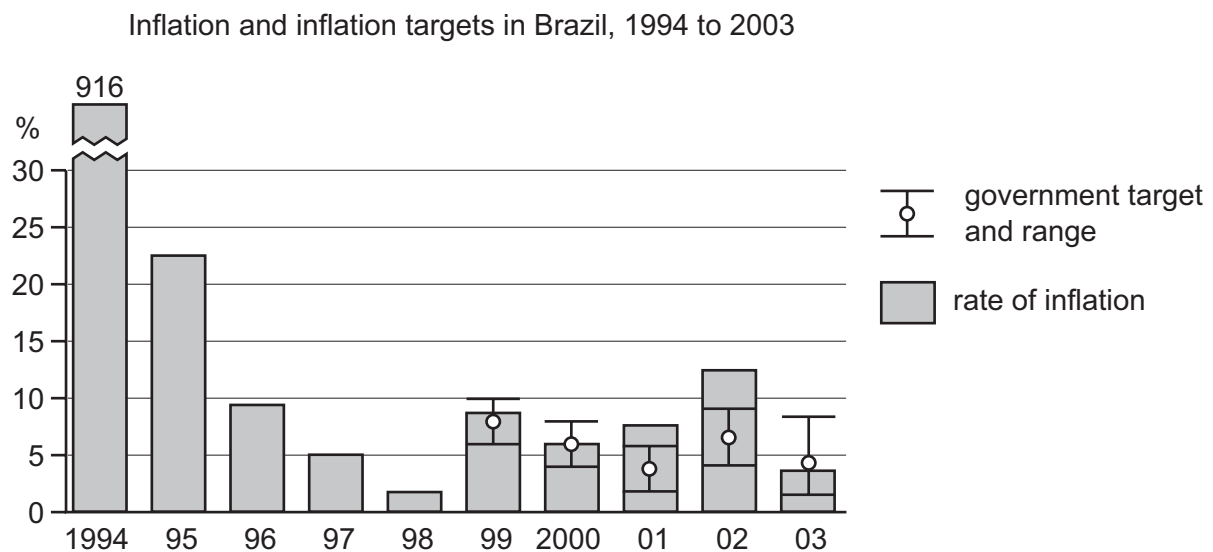26 Before 1999 the Brazilian government did not have a desired target rate of inflation. From 1999 it set target rates within an upper and lower boundary.

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 A government decides to reduce the quota on imported cars from 2000 to 1000 per year.

What is likely to happen?

A   The balance of trade may improve.

B   The demand for the good will increase.

C   The good will become cheaper.

D   The government's revenue will decline.

28 A representative basket of goods costs $2500 in the United States. The same basket of goods costs £2000 in the UK.

What can be deduced from this?

A   The £ sterling is 25 % overvalued.

B   The £ sterling is 20 % undervalued.

C   The purchasing power parity exchange rate of the £ sterling is $0.80 to the £.

D   The purchasing power parity exchange rate of the £ sterling is $1.25 to the £.