

25 The figures show the consumer price index (CPI) of a country. (1971 = 100)

| | CPI |
|------|-----|
| 1998 | 200 |
| 1999 | 204 |
| 2000 | 206 |
| 2001 | 209 |

What can be deduced from the data?

- A There was hyperinflation between 1971 and 1998.
- B The rate of inflation rose in 2000.
- C The rate of inflation in 1999 was 4 %.
- D The country experienced inflation in the three years down to the end of 2001.

26 What is the most likely consequence of an increase in a country's balance of payments deficit?

- A an increase in the foreign value of the currency of the country
- B an increase in the level of income within the country
- C a reduction in the quantity of money within the country
- D a reduction in unemployment within the country

27 Which factor determines the purchasing power parity of a currency?

- A relative costs of living
- B relative rates of interest
- C the volume of trade creation
- D the visible balance of payments

28 Which is **most** likely to cause country X's exchange rate to depreciate?

- A an increase in country X's demand for imports
- B an increase in country X's interest rate
- C an increase in foreign demand for country X's exports
- D an increase in tourist visits to country X