Solutions

Each answer shows the steps, then the **result**.

2.1

- all of a nation's transactions with the rest of the world

2.2

- the current account records trade in goods and services; the financial account records flows of investment and financial assets

2.3

- they broadly offset each other (a deficit in one is matched by a surplus in the other)

3.1 B

3.2 A

3.3

(a)

- the financial (capital) account

(b)

- it runs a surplus — foreign capital flows in to finance the current-account deficit