

6.3 Current account of the balance of payments

Name: _____ Class: _____ Date: _____

Total: 24 marks

KEY WORDS current account 经常账户 • deficit 赤字 • balance of payments 国际收支
• current account deficit 经常账户赤字 • primary income 初次收入

Objective

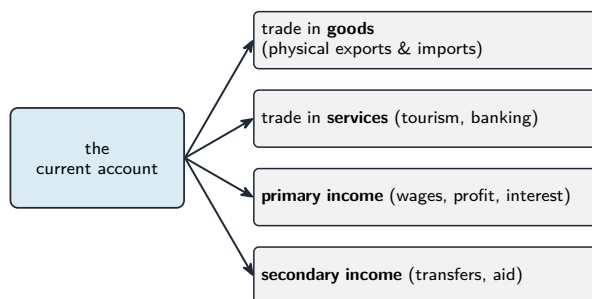
Build the skills to answer exam questions on the **current account of the balance of payments** 经常账户 — its four parts, and the meaning of a **deficit** 赤字 and a **surplus** 盈余.

You must be able to:

- state the four parts of the current account
- explain a current account deficit and surplus
- analyse the causes and consequences of a current account deficit

1 Worked examples

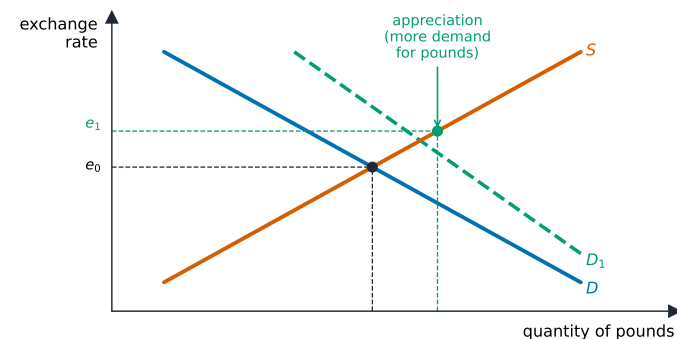
■ The current account



Trade in goods + trade in services + primary income + secondary income

- Trade in goods** 货物贸易 and **trade in services** 服务贸易 (exports – imports of each).
- Primary income** 初次收入: income from work and investment abroad. **Secondary income** 二次收入: transfers (e.g. aid).

- Deficit** 赤字: a country buys more from abroad than it sells. **Surplus** 盈余: the opposite.
- A long deficit can mean rising debt to other countries.



floating: D and S set e • $D \uparrow \Rightarrow$ appreciate

A current-account deficit puts downward pressure on a floating exchange rate

Answer shapes: AO1 + AO2 + AO3 (analysis) + AO4 (a supported judgement *in context*).

2 Practice

2.1 State the four parts of the current account. [2]

2.2 Define the term *current account deficit*. [2]

2.3 State one cause of a current account deficit. [1]

3 Exam-style questions

3.1 Which is part of the **current account**? [1]

- A

B

C

D
- A the sale of government bonds to foreigners

B trade in services

C foreign direct investment

D changes in foreign currency reserves

3.2 Explain two reasons why a country might run a current account deficit. [6]

3.3 Discuss whether a current account deficit is always a problem for an economy. [12]