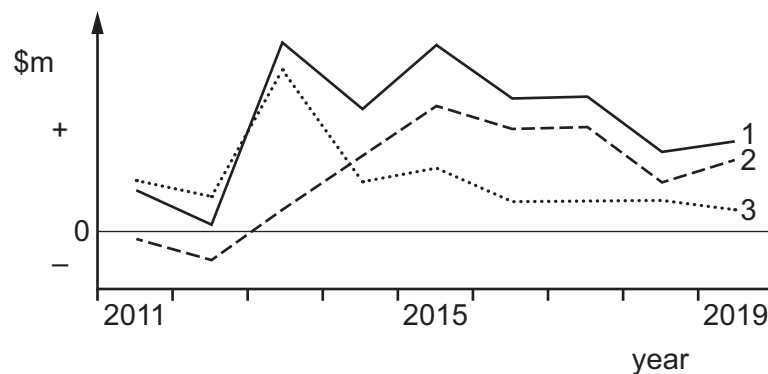


- 25 The diagram has three lines that show the values of an economy's exports, imports and trade balance between 2011 and 2019.



How should the lines be labelled?

	line 1	line 2	line 3
<b>A</b>	exports	imports	trade balance
<b>B</b>	exports	trade balance	imports
<b>C</b>	imports	exports	trade balance
<b>D</b>	imports	trade balance	exports

- 26 What would be the best policy to increase the value of a currency?
- A** Impose tariffs on imported goods with price-inelastic demand.
  - B** Increase interest rates.
  - C** Reduce income tax.
  - D** Sell the currency on the foreign exchange markets.
- 27 The central bank of an economy decides to raise interest rates in order to attract capital inflows and improve the financial account of the balance of payments.

When is the central bank's decision **least** likely to be effective?

- A** when the currency of the economy is expected to lose its value
- B** when the economy is politically and economically stable
- C** when the interest rate of the economy is higher than that of other countries
- D** when the reserves of foreign currencies held by the central bank are high and rising