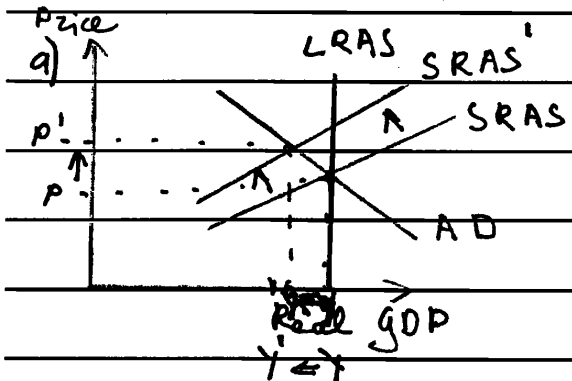
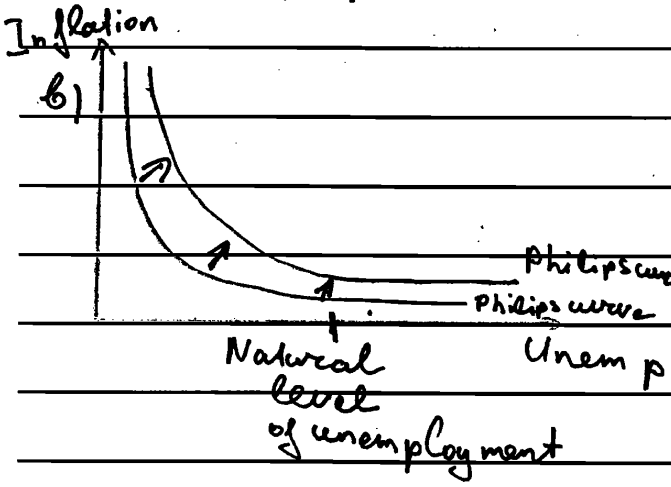


Write in the box the number of the question you are answering on this page as it is designated in the examination.

1.

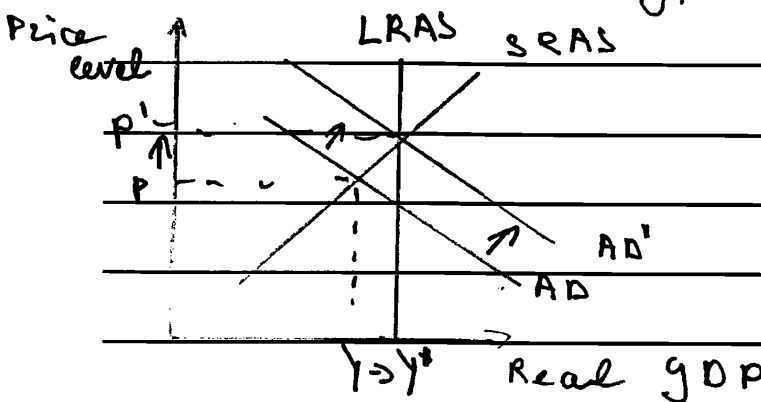


Short run aggregate supply decrease (shifts to the left)
 ii) Price increase from p to p'
 i) Output decrease from Y to Y'



Short run curve shifts to the right as price level/inflation increase and unemployment increase (employment decrease)

c) i) By increasing money supply, the central bank lower interest rate. As lower interest rate means higher level of investment. As investment is a part of aggregate demand, when investment increase, aggregate demand increase ($AD = C + I + G$) (shifts to the right)

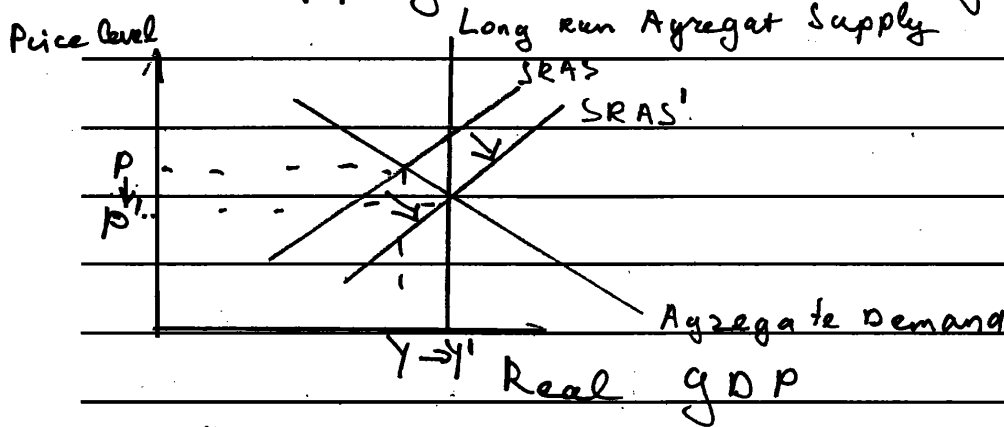


ii) Real output increase from Y to Y'
 iii) Price level increase from p to p'

1

Write in the box the number of the question you are answering on this page as it is designated in the examination.

d) Lower production costs means increase in supply (shifts to the right)



i) Real output increase from Y to Y'

ii) price level decrease from P to P'