

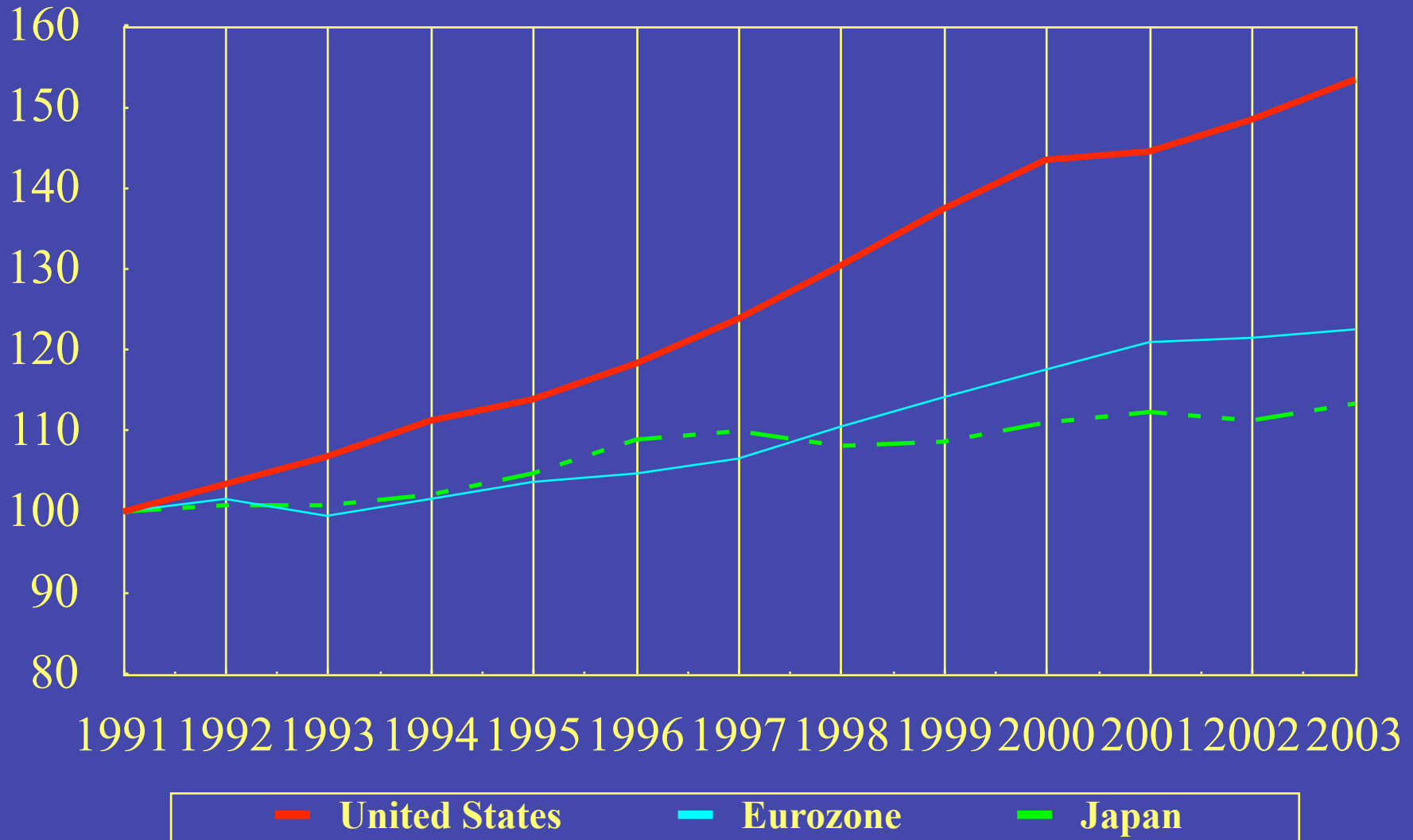


# The Institute of International Finance

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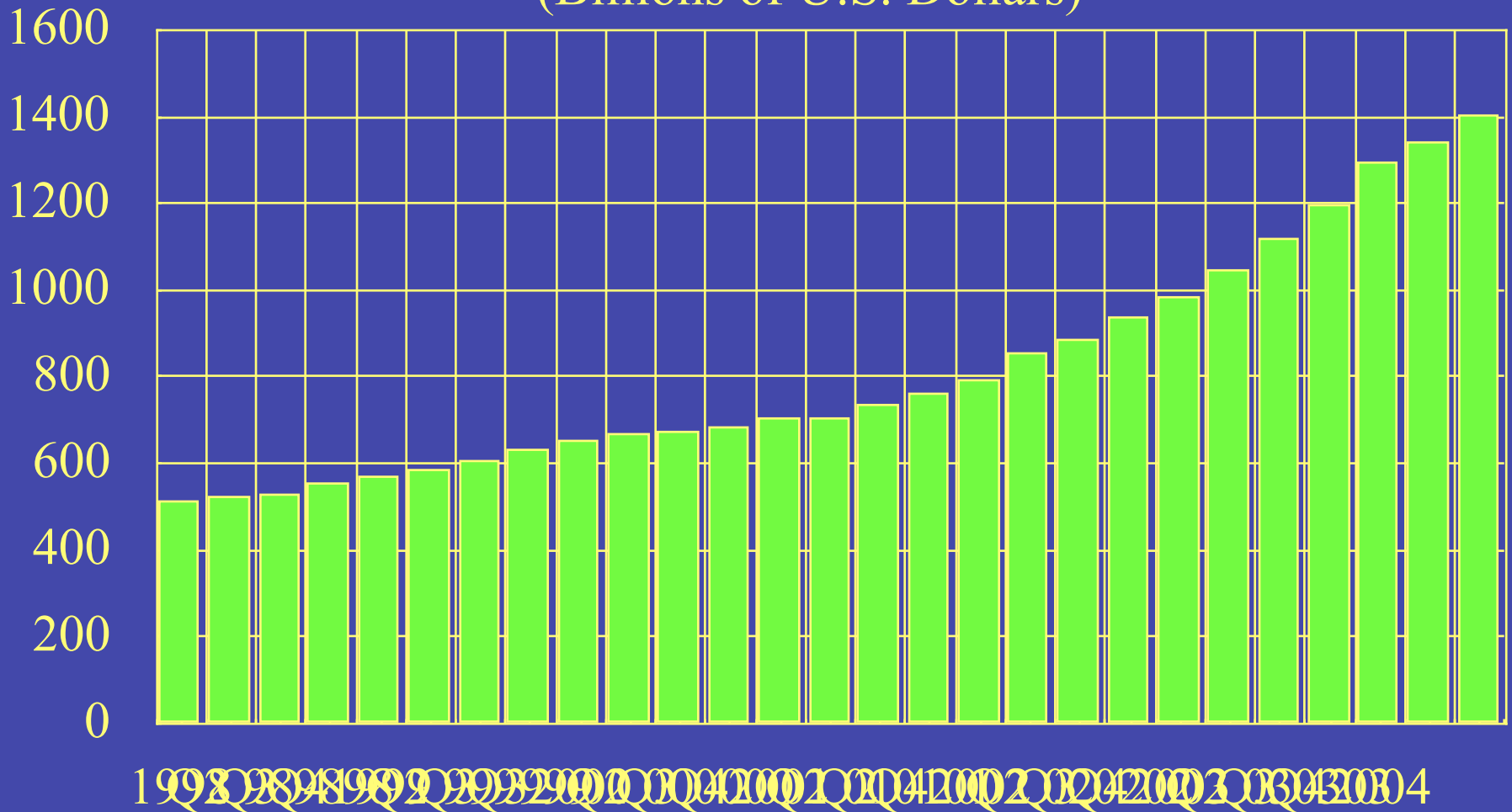
*US Current Account Deficit  
and the Dollar  
American Enterprise Institute  
Washington, D.C.  
November 4, 2004*

## Domestic Demand Index (1991=100)



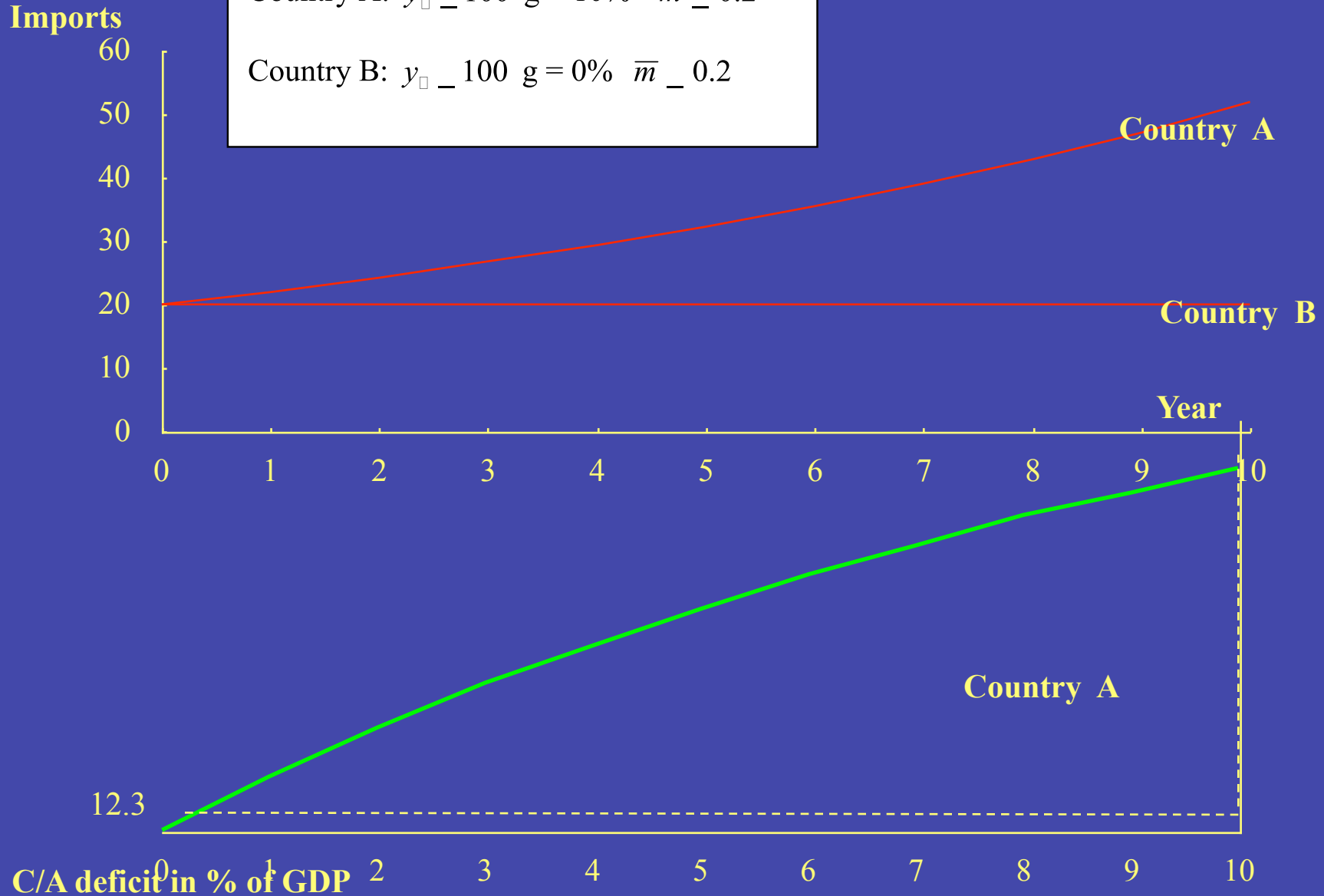
# International Reserves in Emerging Asia

(Billions of U.S. Dollars)



# Growth Differential and C/A path

Country A:  $y_0 = 100$   $g = 10\%$   $\bar{m} = 0.2$   
 Country B:  $y_0 = 100$   $g = 0\%$   $\bar{m} = 0.2$



1. CA deficit<sub>t+1</sub>] CA deficit<sub>t</sub>, in dollar terms.

$$\text{Condition: } \begin{matrix} x_1 \\ m_1 \end{matrix} \begin{cases} M_0 \\ X_0 \end{cases}$$

where  $x_1$  growth rate of exports in  $t + 1$   
 $m_1$  growth rate of imports in  $t + 1$   
 $X_0$  level of exports in  $t$   
 $M_0$  level of imports in  $t$

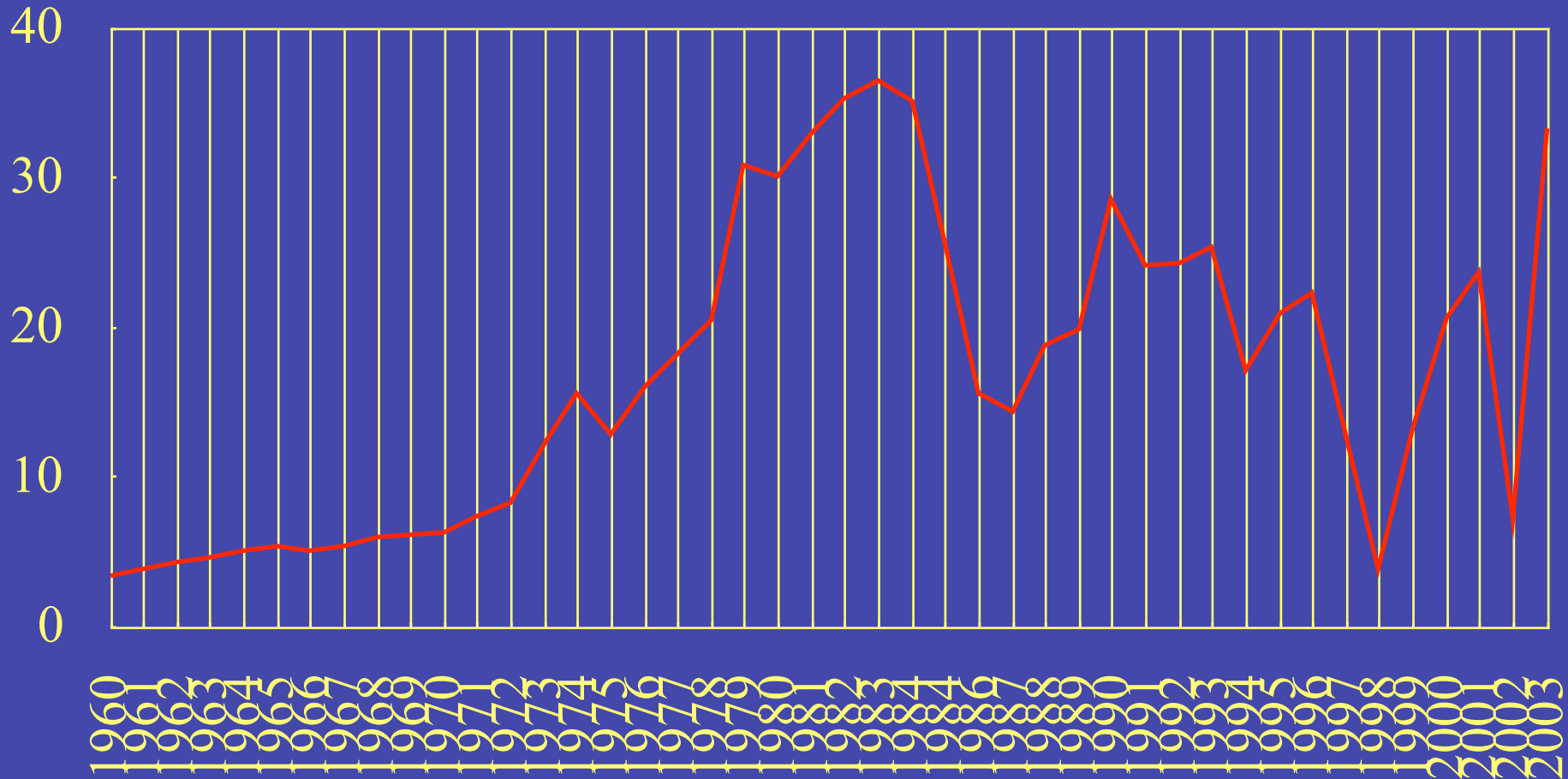
2. CA deficit<sub>t+1</sub>] CA deficit<sub>t</sub>, in % of GDP.

$$\text{Condition: } \begin{matrix} x_1 - g_1 \\ m_1 - g_1 \end{matrix} \begin{cases} M_0 \\ X_0 \end{cases}$$

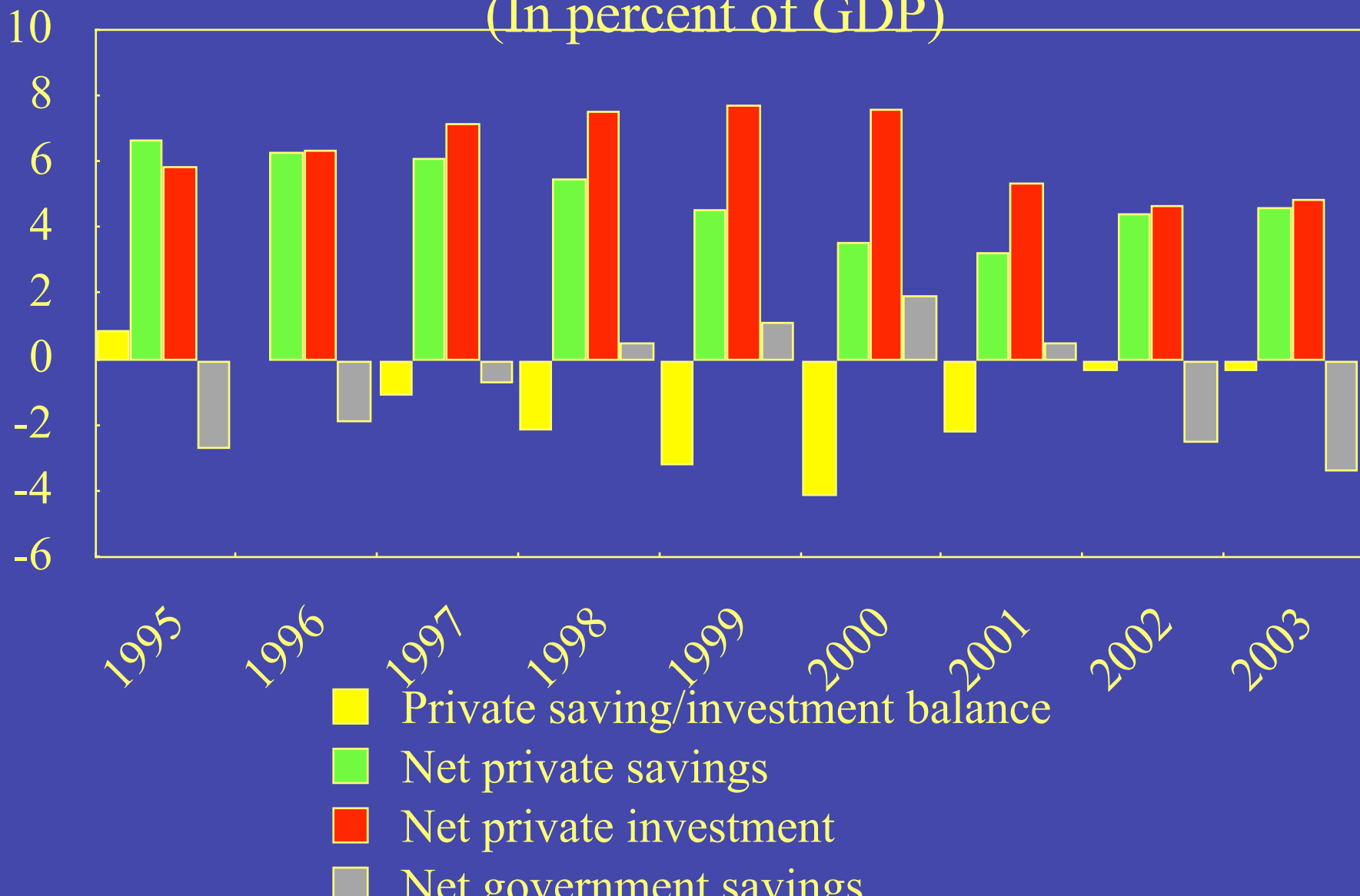
where  $g$ , growth rate of GDP in  $t + 1$

Note:  $\frac{m}{g}$  is typically greater than 1.

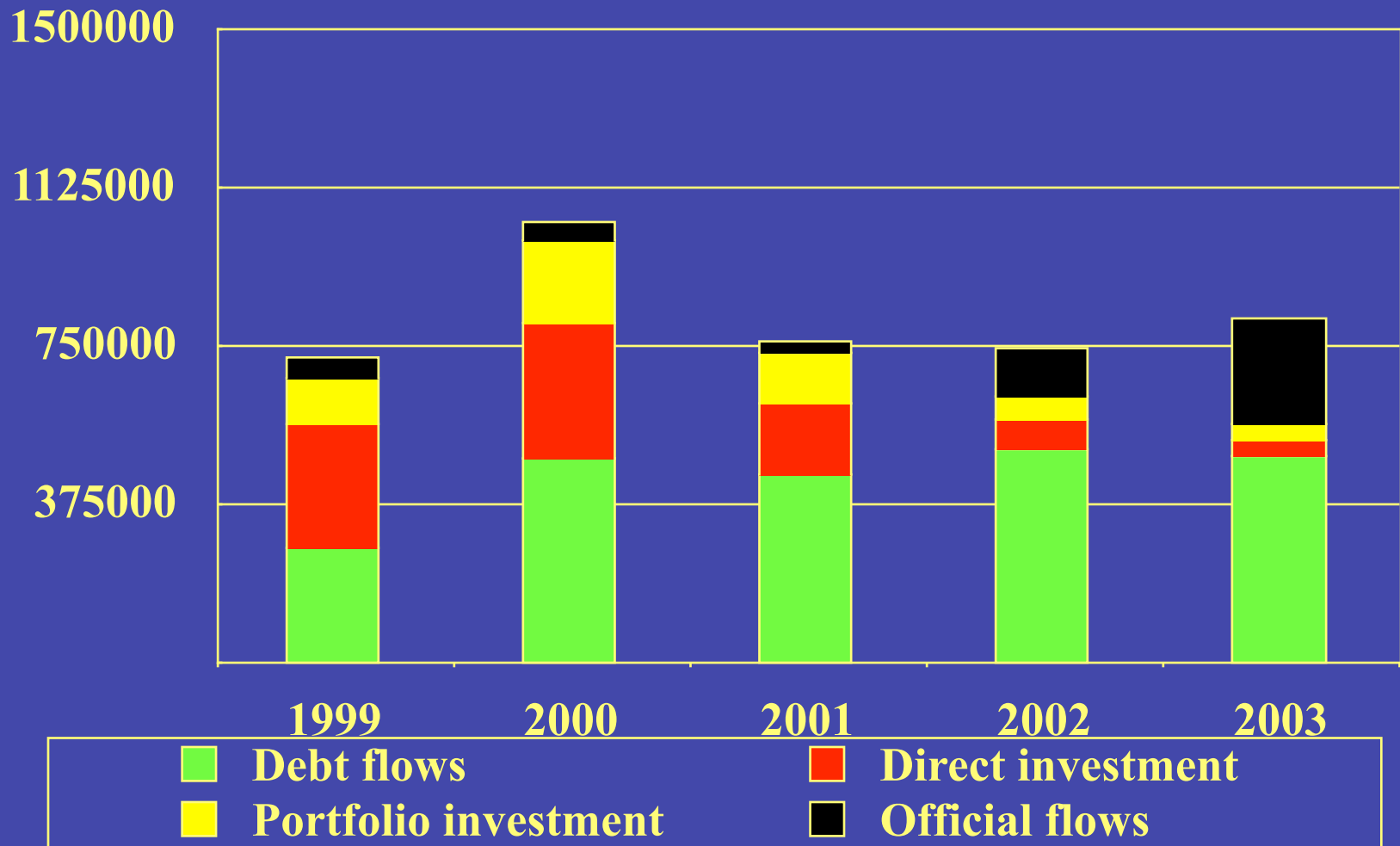
# United States: Balance on Income (In billions of dollars)



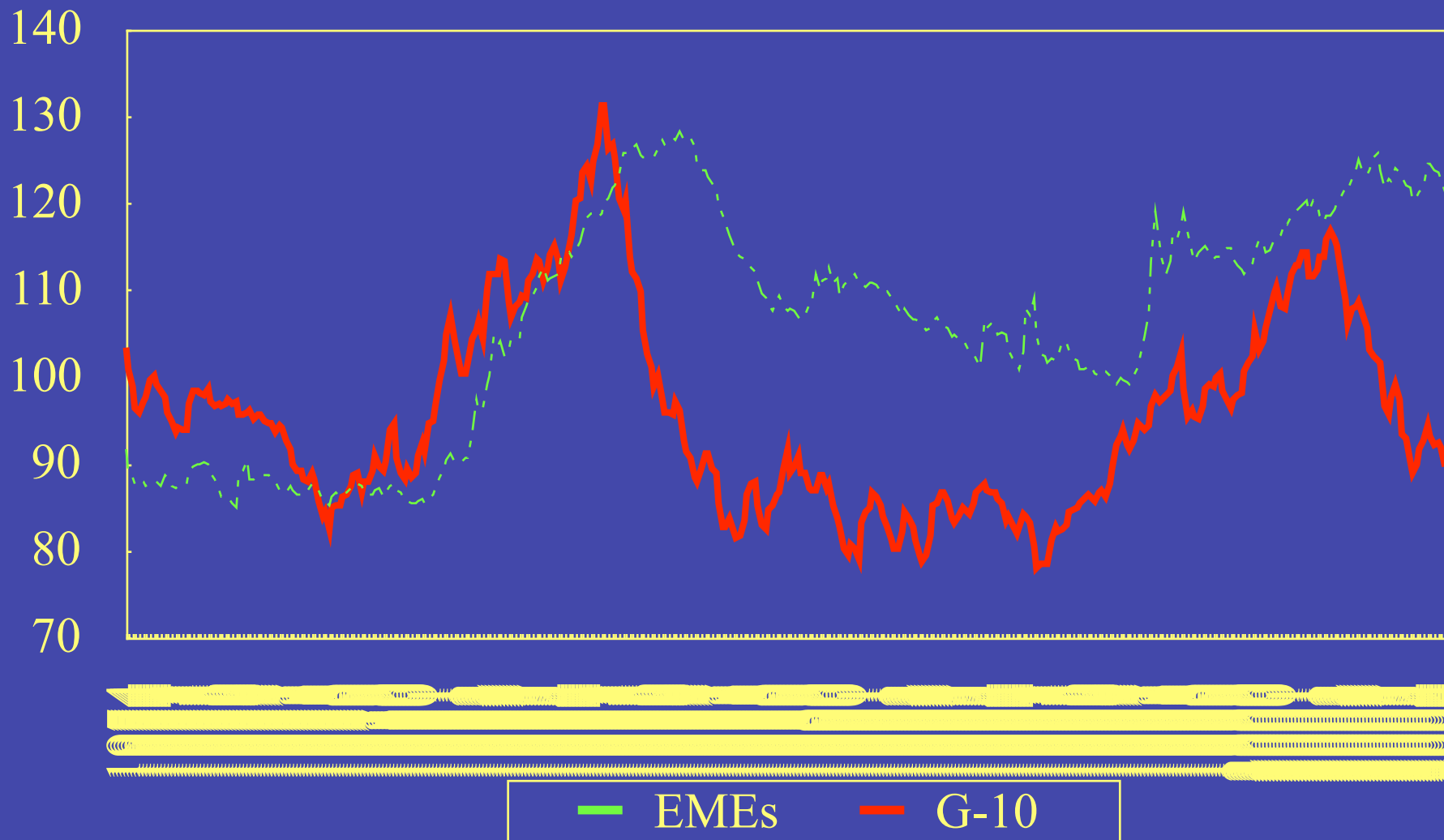
## United States: Savings, Investment, and S-I balance (In percent of GDP)



## US: Composition of Capital Inflows



# United States: \$'s Real Effective Exchange Rates



# United States: \$'s Real Effective Exchange Rates Broad Index

