

**20** Which statement about changing price levels is correct?

- A** Anyone on a fixed income has rising real income during deflation.
- B** Government revenue from indirect taxes falls during inflation.
- C** Producers prefer deflation to inflation.
- D** Savers prefer index-linked savings when there is deflation rather than inflation.

**21** Which combination of events is most likely to cause inflation?

	exchange rate	direct taxes	money supply
<b>A</b>	falling	falling	falling
<b>B</b>	falling	falling	rising
<b>C</b>	rising	rising	rising
<b>D</b>	rising	rising	falling

**22** The table gives information about the trade between Singapore and New Zealand during 2001, the first year after they signed a free trade agreement. The values are given both in Singapore dollars (S\$) and New Zealand dollars (NZ\$).

	S\$m	NZ\$m	percentage change from 2000
Singapore exports to New Zealand	508	618	+20%
Singapore imports from New Zealand	331	403	-17%

What can be concluded from the table?

- A** New Zealand gained more than Singapore from the trade agreement.
- B** New Zealand's trade position with Singapore improved in 2001.
- C** Singapore had a trade surplus with New Zealand in 2001.
- D** The exchange rate in 2001 was approximately NZ\$1 = S\$1.2.

**23** Country X conducts 60% of its trade with country Y and 40% of its trade with country Z. The initial value of the trade weighted exchange rate index of country X is 100.

What will be its new trade weighted exchange rate index value if its currency rises in value by 20% against the currency of Y and falls by 10% against the currency of Z?

- A** 84                      **B** 92                      **C** 108                      **D** 116