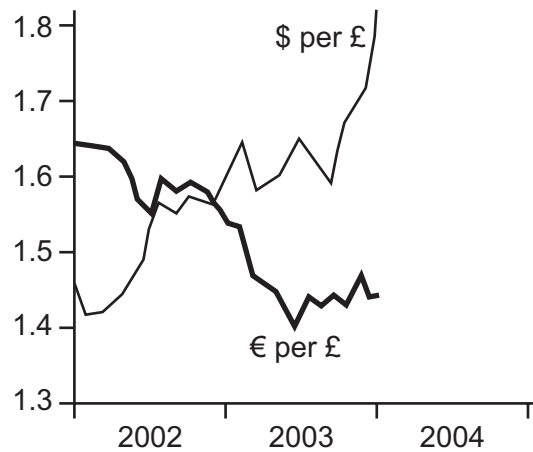


- 27** Increased international competition leads to a worsening in a country's current account balance.

In the absence of any offsetting factors, how is this likely to affect domestic inflation and the exchange rate?

	inflation	exchange rate
A	increase	appreciate
B	increase	depreciate
C	decrease	appreciate
D	decrease	depreciate

- 28** The diagram shows the number of US dollars (\$) and Euros (€) which exchanged for one pound sterling (£) between 2002 and 2004.



What happened to the exchange rate of the \$ against the £ and € during this period?

	\$ exchange rate against £	\$ exchange rate against €
A	appreciated	appreciated
B	appreciated	depreciated
C	depreciated	appreciated
D	depreciated	depreciated