

**25** Which combination is likely to result from demand-pull inflation?

	balance of trade	profits
<b>A</b>	improving	falling
<b>B</b>	improving	rising
<b>C</b>	worsening	falling
<b>D</b>	worsening	rising

**26** In 2008-9 American households reduced their consumption of domestic and imported goods and used part of the money to pay back some of their debts.

Which outcome could be consistent with this change?

- A** a decline in the US trade deficit
- B** a decrease in savings
- C** a decrease in the US terms of trade
- D** a decrease in unemployment

**27** A country's floating exchange rate falls and its export revenue declines.

What could explain this?

- A** Demand for its exports is inelastic.
- B** Supply of its exports is elastic.
- C** The exchange rate is in disequilibrium.
- D** The price of exports, in terms of foreign currency, rises.