	investment income balance	−22 917	−14 145
D	transfers balance	−1 498	−2 148
	total	25 902	−43 523

24 A depreciation of the exchange rate of the UK pound (£) against the US dollar (\$) from £1 : \$1.50 to £1 : \$1.00 must mean that

- A** dollars will become more expensive in terms of pounds.
- B** the pound will be undervalued.
- C** UK imports from the US will become cheaper.
- D** US imports from the UK will become more expensive.