

- 27** A government has low reserves of foreign currency. When would it be most 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
- 28** The table shows indicators of a country's economic performance over a two-year period.

year	exchange rate index	volume of exports index	volume of imports index	balance of trade in goods and services (\$)
1	100	100	100	zero
2	100	90	100	+500 million

What is consistent with the above information?

- A** There has been a fall in the price of exports.
- B** There has been an improvement in the terms of trade.
- C** There has been an increase in the level of real income per head.
- D** There has been an increase in the price of imports.