IGCSE CIE

Economics MCQ

Inflation and Deflation (QP)

1.May 2024-11/23

What is most likely to increase when the rate of inflation gradually changes from 2% to 8% in one year?

A the cost of updating existing price lists

B the level of business confidence

C the real income of fixed-income earners

D the real value of consumer debt

2.May 2024-12/18

A government wishes to prevent deflation.

Which combination of policies would be the most effective in achieving this aim?

	interest rate	government spending
A	increase	increase
B	increase	reduce
C	reduce	increase
D	reduce	reduce

3.May 2024-12/23

Which item is **least** likely to be included in the Consumer Prices Index (CPI)?

A domestic cooking oil

B homemade clothes

C milk

D personal mobile phones

4.May 2024-13/17

Why might measures to reduce unemployment also make inflation rise?

A They encourage cheap imports.

B They increase demand.

C They reduce firms' costs.

D They require wages to fall.

5.May 2024-13/23

The Consumer Prices Index (CPI) for a country rose during one year from 125 to 150.

What was the country's rate of inflation?

A 20% **B** 25% **C** 125% **D** 150%

6.March 2024-12/17

An economy is experiencing a period of deflation with lower output and rising unemployment.

Which policy measure would the government be most likely to use to correct this?

A improve education and training

B increase interest rates

C reduce income tax

D reduce unemployment benefits

7.March 2024-12/19

An economy has a high rate of inflation.

Which monetary policy measure is required to reduce inflation?

A a depreciation of its currency against the US dollar

B an increase in the money supply

C an increase in the rate of interest

D an increase in the basic rate of income tax

8.March 2024-12/23

The table shows the weights attached to four items in the Consumer Prices Index of a country in year 1 and in year 2.

item	year 1	year 2
food	33	33.5
transport	18	17.5
rent	11	10.5
clothing	9	10

Which conclusion can be drawn?

A food prices were higher in year 2 than in year 1

B people spent less on transport in year 2 than in year 1

C people spent more on food in year 2 than in year 1

D a greater proportion of income was spent on clothing in year 2 than in year 1

9.Oct 2023-11/23

Which group is most likely to benefit during a period of rapid inflation?

A exporters

B pensioners

C people with debts

D savers

10. Oct 2023-12/23

What must have happened in a country when it experienced an annual rate of inflation of 100%?

A The money supply doubled.

B The price level halved.

C The purchasing power of money halved.

D The real value of money doubled.

11. Oct 2023-13/23

Who is **most** likely to benefit during a period of inflation?

A creditors (lenders)

B debtors (borrowers)

C fixed income earners

D holders of cash

12.May 2023-11/20

The government of a country operating at full employment increases its spending on education and training.

How does this affect the likelihood of achieving low inflation in the short run and the long run?

	short run	long run
A	less likely	less likely
B	less likely	more likely
C	more likely	less likely
D	more likely	more likely

13. May 2023-11/23

Which citizens are **most** likely to benefit in a period of rapid inflation?

A citizens who are receiving fixed state benefits

B citizens who earn fixed incomes

C citizens who have lent money at a fixed rate of interest

D citizens who have borrowed money at a fixed rate of interest

14.May 2023-12/19

Which people are **most** likely to gain at a time of inflation?

A companies who sell abroad

B foreign tourists visiting the country

C those living on their savings

D those who are repaying borrowed money

15.March 2023-12/18

What is deflation?

A a decrease in the claimant count

B a decrease in the Consumer Prices Index

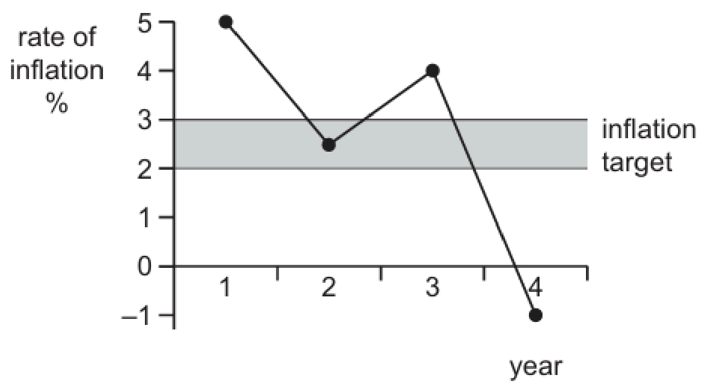
C a decrease in the Human Development Index

D a decrease in the real Gross Domestic Product

16.March 2023-12/24

A government has a target of keeping inflation between 2% and 3%.

The diagram shows the rate of inflation over a four-year period.



What can be deduced from the diagram?

A The government target was missed in two years.

B The price level fell in two years.

C The price level was at its highest in the first year.

D The real value of money fell in three years.

17.Oct 2022-11/22

A decrease in which variable is **most** likely to cause the rate of inflation to increase?

A the average wage rate

B the budget deficit

C the interest rate

D the money supply

18.Oct 2022-12/22

What is **most** likely to cause inflation?

A a reduction in exports

B a reduction in government spending

C an increase in the rate of interest

D an increase in trade union power

19.Oct 2022-13/18

What would the government reduce to decrease inflation?

A income tax

B its foreign exchange rate

C the money supply

D the rate of interest

20.Oct 2022-13/22

Why is deflation undesirable for an economy?

A It reduces business confidence.

B It reduces export competitiveness.

C It reduces purchasing power.

D It reduces real incomes.

21.May 2022-11/14

Which combination is necessary for the construction of a consumer prices index?

	a base year	price stability	weights
A	yes	yes	yes
B	yes	no	yes
C	yes	no	no
D	no	yes	yes

22.May 2022-12/22

A country wishes to reduce the level of inflation.

Which combination of policy measures will be **most** successful?

	policy measure 1	policy measure 2
A	decrease exchange rates	increase interest rates
B	decrease interest rates	increase exchange rates
C	increase government spending	decrease interest rates
D	increase interest rates	decrease government spending

23.May 2022-13/19

A government significantly increases its spending on education and training over several years.

What will be the likely effect of this policy measure on the rate of inflation in both the short run and the long run?

	short-run effect	long-run effect
A	decreases	decreases
B	decreases	increases
C	increases	decreases
D	increases	increases

24.May 2022-13/22

In a country, inflation is 10% and nominal interest rates are 7%.

Which group is **most** likely to benefit from this situation?

A borrowers

B employers

C lenders

D savers

25.March 2022-12/22

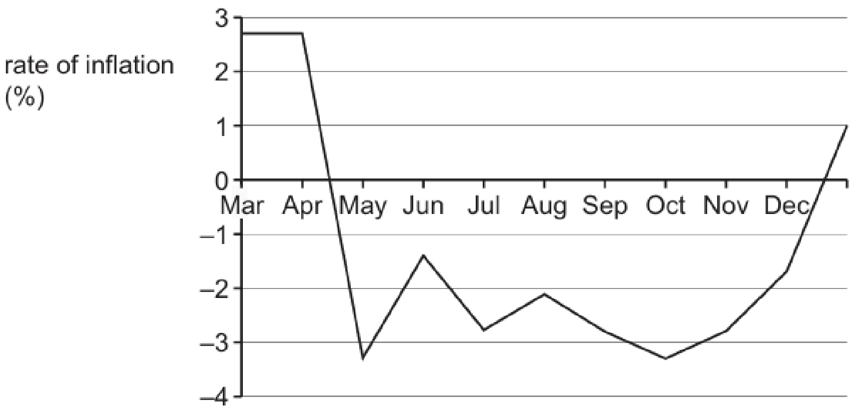
An economy has a budget deficit and a high rate of inflation.

What is likely to be the consequence of a rise in unemployment?

	budget deficit	inflation rate
A	larger	higher
B	larger	lower
C	smaller	higher
D	smaller	lower

26.March 2022-12/23

The graph shows what happened to the rate of inflation in Chad for the period from March to December.



Which statement about the general price level in Chad over this period is correct?

A It was at its highest in March.

B It was at its lowest in October.

C It was at its lowest in December.

D It was unchanged between March and April.

27.Oct 2021-11/23

Which combination of policy measures is **most** likely to increase the level of employment?

A decrease general taxation and decrease the rate of interest

B decrease general taxation and increase the rate of interest

C increase general taxation and decrease the rate of interest

D increase general taxation and increase the rate of interest

28.Oct 2021-12/16

An economy recorded a second month of deflation.

What does this mean?

A It was facing a recession.

B Price levels were falling.

C Total demand was rising.

D Unemployment was falling.

29. Oct 2021-12/17

What is a cause of demand-pull inflation?

A a surplus of skilled labour

B higher government expenditure

C higher tax rates

D lower net exports

30. Oct 2021-12/21

How is the rate of inflation measured?

A by calculating the change in the price of goods and services from one year to the next

B by calculating the real value of all output of goods and services in an economy

C by calculating the total number of people willing and able to work but cannot find work

D by calculating the total value of exports minus the total value of imports

Due to an issue with Question 22, the question has been removed from the question paper.

31. Oct 2021-13/21

What is always indicated by an increase in the Consumer Prices Index (CPI)?

A an increase in consumer spending in an economy

B an increase in living standards

C an increase in the average cost of living

D an increase in the purchasing power of money

32.May 2021-11/19

A country's inflation rate, measured by the Consumer Prices Index (CPI), was 3% in year 1. Three years later it was 0.8%.

What can be concluded from this information?

A Prices are falling.

B The rate of price increases is falling.

C The real rate of interest is negative.

D There is increased purchasing power for those on fixed incomes.

33.May 2021-11/20

What will deflation **most** likely lead to?

A a fall in the real value of debts

B an increase in the exchange rate

C an increase in the rate of interest

D an increase in the real purchasing power of money

34. May 2021-12/19

The table shows changes in the Consumer Prices Index (CPI) from the base year, 1, and for the next three years.

year	1	2	3	4
CPI	100	101.1	101.8	102.1

Which statement is correct?

A Consumer prices were highest in year 3.

B The rate of inflation was 2.1% in year 4.

C The rate of inflation was highest in year 2.

D The rate of inflation was lowest in year 1.

35.May 2021-12/20

What is likely to happen when a country is experiencing deflation?

A Consumers delay spending.

B Governments raise interest rates.

C The level of imports increases.

D The real value of money falls.

36. May 2021-13/19

The table shows the Consumer Prices Index (CPI) of a country for five years.

year	CPI
1	100
2	120
3	135
4	140
5	138

Which statement about the country is correct?

A It faced deflation in year 2.

B It faced deflation in year 3.

C It faced inflation in year 4.

D It faced inflation in year 5.

37.May 2021-13/20

What may cause deflation?

A advances in technology and increases in labour productivity

B government using a policy of very low interest rates

C increases in the costs of production that reduce firms' profits

D increases in the rate of inflation as measured by the CPI

38.March 2021-12/19

The table shows the Consumer Prices Index (CPI) of an economy.

year	
1	100
2	101
3	104
4	108
5	106

What can be concluded from the data?

A Prices fell between years 4 and 5.

B Prices rose in every year.

C The rate of inflation rose 5% in year 4.

D There was a fall in living standards by year 5.

39.March 2021-12/20

Deflation is a sustained fall in the general price level.

What might cause deflation?

A insufficient private capital investment

B loss of confidence in the government's economic policies

C rising oil prices

D shortages of skilled labour in relation to demand

40.March 2021-12/23

What is included in the construction of the Consumer Prices Index (CPI)?

A a base year

B incomes

C price elasticity of demand

D quantity supplied