

CONCEPT: BALANCE OF PAYMENTS – CURRENT ACCOUNT

- **Balance of Payments** – a record of a country's transactions with other countries throughout the year

□ **Current Account** – records _____ flows of funds into and out of the country

Current Account		
Export of goods	1,633	
Import of goods	-2,374	
<i>Balance on goods</i>		-741
Export of services	711	
Import of services	-477	
<i>Balance on services</i>		234
<i>Net investment income</i>		238
<i>Net Transfers</i>		-120
Balance on Current Account		-389

□ *Balance on goods* – the difference between the export and import of goods

> **Balance of Trade** is another name given to the *balance on goods*

- This is generally the focus of international trade by politicians and the media
- The largest part of the current account
- **Trade Surplus** – when exports are _____ than imports
- **Trade Deficit** – when exports are _____ than imports

□ *Balance on services* – the difference between the export and import of services

$$\text{Net Exports} = \text{Balance on goods} + \text{Balance on services} = (\text{Exports} - \text{Imports})$$

□ *Net investment income* – deals with interest and dividend earned abroad and domestically

> The difference between:

- Interest and dividends earned by US citizens who own foreign assets
- Interest and dividends earned by foreigners who own US assets

□ *Net transfers* – funds sent domestically to foreigners and vice versa

- > Examples: foreign aid, funds sent to family members, pension payments received while living abroad
- > The US tends to have a negative balance meaning citizens transfer out more funds than they transfer in