27 The terms of trade of a developing country fell from 90 in 2010 to 80 in 2015.

Assuming the index of its import prices remained constant at 110 between these two years, what happened to its index of export prices?

A fell by 10

B fell by 11

C increased by 10

D increased by 30

A-Level Economics: **w25 22**

5 **(a)** With the help of an aggregate demand and aggregate supply (AD/AS) diagram, explain why **two** components of AD may increase **and** consider the extent to which an increase in AD will always lead to inflation. [8]

(b) Assess the view that the effects of a high rate of inflation are always more damaging for consumers than for firms. [12]

A-Level Economics: **s25 12**

16 Price stability can be said to occur if the measured value of the consumer prices index (CPI) is unchanged during the year.

Which statement is correct?

A For price stability to occur, there must be no changes in prices of any products.

B For price stability to occur, the number of products whose prices rise must exactly match the number whose prices fall.

C If some prices rise and others fall, there cannot be price stability.

D Different weightings of items used in the calculation of CPI mean that price stability can occur in many ways.