Saving, investment and trade balance

Abbreviations:

Y = Gross domestic product (GDP)
C = Consumption
I = Investment
G = Government spending
S = Saving → S = Y - C - G
NX = Trade balance (net exports → exports minus imports)

1 Closed economy* or economy with a balanced trade**

(1a) Y = C + I + G
(1b) Y - C - G = I
(1c) Y - C - G = S
(1d) **S = I**

2 Economy with a trade surplus or a trade deficit

(2a) Y = C + I + G + NX
(2b) Y - C - G = I + NX
(2c) **S = I + NX**

- Trade **surplus** (Exports > imports and NX > 0)   if S > I
- Trade **deficit** (Exports < imports and NX < 0)   if S < I

*   Closed economy: Economy without exports and without imports

**   Balanced trade: NX = 0, because exports = imports