Question 23 (10 marks)

(goods and services)

(a) Distinguish between the current account deficit and foreign debt. **2**

Current account is the receipts and transactions of exports and imports between Aus and trading partner

Current account deficit is when exports and imports between Australia and a trading partner has decreased, Foreign Debt is when Australia has a debt with a economy outside the Australian economy.

(b) Explain how the level of national savings can influence the size of the current account. **3**

A high ~~level~~ level of national savings can influence the size of the current account as, there will be a decrease of size of the current account if Australia have decreased ~~trading~~ trading exports and imports goods and services between different countries. Although if there is a low level of national savings it can influence the size by increasing as there will be more trades in goods and services between different countries.

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(c) What are the positive and negative implications of a current account deficit for the Australian economy? **5**

There are postive and negatives implications of a current accant deficit for the Australian economy. postive implications ~~xx~~ is that more savings ~~x~~ will occur ~~xx~~ which will lead to simulation of the economy, balance the budget to surplus for the furter years. Increase in domestic producers, supporting domestic producers which will improvethe economic growth.

The negative implications are less allocation of effient resources, ~~xxxx~~ there will be a limit on goods and services as Australia imports some goods that ~~xxxx~~ are not supplied in Australia.

End of Question 23