

Introduction to the course

Second Part

International Economics

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February, 2024

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Topics

Indices and changes

Macromagnitudes

Balance of Payments and external imbalances

Changes

- Basic concepts
 - Many times it is relevant to understand how much a measurement changed
 - It is important to consider what was the **initial value**
 - It may be interesting to understand what the change in **relative terms**
- Measurements of changes
 - Rate of change
 - Indices
 - Compound Annual Growth Rate
 - Contribution to growth
 - General concepts
 - Temporal references
 - Prices and quantities
 - Base changes

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Macroeconomic analysis

- Aggregate behavior
 - Does not refer to any individual consumer/producer
 - It is the aggregation of all the subjects acting in the economy
- Macroeconomic agents
 - Where the **function performed** matters:
 - Goods market
 - Factors market
 - Finance market
 - 🏠 Households
 - 🏭 Companies
 - 🏢 Government
 - 🏛️ Financial Sector
 - 🌐 Foreign Sector
- Global balance of the economy
 - Supply = Demand

Macroeconomic Aggregates

- National Accountability
 - Systematic record of macroeconomic operations and relationships
 - We will comment on indicators' limitations and new solutions
- GDP
 - General concepts
 - Production, Value Added, Final Consumption, Capital Formation, Balance with abroad, Primary income, Secondary distribution of income, Disposable income, Territory and residence: internal and national, Taxation: basic and market prices, Amortizations: gross and net , . . .
 - 3 approaches that arrive at the same thing:
 - Supply: $Y = Y_{\text{AGRO}} + Y_{\text{INDUSTRY}} + Y_{\text{CONSTRUCTION}} + Y_{\text{SERVICES}}$
 - Demand: $Y = C + I + G + (X - M)$
 - Income: $Y = RA + EE + T - S$
 - Economic cycle
 - Boom, Expansion, Stagnation, Depression
- Prices

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Measurement of flows with the Rest of the World

- General concepts
 - Measurement of value of transactions between residents and non-residents, considering:
 - Nature of the agents
 - Nature of transactions
- Balance of Payments (BoP):
 - $BP = BCC + BK + BF \pm MRE$
 - Current Account Balance (CAB)
 - Capital Balance (CA)
 - Financial Balance (FAB)
 - Movement of Reserves
 - Registration of flows with abroad

Interpretation of external imbalances

- Balance of Payments and External Imbalances
 - Balance of Payments reading
 - Capital entry/exit
 - Interpretation of imbalances
 - Inflationary tensions
 - Interest rate pressures
 - Exchange rate movements