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 and that their Consumer Price Index weightings remains unchanged.

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 Why is a deficit on the current account of the balance of payments in economies with freely floating exchange rates often thought to be an economic problem?

A It implies a net outflow of capital from the economy.

B It involves borrowing from abroad.

C It leads to increases in unemployment.

D It results in a loss of foreign exchange reserves.

27 In which situation must a country's balance of trade in goods and services improve?

A Export costs rise more than import costs.

B Export prices rise more than import prices.

C Export revenues rise more than import revenues.

D Export volumes rise more than import volumes.