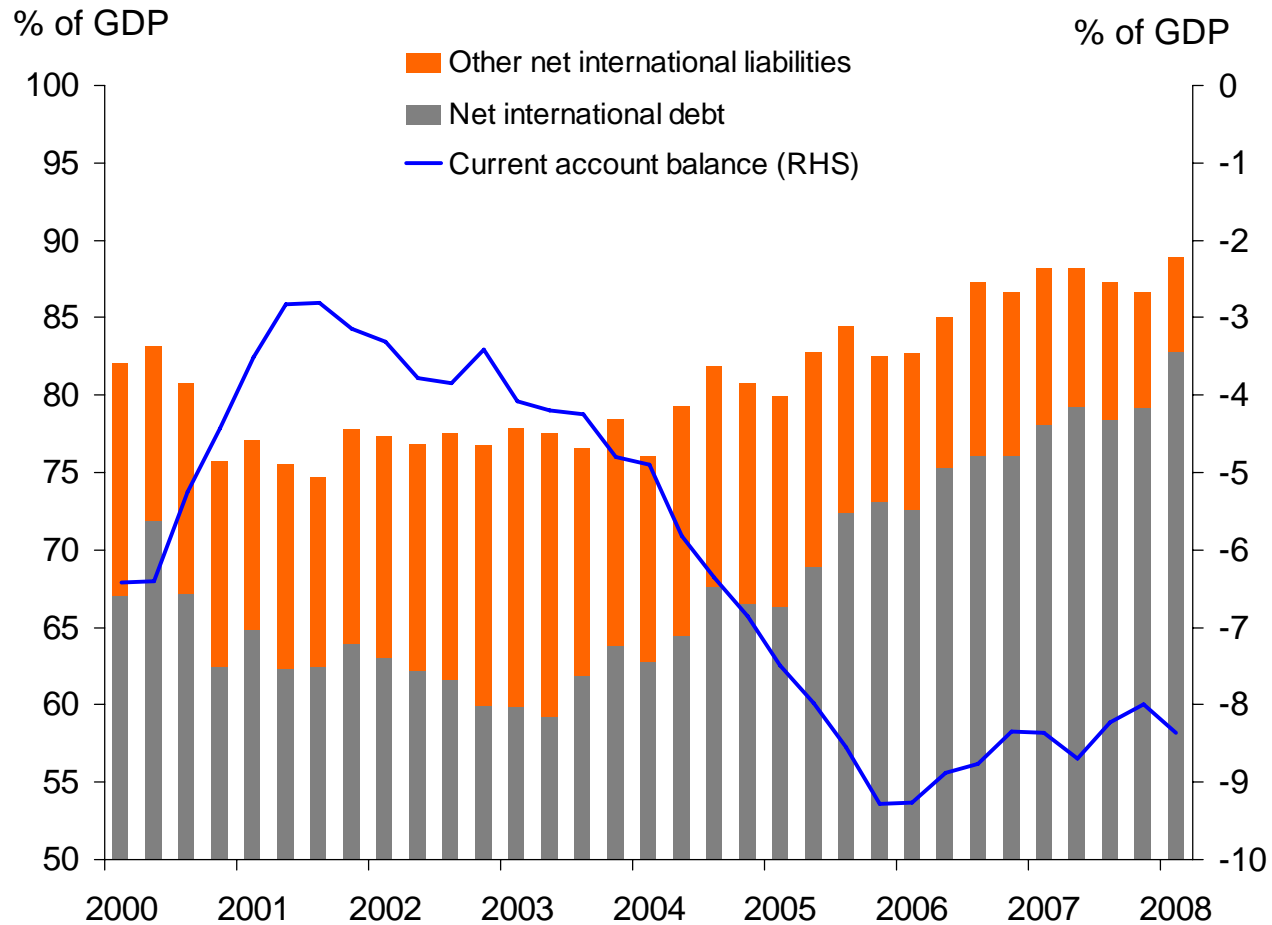
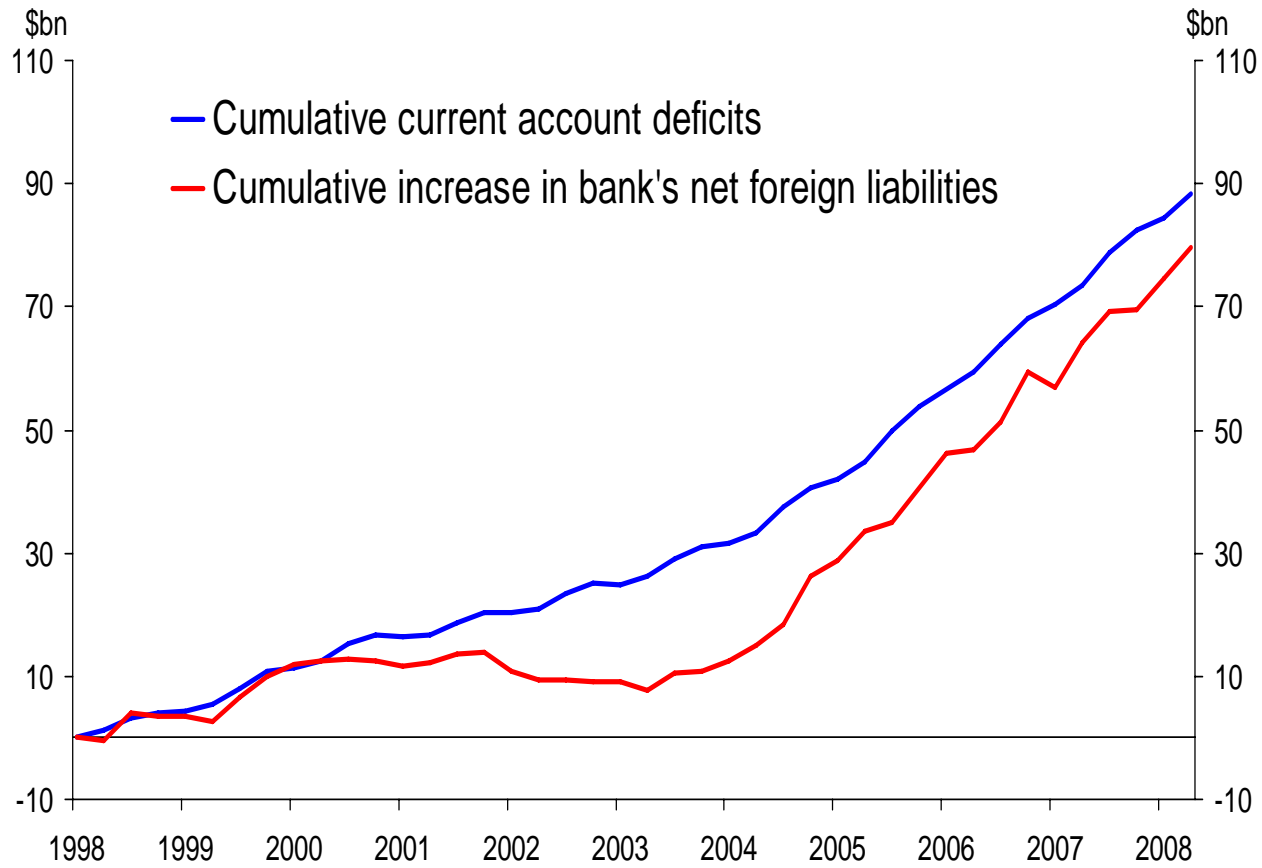


Overseas indebtedness country risk and interest rates

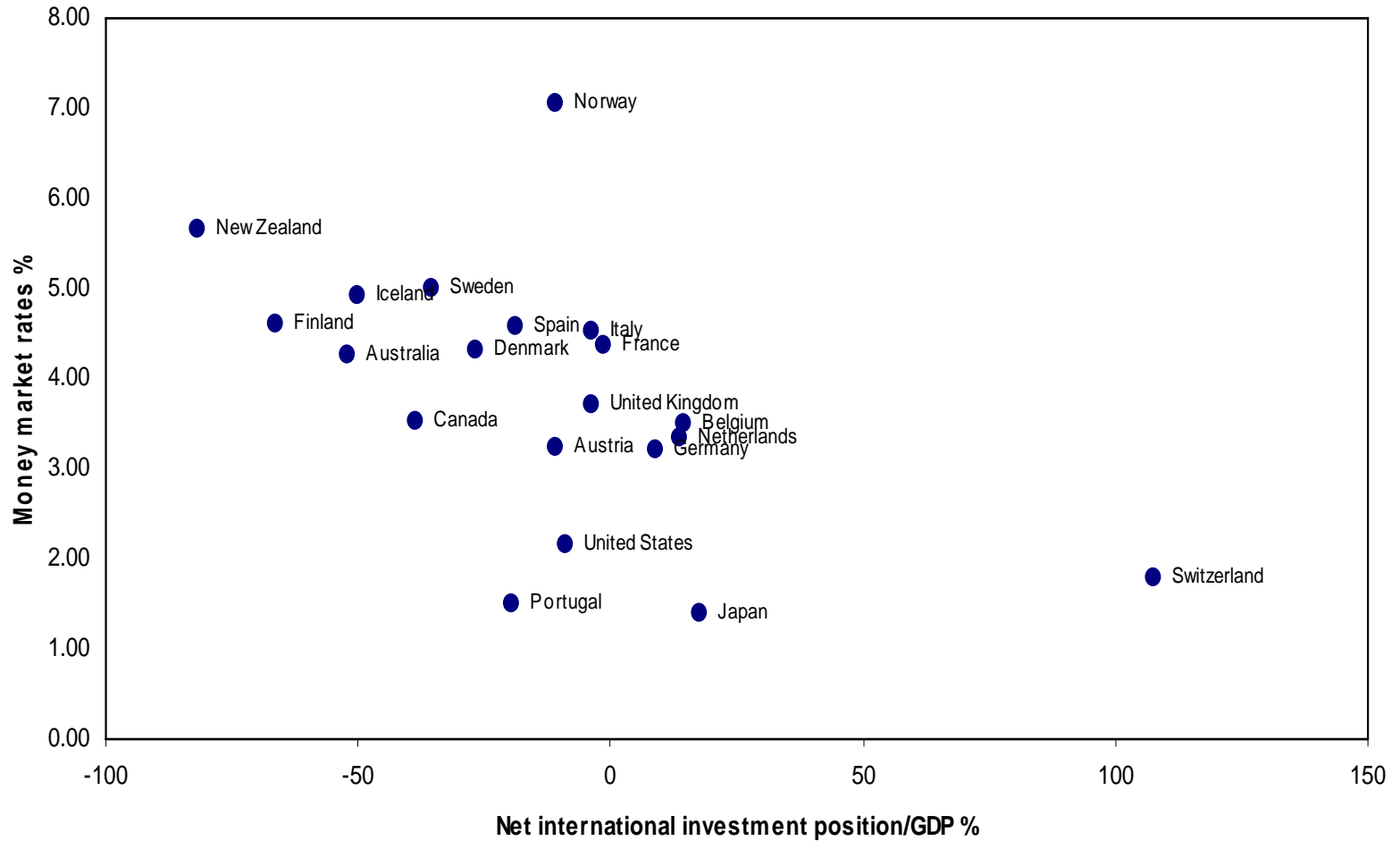
New Zealand's external position



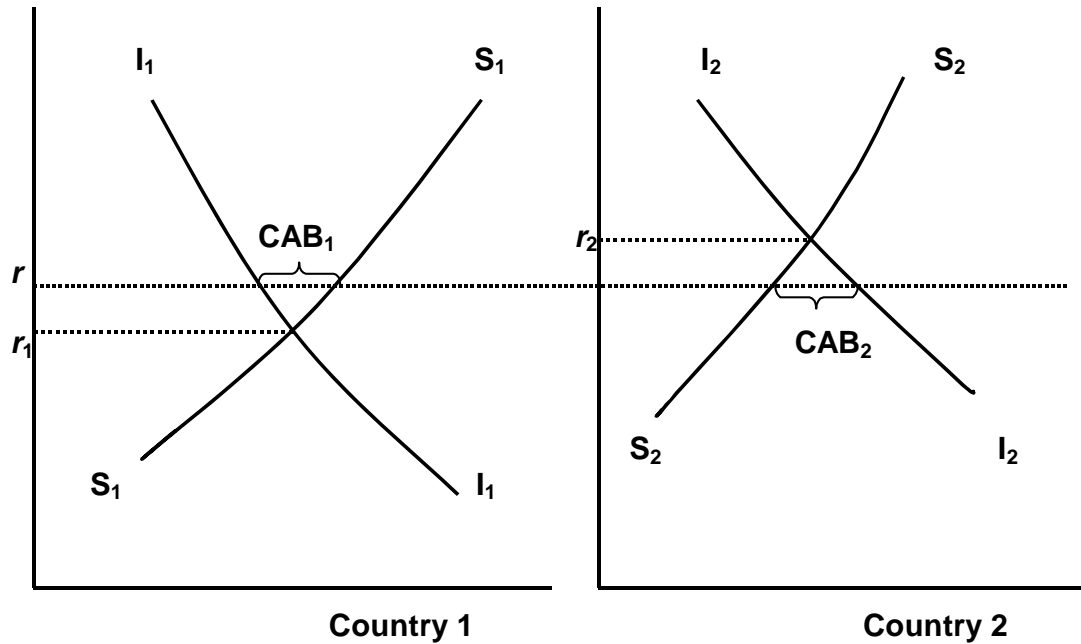
Funding the current account deficit



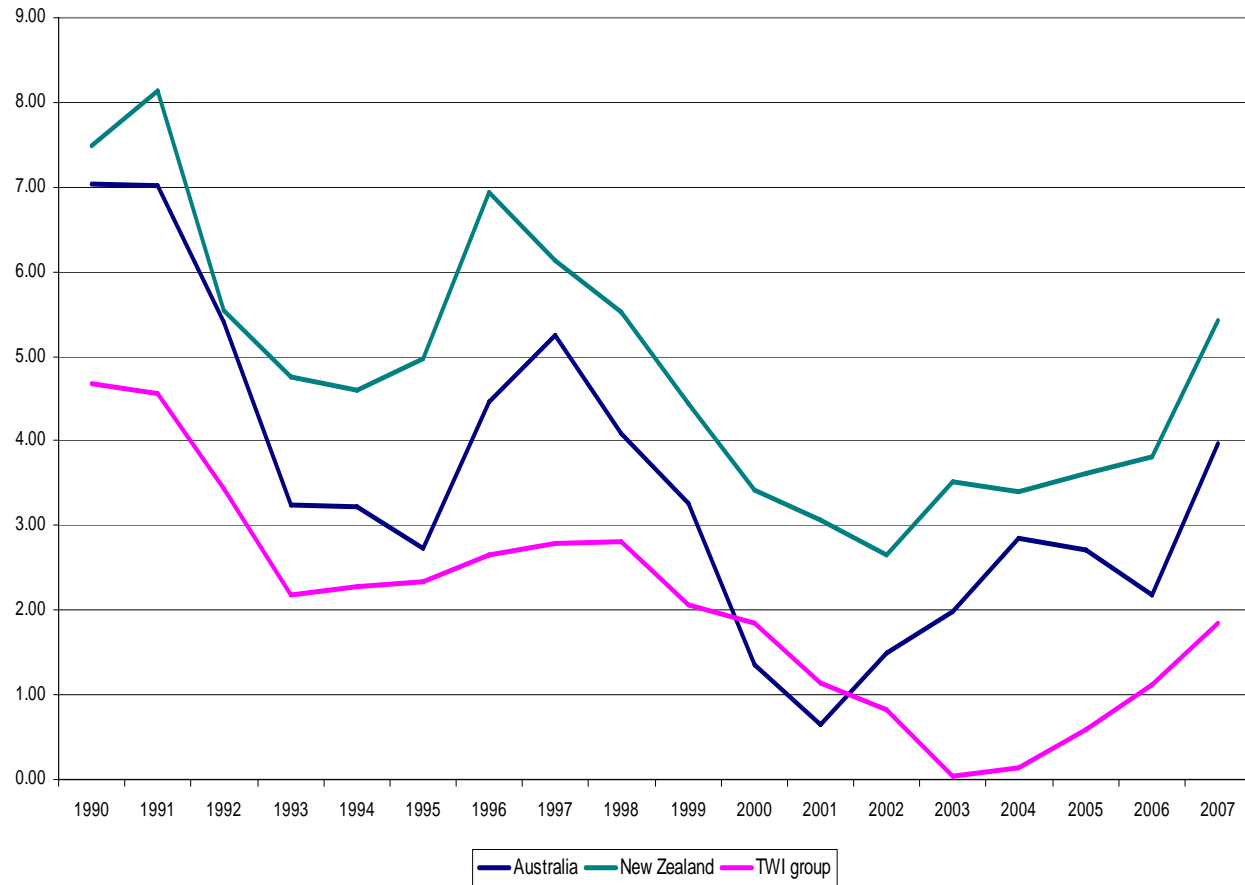
The NIIP and real interest rates



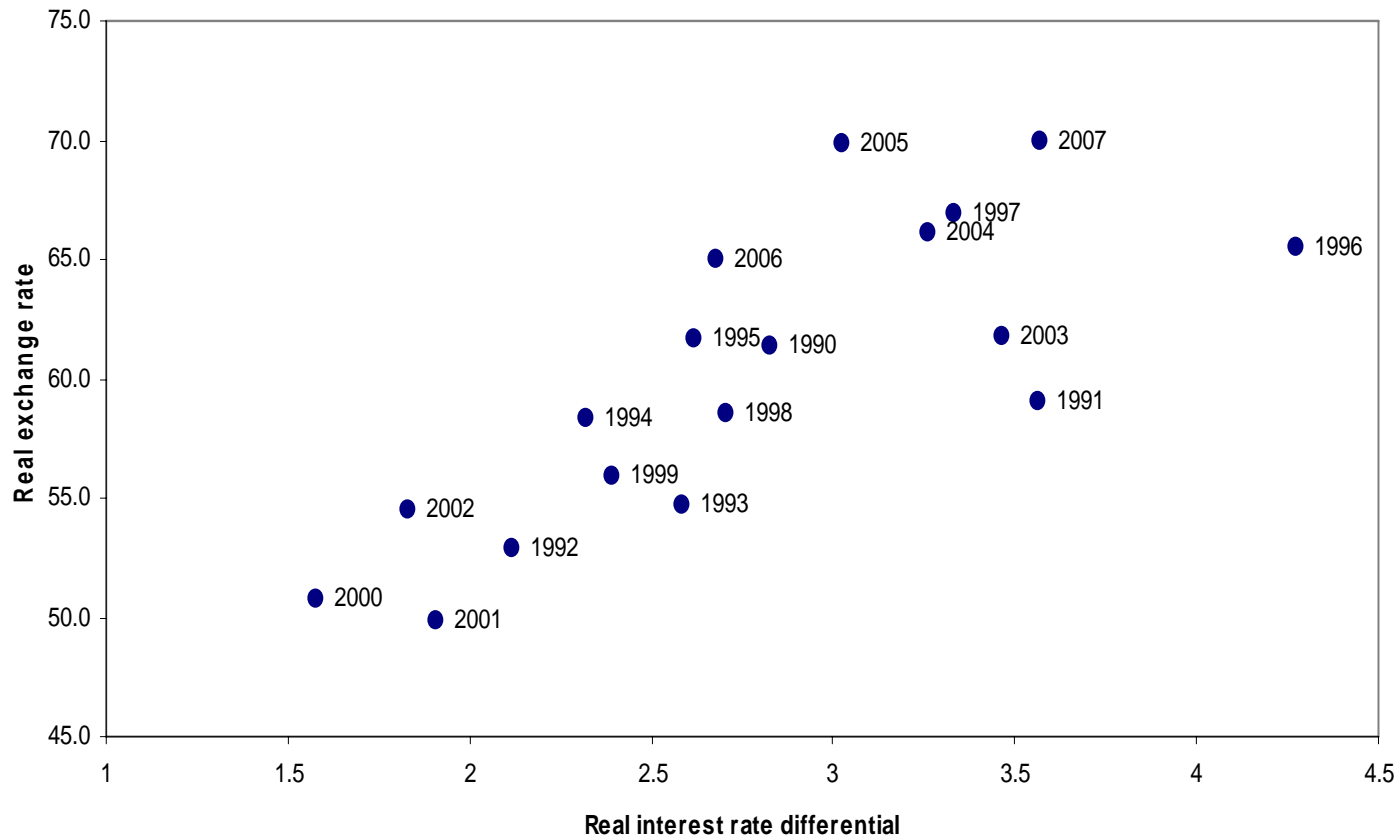
A standard two-country model



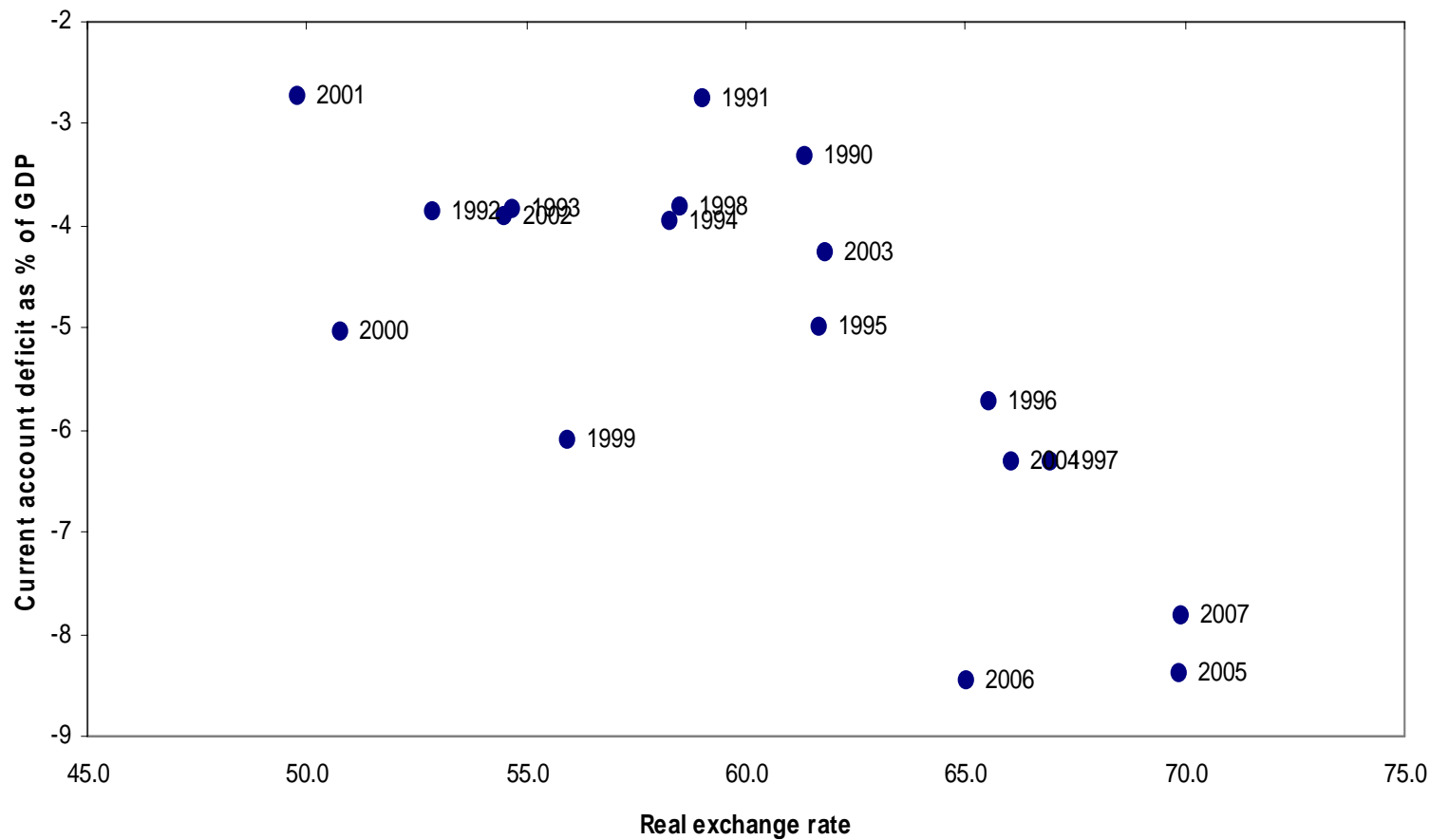
Real interest rates compared



Interest rates and the exchange rate



The exchange rate and the current account deficit



What drives changes in the NIIP/GDP ratio?

$$\frac{N_t}{Y_t} = \frac{N_{t-1}}{Y_{t-1}} \times \frac{1}{(1+y_t)} + \frac{C_t}{Y_t} + \frac{V_t}{Y_t}$$

Where

N_t = Net international investment position at end of year t ,

Y_t = Nominal Gross Domestic Product in year t ,

y = the annual rate of growth in nominal GDP in year t ,

C_t = capital flows financing the current account balance in year t , and

V_t = revaluations of international assets and liabilities in year t .

Disadvantaging exporters

