

- 29** Assuming the demand for oil is price-inelastic, what will be the effect on demand-pull inflation and on cost-push inflation in an oil importing country of an increase in the world price of oil?

| | <i>effect on demand-pull inflation</i> | <i>effect on cost-push inflation</i> |
|----------|--|--|
| A | increase | increase |
| B | increase | reduce |
| C | reduce | increase |
| D | reduce | reduce |

- 30** What is likely to be the effect of a depreciation of a country's currency?

- A** an improvement in its terms of trade
- B** an increase in unemployment
- C** a decrease in the profit margins of exporters
- D** an increase in the rate of inflation