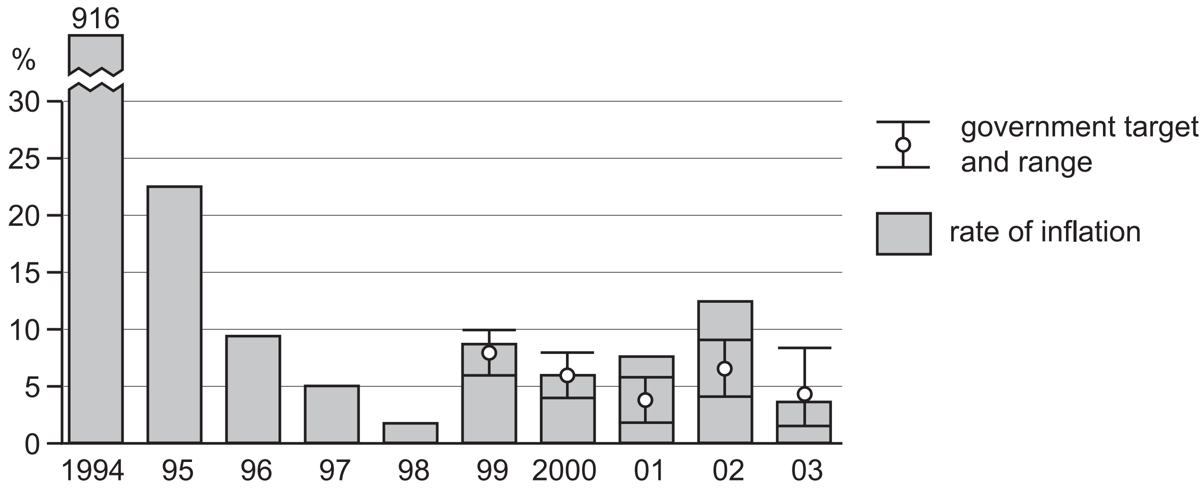
26 Before 1999 the Brazilian government did not have a desired target rate of inflation. From 1999 it set target rates within an upper and lower boundary.

The diagram shows the rate of inflation between 1994 and 2003 and the target rate between 1999 and 2003.

Inflation and inflation targets in Brazil, 1994 to 2003



What can be concluded from the diagram?

A The Brazilian government achieved its target in each year from 1999 to 2003.

B The inflation target was continuously reduced.

C The lowest level of inflation was achieved when an inflation target was used.

D The inflation rate was more stable after inflation targets were introduced.

27 The UK experienced a growing deficit in its trade in goods during 2003 to 2007 but it also had a stable exchange rate.

What could have explained why the trade deficit failed to cause the exchange rate to change?

A Investment income earned by foreigners in the UK was greater than that earned by UK residents on assets held abroad.

B Speculators anticipated that the trade deficit would result in a fall in the value of the pound.

C The UK's trade in goods deficit was larger than its trade in services surplus.

D The UK attracted a net inflow of foreign direct and portfolio investment.