25 In Year 1 the price of a barrel of oil increased from \$60 to \$110.

In Year 2 there was a further increase to \$115 a barrel.

Assume that oil price changes have an immediate impact on the general level of prices.

What will be the effect of the changes in the oil price on a country's Consumer Price Index and on its inflation rate in Year 2 compared with Year 1?

	effect on the Consumer Price Index	effect on the rate of inflation
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

26 A government has low reserves of foreign currency. When would it be likely to consider a deficit on current account to be a serious problem?

A when the country is experiencing a period of high, sustained growth

B when the deficit alternates regularly with a surplus

C when the deficit exceeds the sum of errors and omissions in the balance of payments account

D when the level of international confidence in the country is low