

- 18** What must be the result for a country of a rise in its export prices relative to its import prices?
- A** a deficit in its trade in goods
 - B** an improvement in its terms of trade
 - C** an increase in its inflation rate
 - D** a rise in its exchange rate

- 19** Country X can produce a product at a lower opportunity cost than country Y.

Which term best describes this statement?

- A** absolute advantage
- B** comparative advantage
- C** specialisation
- D** terms of trade

- 20** For a given year, economy X publishes the following.

	\$bn
Gross Domestic Product (GDP)	100
factor income earned by residents of economy X working in foreign countries	10
factor income earned in economy X by non-residents	25

What is the size of the Gross National Income (GNI) for country X?

- A** \$75bn
- B** \$85bn
- C** \$110bn
- D** \$115bn

- 21** Which combination is possible for an economy experiencing zero inflation?

	average nominal wages	average real wages
A	falling	falling
B	falling	rising
C	rising	falling
D	unchanging	rising