

- 24** In 2012, a survey of household expenditure identified X and Y as the contents of a basket of goods for a price index. The value of the index in 2012 was 100. In 2013, the index was valued at 116. During 2013, the prices of X and Y increased by 10% and 20%, respectively.

In percentage terms, which weights were attached to X and Y in calculating the index?

	good X (%)	good Y (%)
<b>A</b>	25	75
<b>B</b>	40	60
<b>C</b>	50	50
<b>D</b>	70	30

- 25** In an economy with an interest rate of 4% per annum, the rate of inflation falls from 5% to 3% per annum.

What will be a benefit of this fall?

- A** Menu costs will fall to zero.
  - B** People on fixed incomes will be better off in real terms.
  - C** Savers will gain in real terms.
  - D** The purchasing power of the currency will rise.
- 26** When is a deficit on the current account of the balance of payments likely to worsen?
- A** when a government adopts a deflationary macroeconomic policy
  - B** when a government devalues the currency
  - C** when prices of essential imported raw materials increase significantly
  - D** when tariffs are placed on imported products with a wide range of domestic substitutes
- 27** What is the real exchange rate?
- A** the exchange rate at which foreign currency traders can buy a country's currency
  - B** the exchange rate between a country's currency and the US Dollar
  - C** the exchange rate with international differences in price inflation removed
  - D** the weighted average of a country's exchange rates with its major trading partners