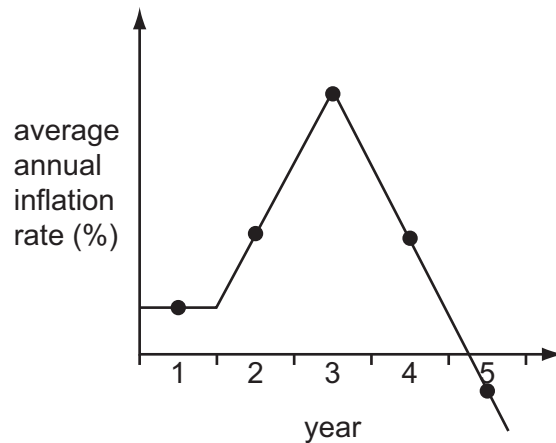


25 The graph shows a country's average annual inflation rate over a five year period.



What can be concluded about the general price level during the five years?

- A** It fell in only one year.
- B** It fell in only two years.
- C** It rose in only two years.
- D** It was constant in only one year.

26 A country has a balance of payments disequilibrium with a long-run deficit on its current account.

Which outcome of the disequilibrium will cause inflationary pressure?

- A** the depreciation of the country's exchange rate
- B** the fall in the country's reserves of international currencies
- C** the increase in the demand for imports of goods and services
- D** the introduction of expenditure-dampening policies by the government

27 If interest rates are reduced, what is most likely to decrease?

- A** borrowing by firms
- B** consumer spending
- C** import prices
- D** short-term capital inflows