

Question 23 (10 marks)

2013 HSC - Economics
Band 3/4
Sample 1 Question 23

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

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Current account deficit takes into account net goods & services, deficit on the net primary income account and current transfers. Whilst ~~the~~ foreign debt refers to the amount a country owes to another country. Unlike foreign debt, the deficit on the net primary account occurs due to the interest payments made to foreign investors.

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

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