

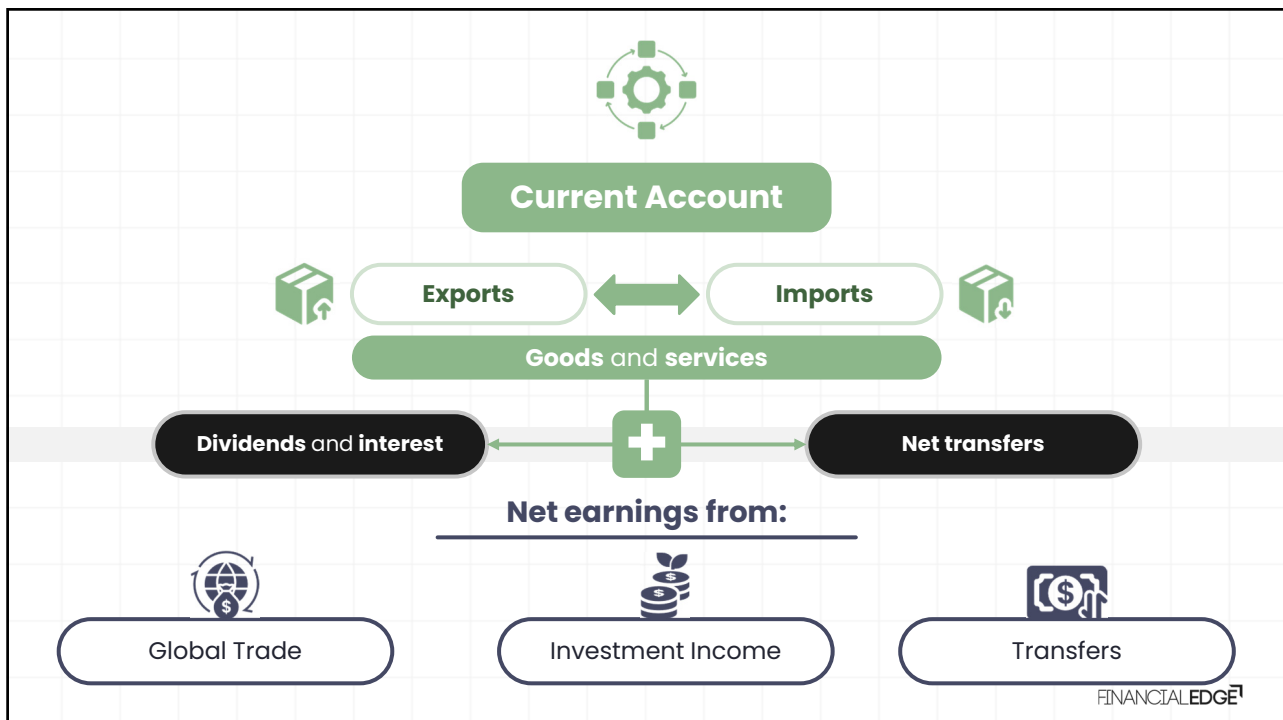
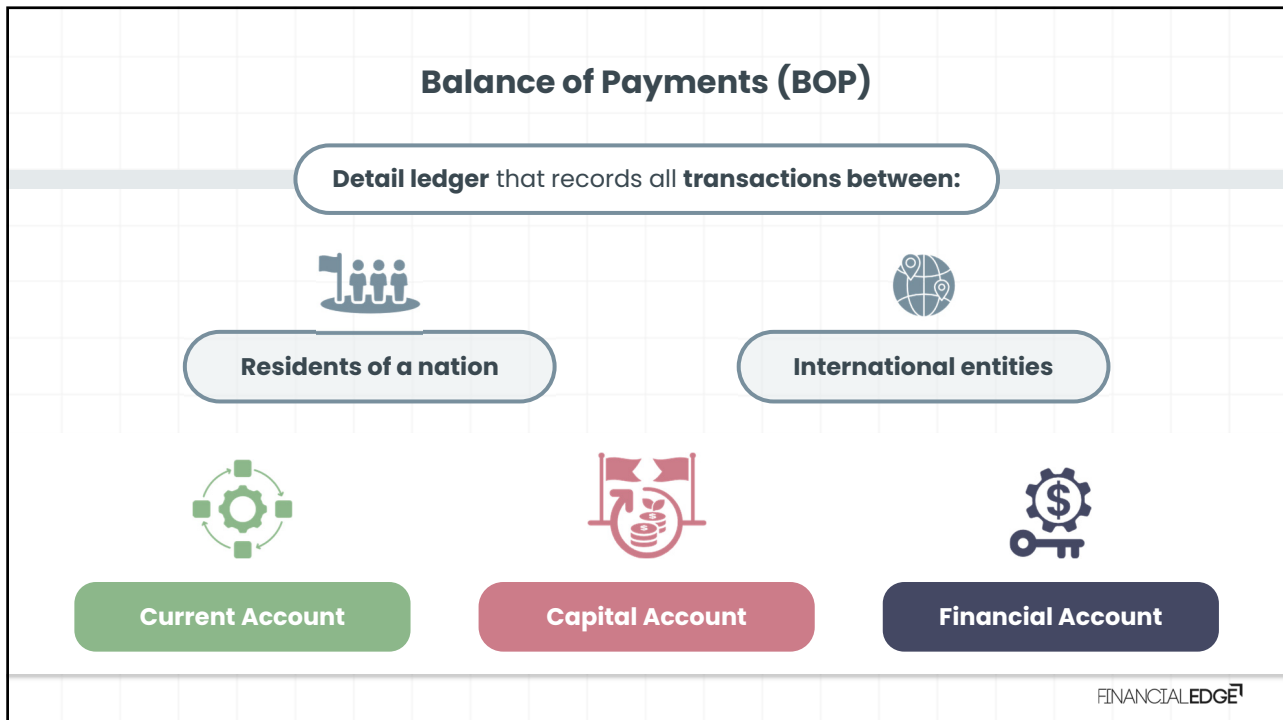


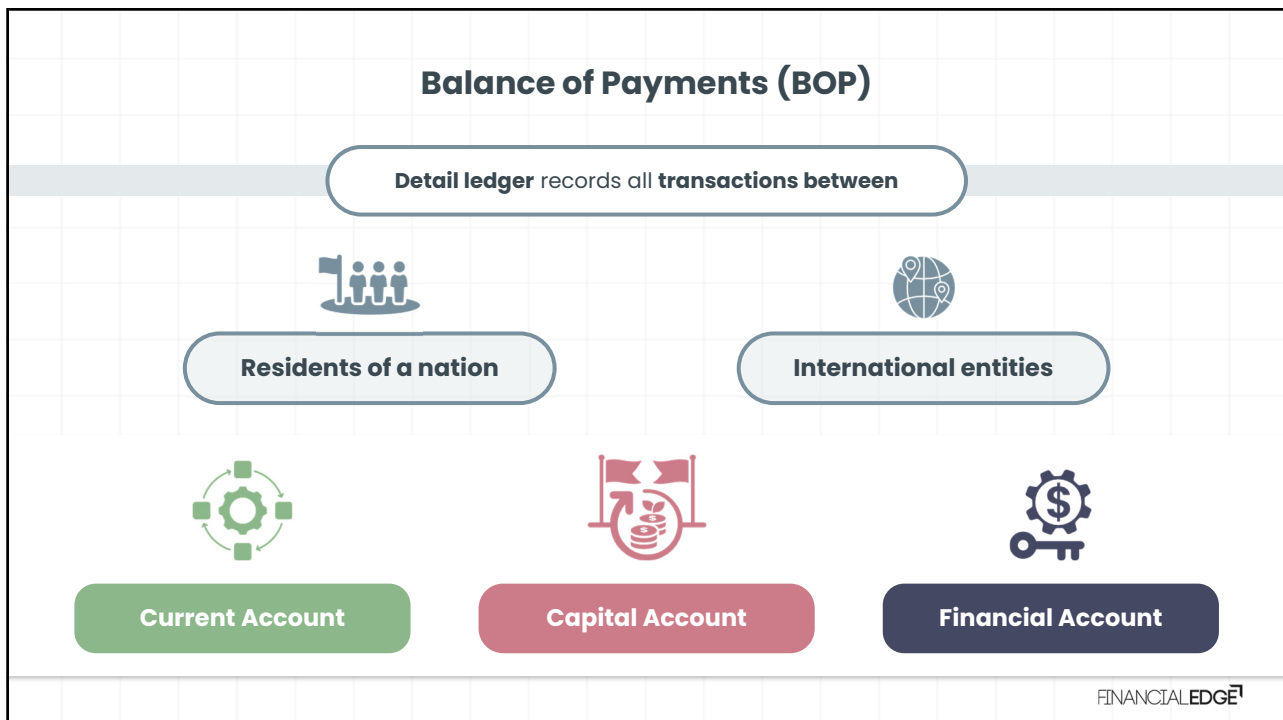
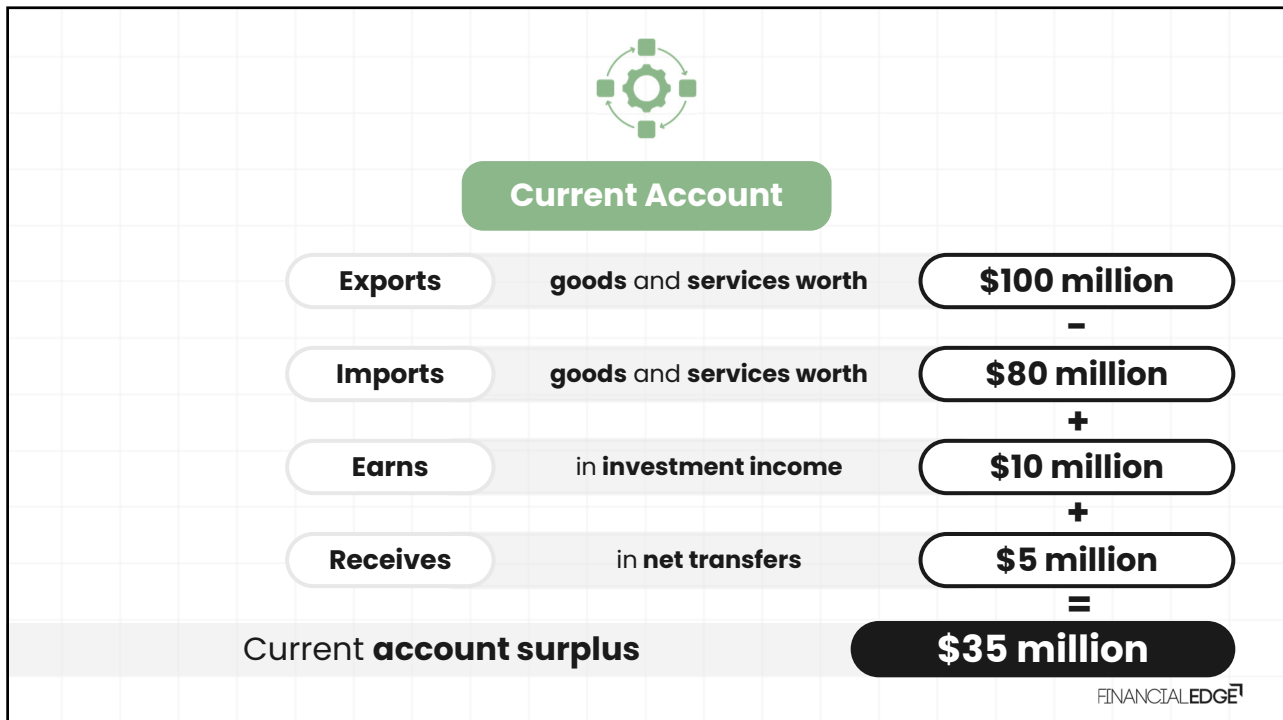
Macroeconomics – Balance of Payments (BOP)

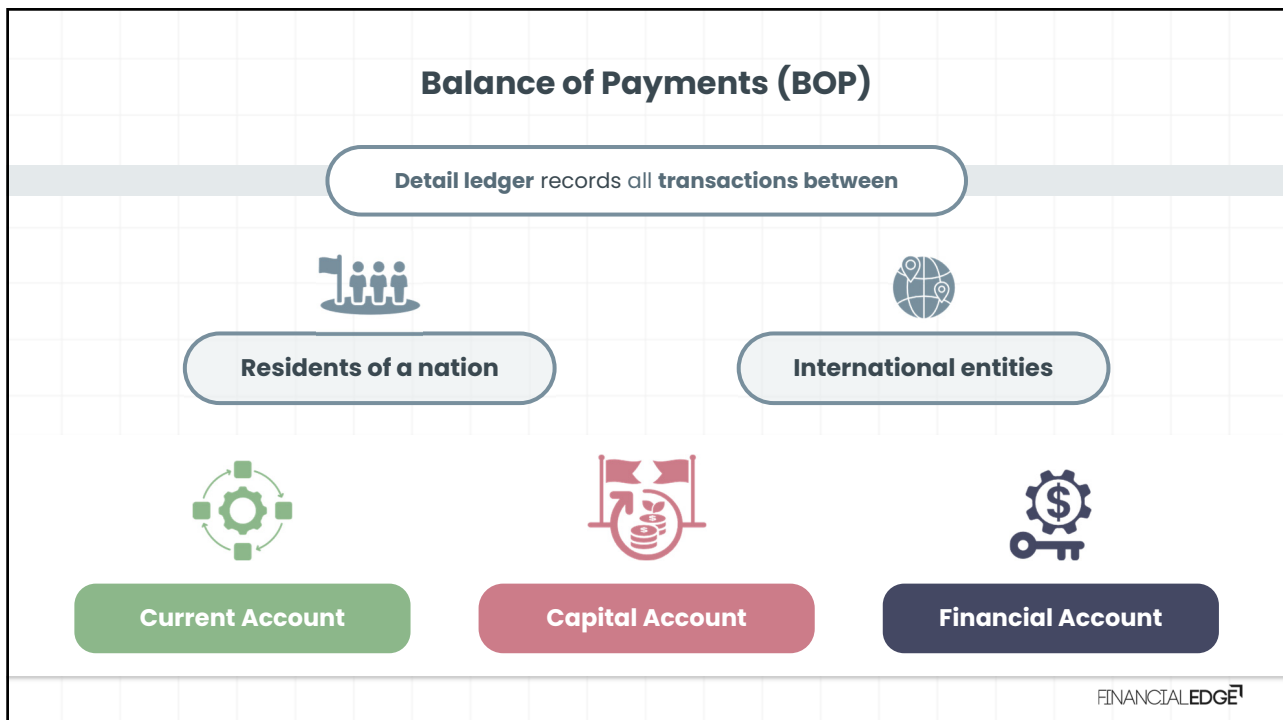
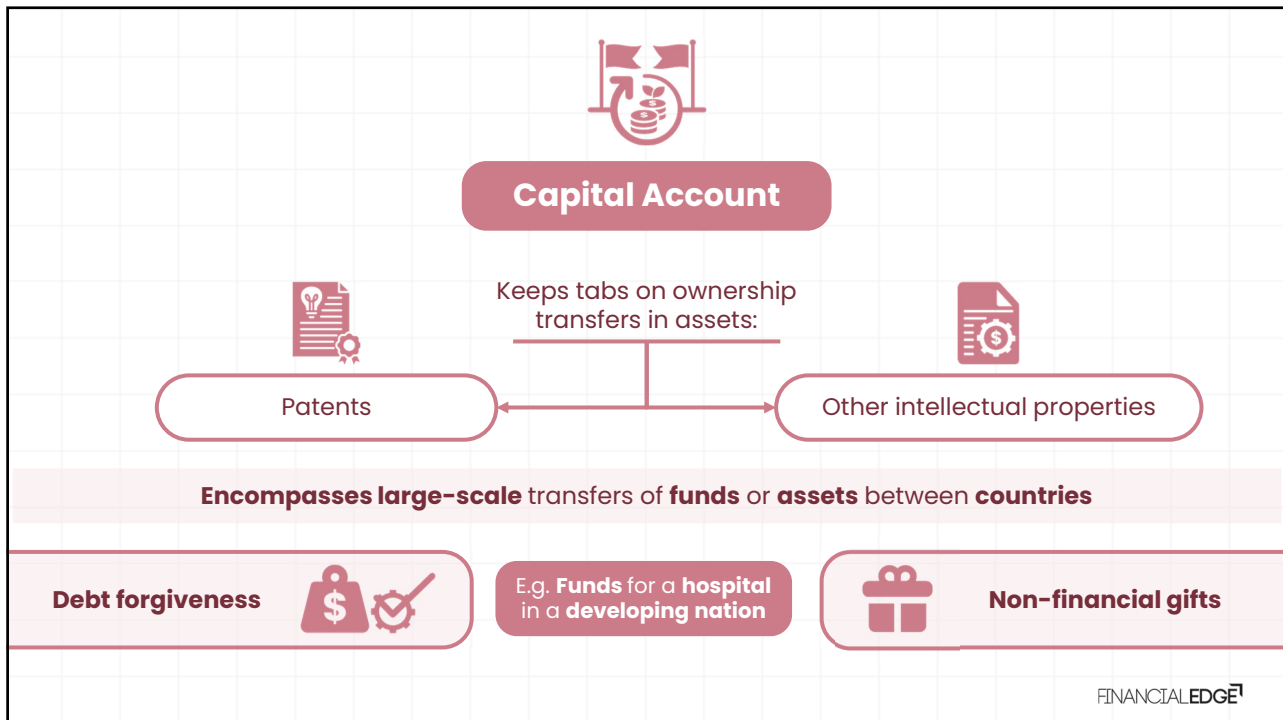
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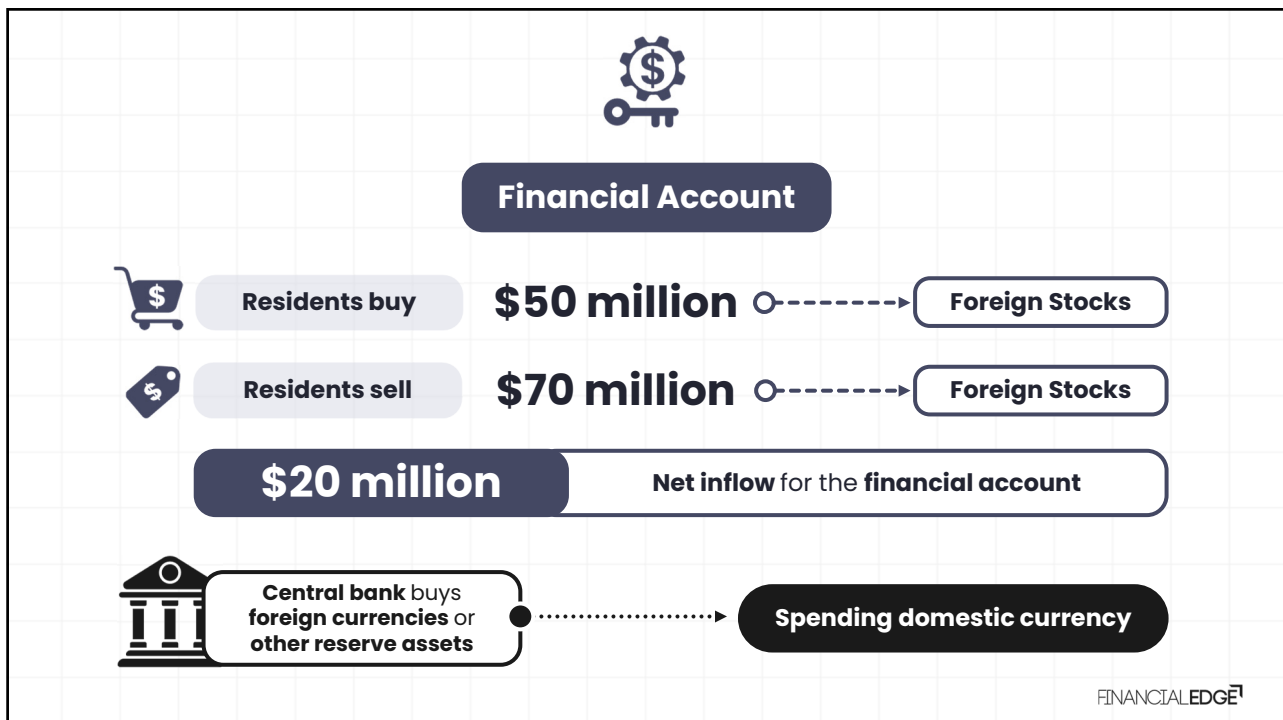
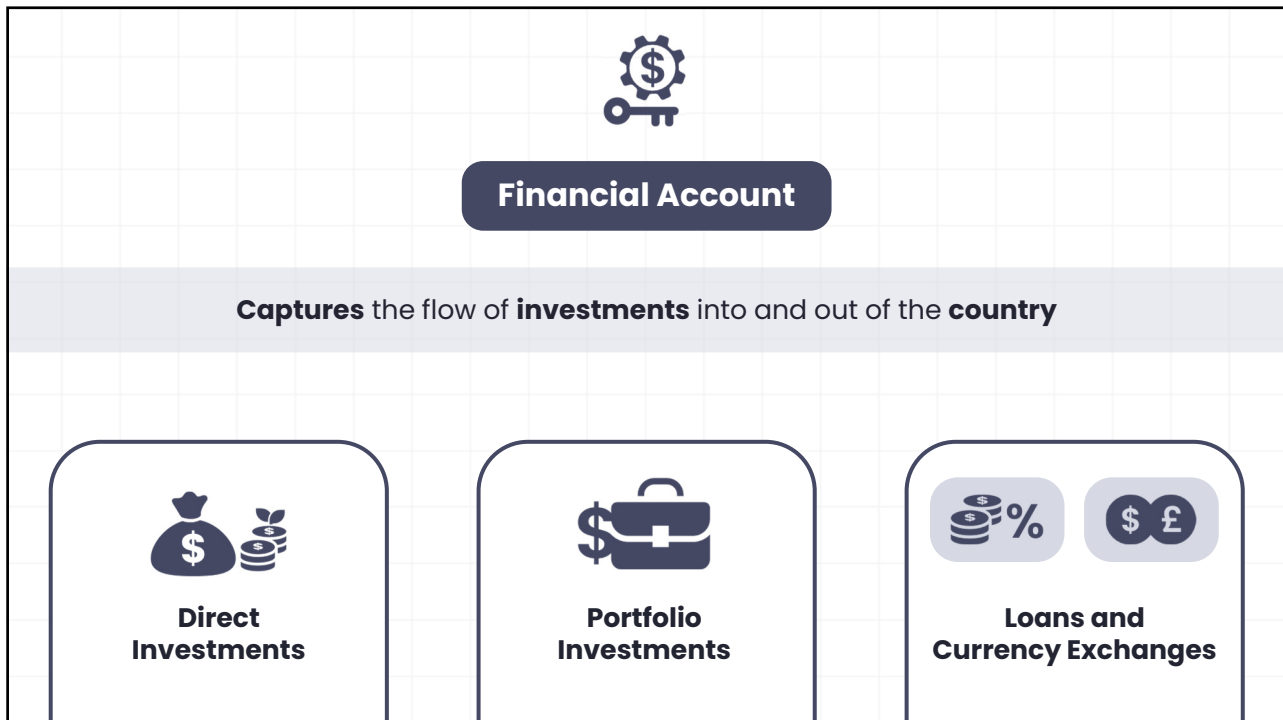
Balance of Payments

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Balance of Payments (BOP) – Transaction Examples

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Double-entry bookkeeping system

Credit



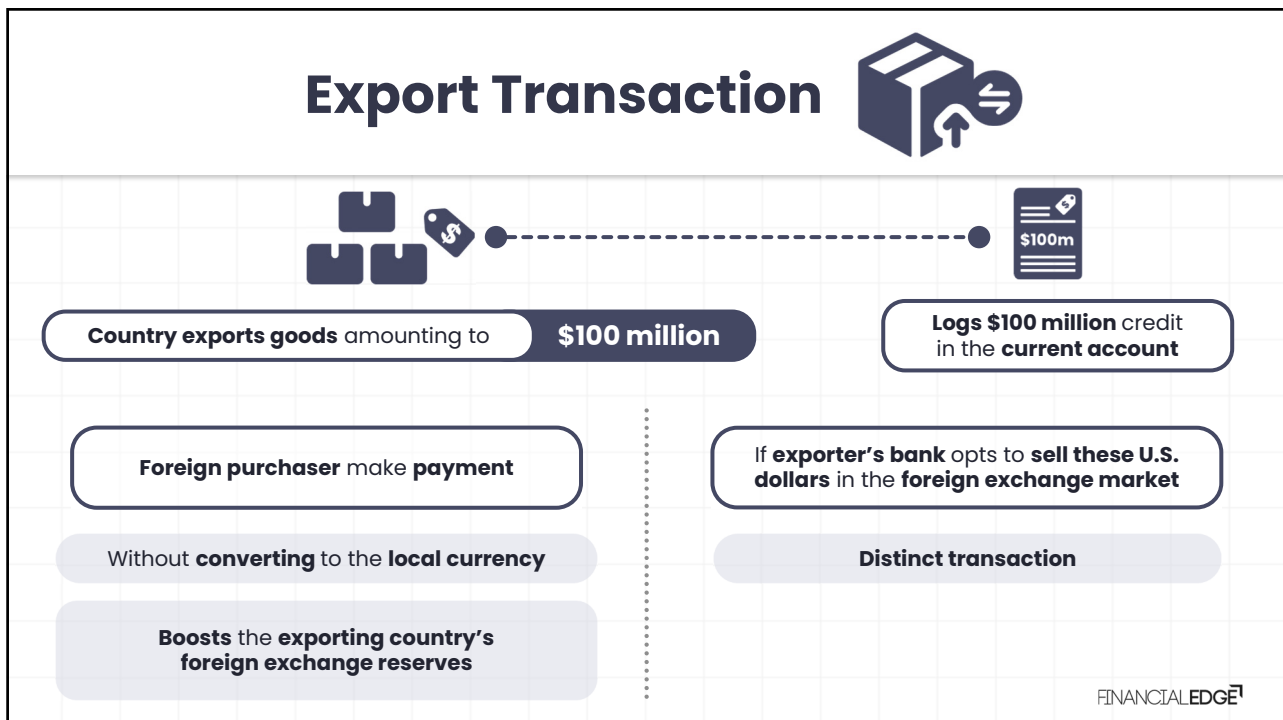
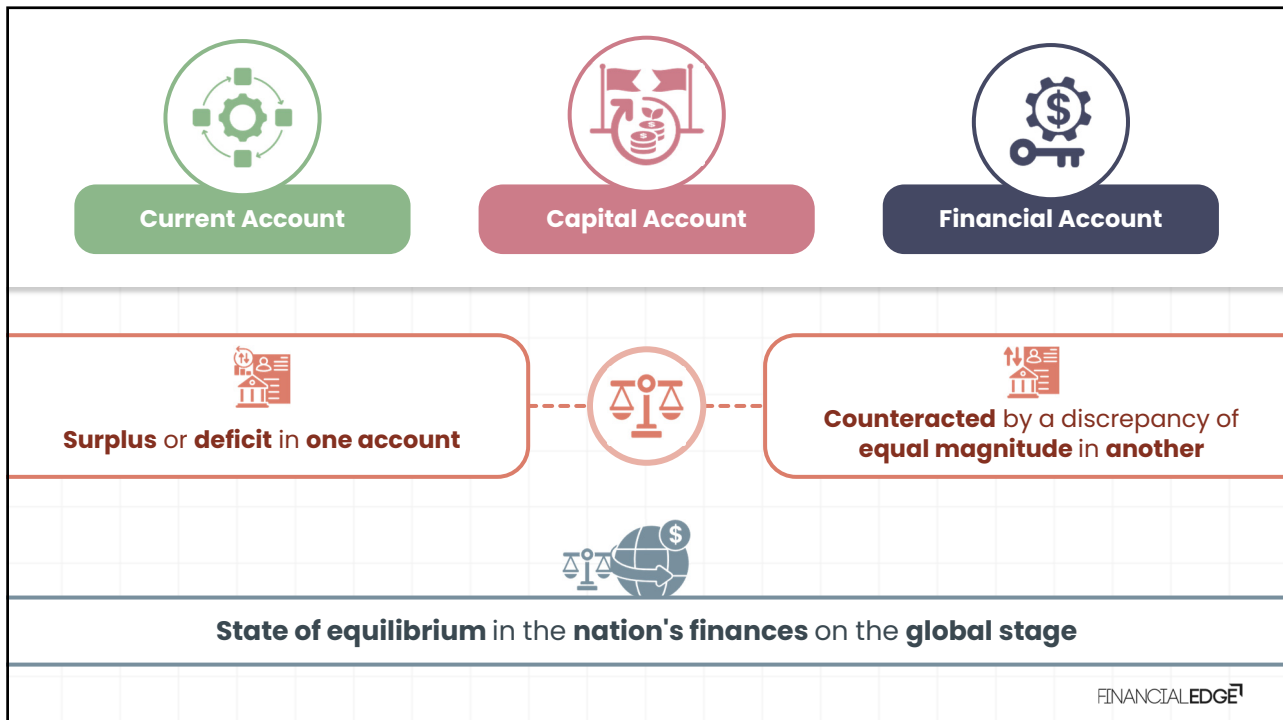
Debit



Balance of Payments (BOP) is always balanced

If **money** is spent on **imports**, it must be **counterbalanced** by **money earned through exports**

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Foreign Aid Grant for Infrastructure



Nation receives a **non-refundable infrastructure grant** of **\$50 million**

Capital Account



Debited in the
current account



Bolster the nation's
reserves, reflected
as a **debit** in the
financial account

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Financial Account



Country takes out a

\$150 million

loan from **foreign entities**

Credited in the **financial account** as an **influx of capital**



The **import transaction** is **debited at \$150 million** in the current account



Outflow of funds for **these imports**

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Financial Account



Country takes out a

\$150 million

loan from **foreign entities**

The influx of **foreign currency** might augment **foreign exchange reserves**



Imports are settled in **foreign currency**, there's a **debit** on the **current account**



Corresponding credit on the **financial account** as the **reserves deplete**

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Balance of Payments (BOP) – Indicators of Stability

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Balance of Payments (BOP)



Assessing the **financial health of a country**



Investment potential



Risk profile

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Sustainable current account balance



Modest surplus

Nation's **international competitiveness**

Robust export income

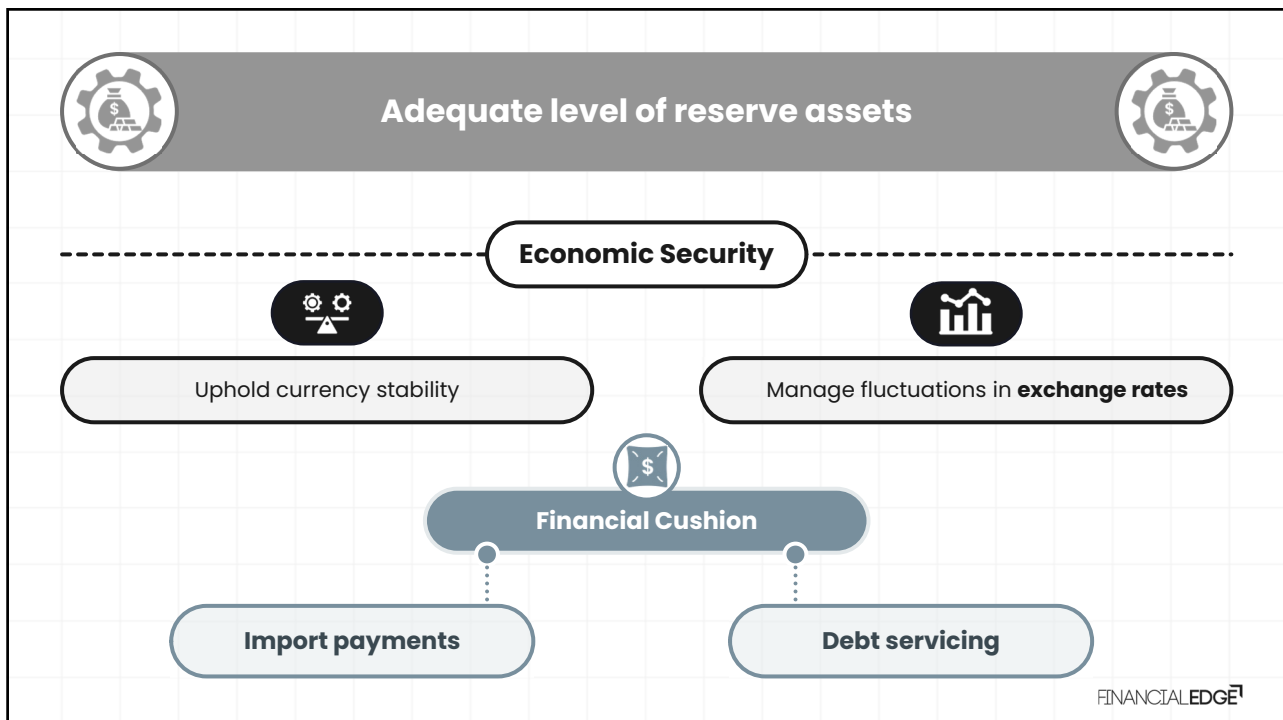
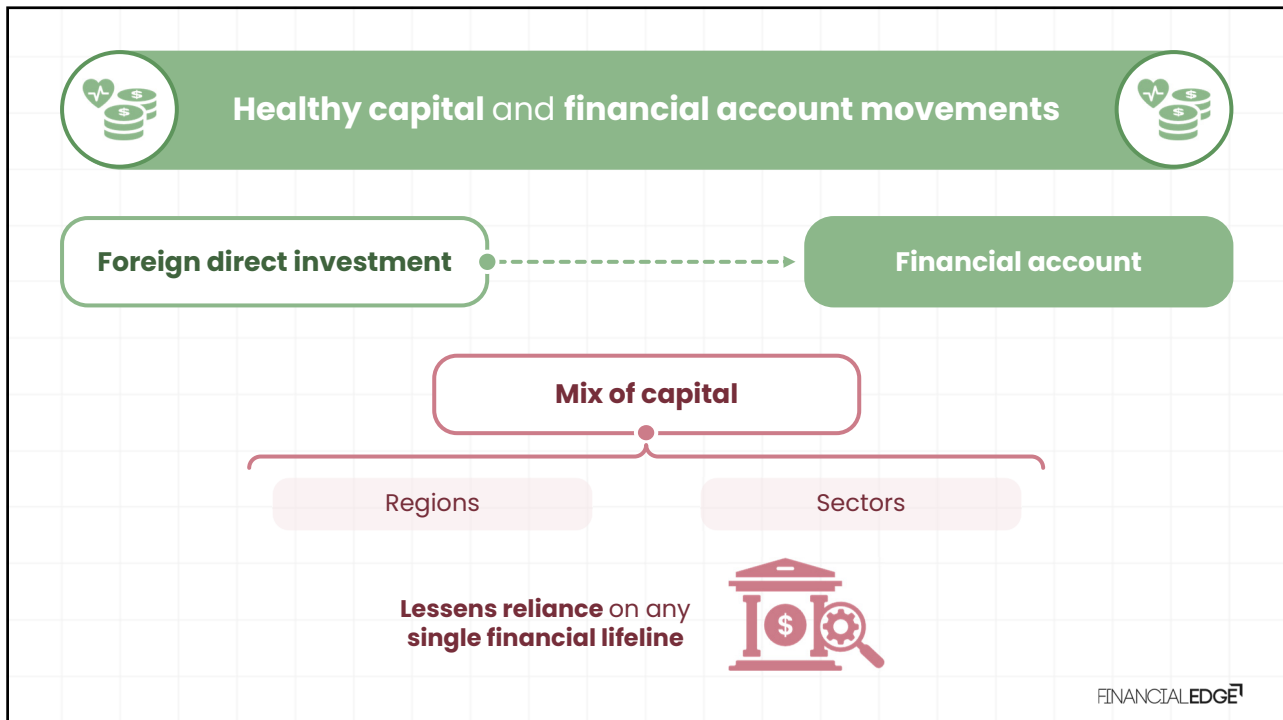


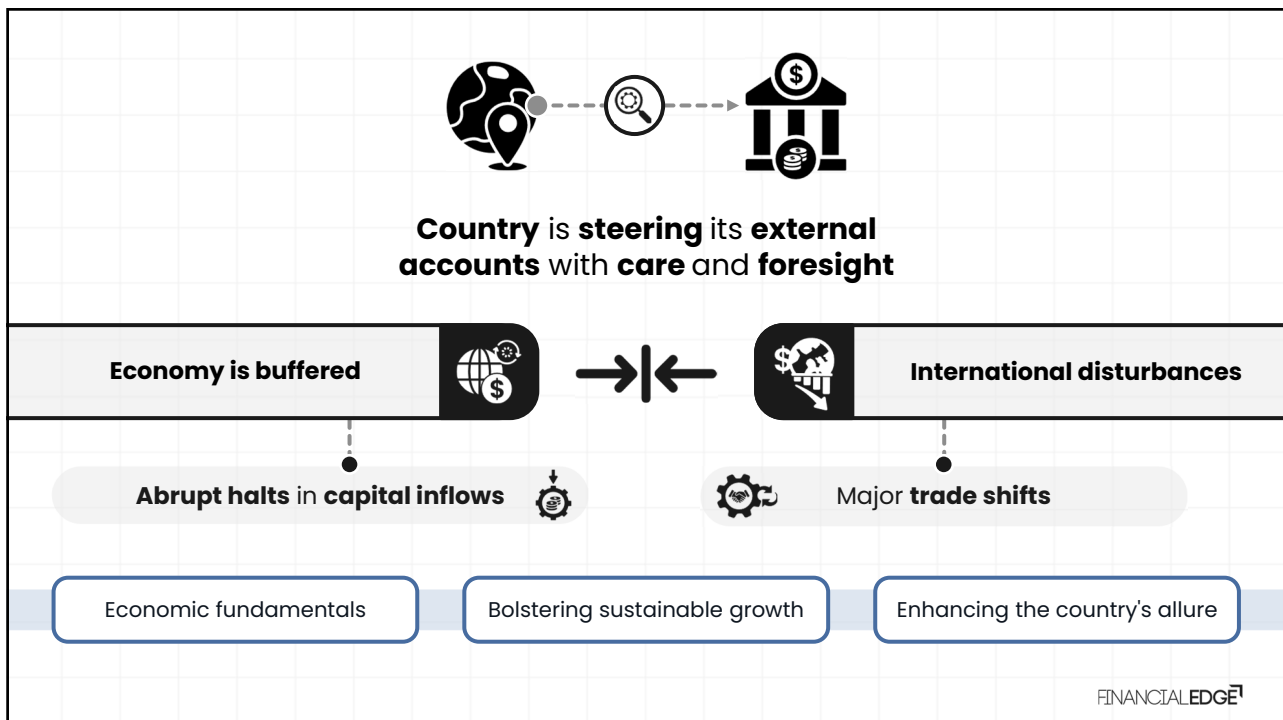
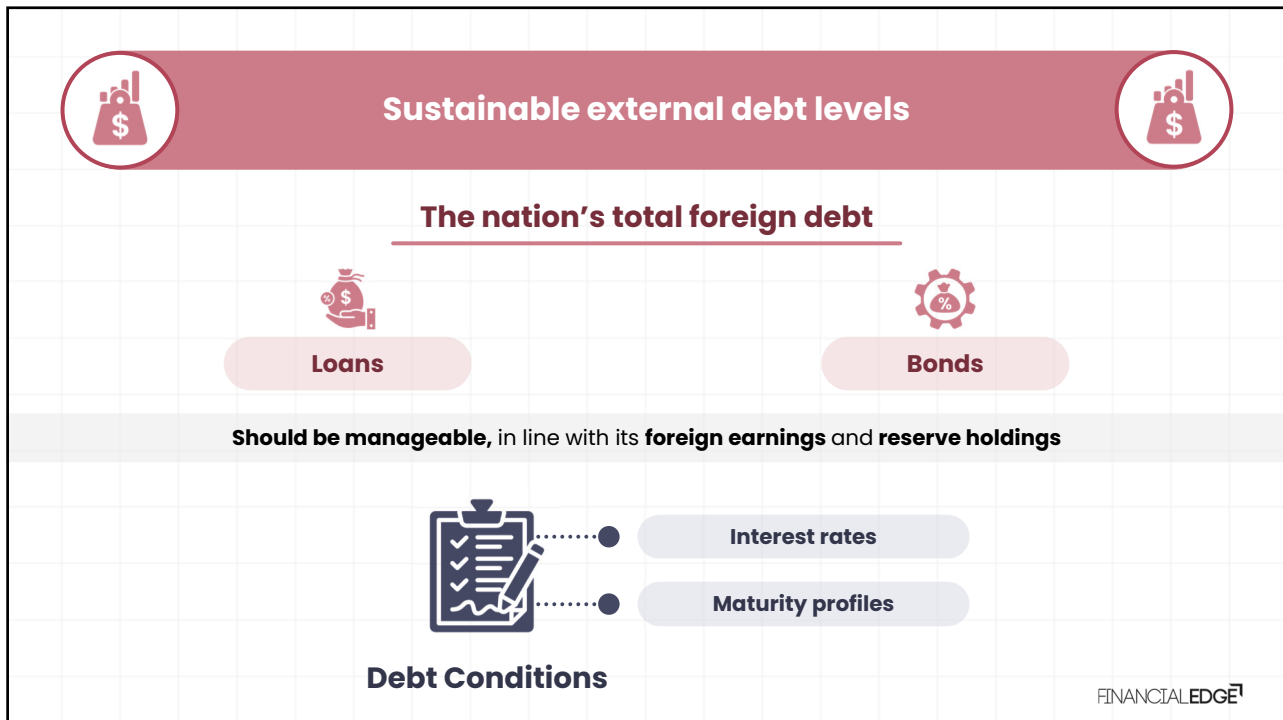
Deficit

Investment in **future growth potential**

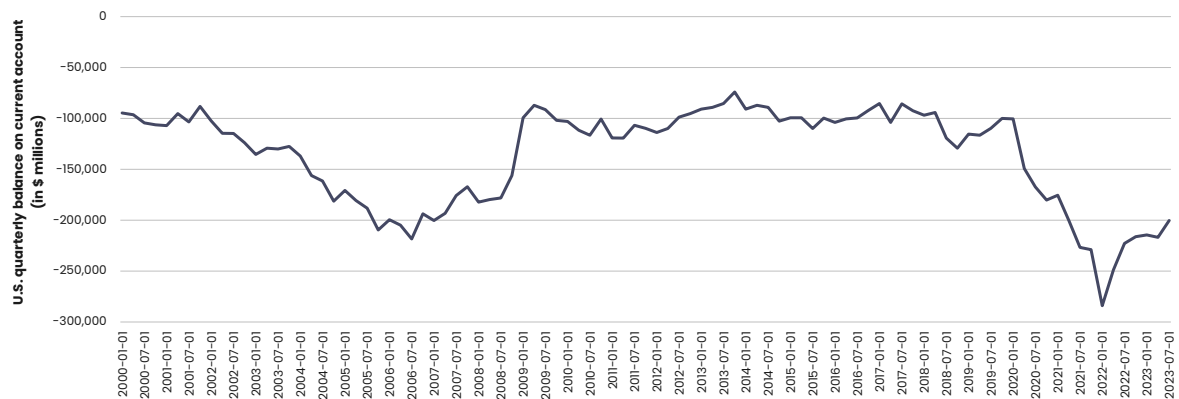
Stability and predictability

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U.S. Current Account Balance

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Source: U.S. Bureau of Economic Analysis, Balance on current account [IEABC], retrieved from FRED, Federal Reserve Bank of St. Louis

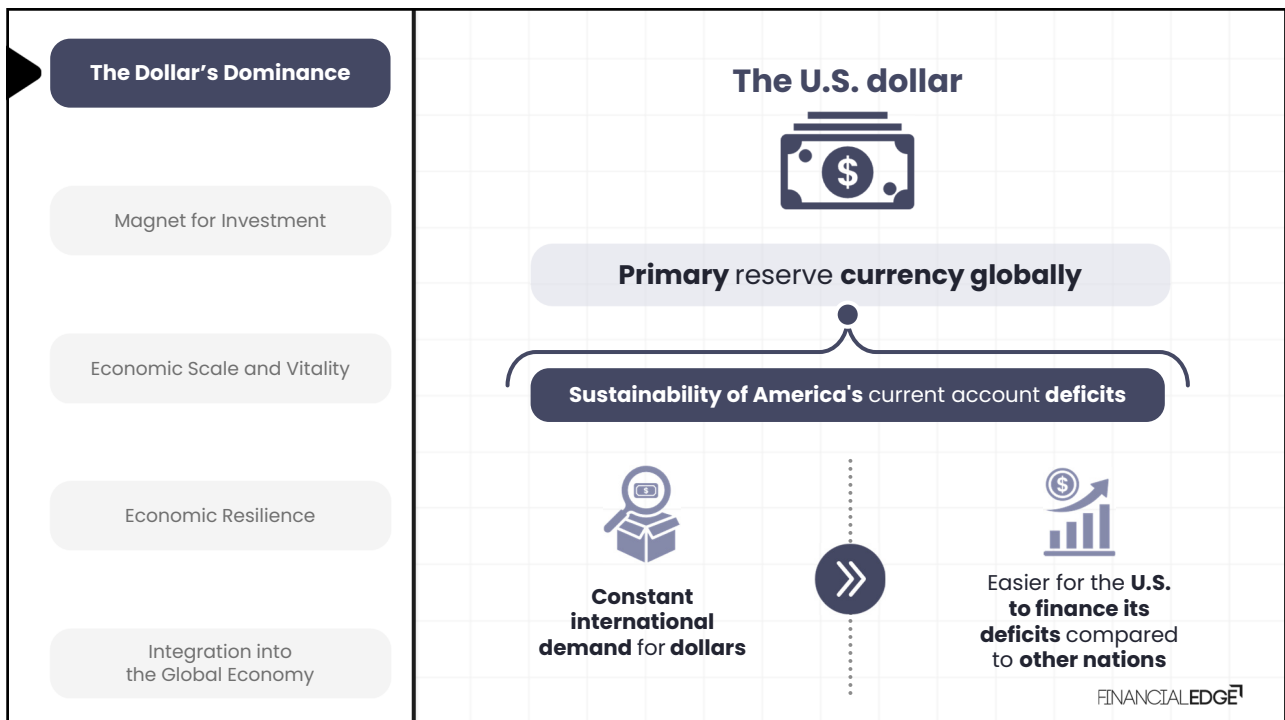
SINCE 1980s

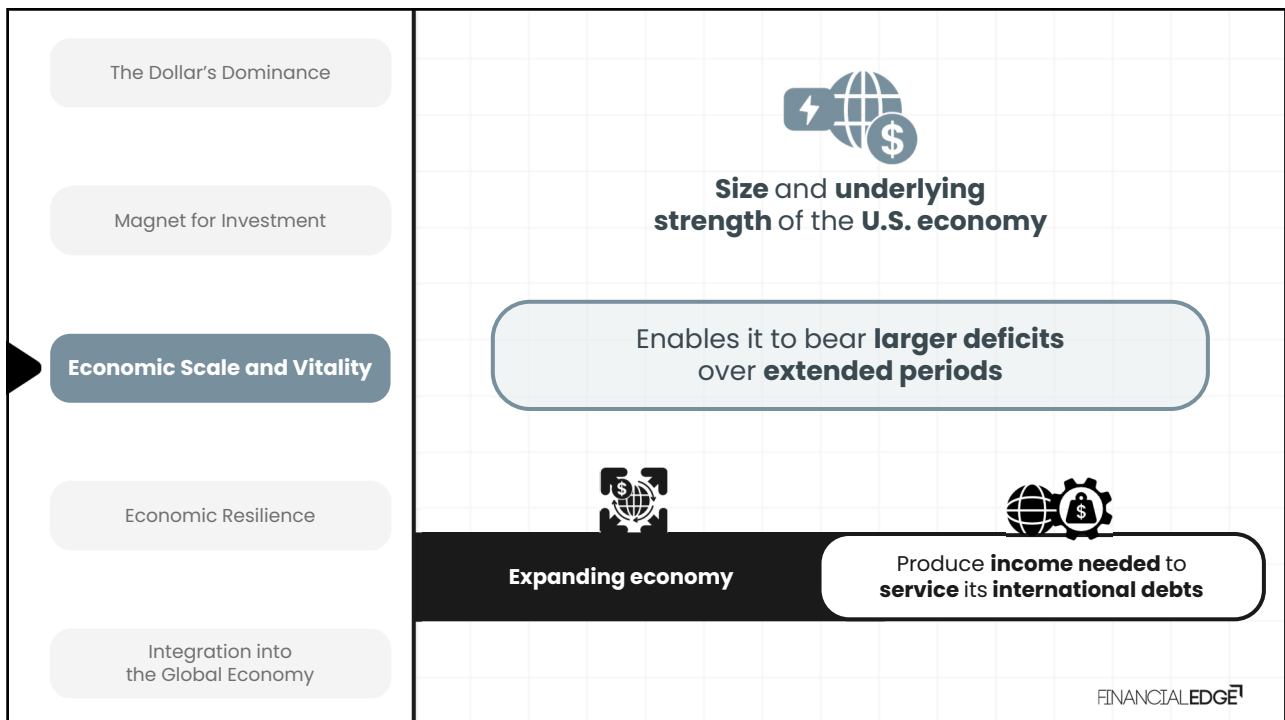
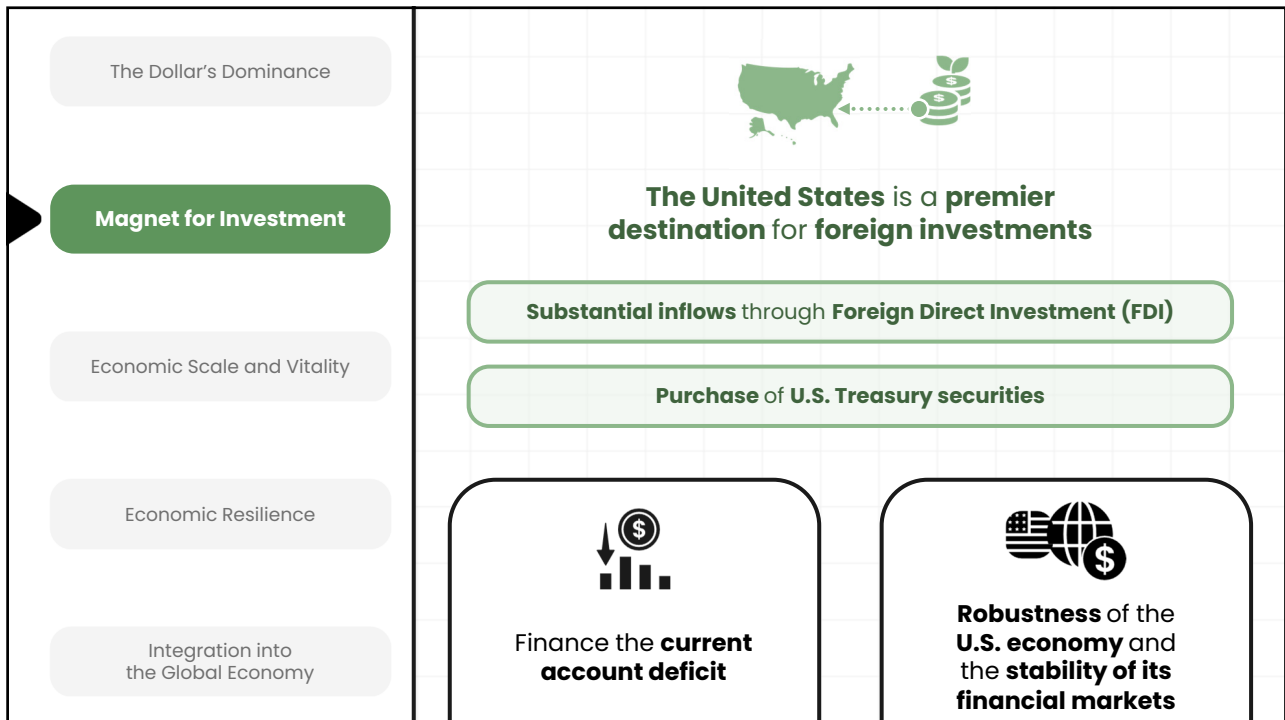


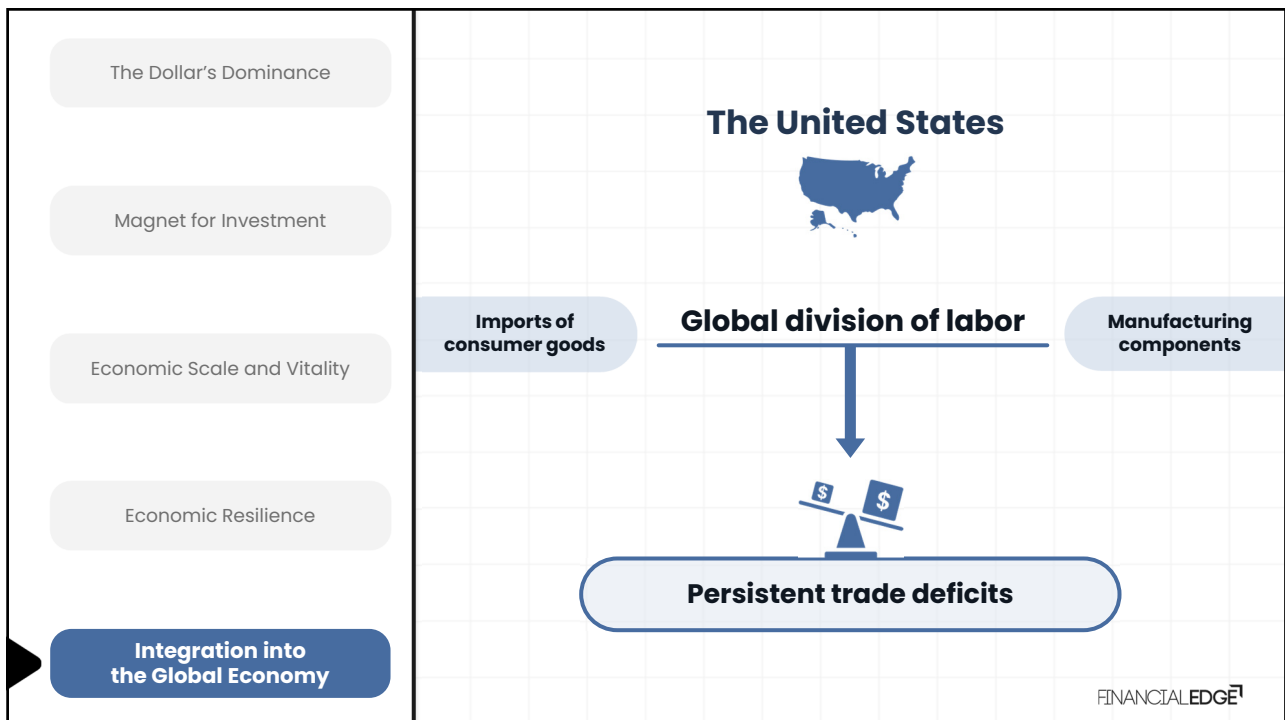
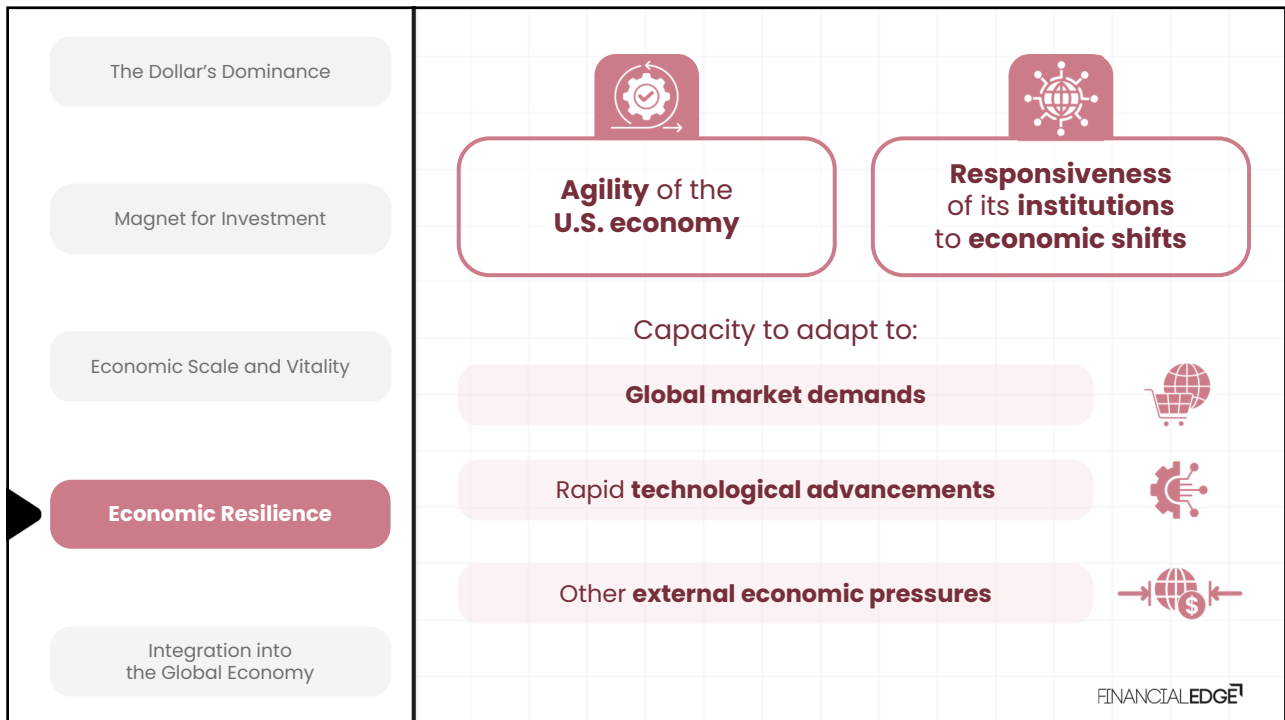
U.S. has consistently experienced **current account deficits**

Yet it, stands as a **powerhouse** in the **global economy**

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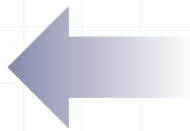




The Double Deficit

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**Current account
deficit**



Fiscal deficit

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