



Newington College

Discover.
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Economics

Assessment Task: 2025 Trial

General Instructions

- Reading time: 5 minutes
- Working time: 3 hours
- Write using black or blue pen
- Attempt ALL questions
- NESA Approved Calculators are allowed
- Do NOT write in pencil
- Detach the colour leaflet provided at the end of this paper and use it to answer Questions 1 - 20
- Write your Student Number at the top of each page

TOTAL MARKS - 100

Section I - Multiple Choice - Pages 3 - 8
20marks
Questions 1- 20

Section II - Short Answer Section Pages 9 - 16
40 marks
Questions 21-24

Section III - Stimulus Based - Pages 17 - 18
20 Marks
Attempt either question 25 or 26

Section IV- Essay - Page 19
20 Marks
Attempt either question 27 or 28

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Section I
Multiple Choice
20 marks

Attempt Questions 1-20.
Use the multiple choice answer sheet provided.
Allow 20 minutes for this section.

1. Australia exports high-quality red wine to Japan. How is this recorded on the balance of payments?
 - A. Goods credit
 - B. Goods debit
 - C. Primary income credit
 - D. Primary income debit

2. The “global movement of capital” refers to the movement of:
 - A. Transnational corporations
 - B. Investment
 - C. Machinery
 - D. Disposable income

3. Which of the following describes a public good?
 - A. A rival good which is excludable
 - B. A rival good which is non-excludable
 - C. A non-rival good which is excludable
 - D. A non-rival good which is non-excludable

4. Which of the following policies is an example of how fiscal policy could increase labour force participation?
 - A. An increase in unemployment benefits
 - B. Abolishing the income tax-free threshold
 - C. An expansion in job training programs for retrenched workers
 - D. An increase in the minimum age at which individuals can access the age pension

5. There has been an increase in official interest rates in Singapore.

All other things being equal, which of the following would be true?

	<i>Impact on foreign exchange markets</i>	<i>Value of Australian dollar in terms of \$SGD</i>
A.	Increased demand for \$SGD	Depreciates
B.	Decreased demand for \$SGD	Depreciates
C.	Increased supply of \$SGD	Appreciates
D.	Decreased supply of \$SGD	Appreciates

6. Which of the following measures are used in calculating the Human Development Index (HDI)?

- A. Fertility rate, unemployment rate, adult literacy rate
- B. GDP per capita at purchasing power parity, years of schooling, life expectancy at birth
- C. Life expectancy at birth, school enrolment rate, doctors per 1,000 people
- D. GNI per capita at purchasing power parity, unemployment rate, adult literacy rate

7. Which of the following would most likely increase aggregate supply?

- A. A higher level of interest rates
- B. Increased government expenditure on transport infrastructure
- C. An increase in the company tax rate
- D. Restrictions on foreign investment in Australia

8. The government prevents a proposed merger between two major supermarkets.

What type of government policy is this an example of?

- A. Regulation used to improve efficiency in a factor market
- B. Deregulation used to improve efficiency in a factor market
- C. Regulation used to improve competition in a product market
- D. Deregulation used to improve competition in a product market

9. Which of the following is most likely to result in a deterioration in the terms of trade?
- A. Export prices increase relative to import prices
 - B. Import prices increase relative to export prices
 - C. Export and import prices both increase
 - D. Export and import prices both decrease
10. The government of The United States of Pym have been encouraging domestic businesses to penetrate new markets around the world through providing financial assistance and legal information. Which method of protection best describes this?
- A. Export incentives
 - B. Local content rules
 - C. Subsidy
 - D. Dumping

11. The table below shoes the Gini coefficient for Lightland and Pymtopia

Year	Lightland	Pymtopia
1	0.18	0.71
2	0.23	0.66
3	0.27	0.63

Which of the following best describes a graph of the Lorenz curve representing the income distribution of Lightland and Pymtopia?

- A. The Lorenz curve for Lightland is moving away from the line of equality
 - B. The Lorenz curve for Lightland is moving closer to the line of equality
 - C. The Lorenz curve for Pymtopia is moving away from the line of equality
 - D. The Lorenz curve for Lightland is further away from the line of equality than the Lorenz curve for Pymtopia
12. The Reserve Bank of Australia reduces the target for the cash rate in the money market.

Which of the following would most likely take place?

	<i>Consumption Expenditure</i>	<i>Exchange Rate</i>
A.	Decrease	Appreciate
B.	Decrease	Depreciate
C.	Increase	Depreciate
D.	Increase	Appreciate

- 13 An economy's net foreign liabilities are 35% of GDP in Year 1 and 55% of GDP in Year 2.

Which of the following would be the most likely cause of this trend?

- A. An increase in foreign purchases of Australian assets and borrowing from abroad
- B. A reduction in foreign ownership of domestic assets
- C. An increase in lending to foreign countries
- D. When the Reserve Bank increases its foreign currency reserves

- 14 When is a country said to have a comparative advantage over its competitors?

- A. When it can produce a good using smaller quantities of resources than that of another country
- B. When it is able to specialise in the production of one good over another
- C. When it can produce a good with a lower opportunity cost than another country
- D. When it is able to gain greater trade than that of another country

15. The table below shows unemployment data for a hypothetical economy

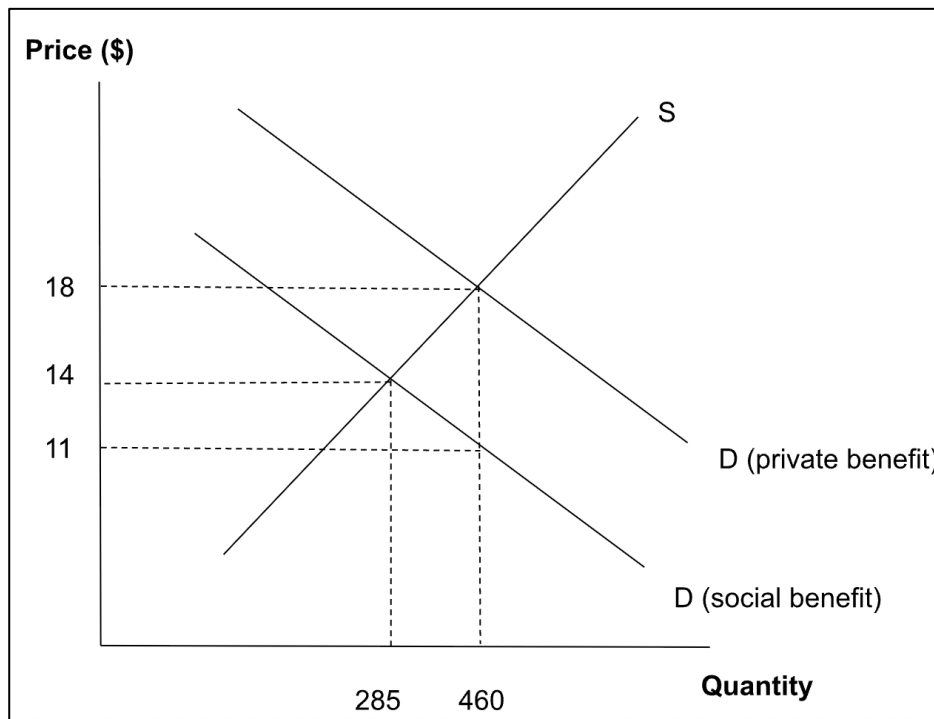
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	Labour force (million)	Part-time employed (million)	Unemployed (million)	Working age population (million)
Year 1	10.4	1.9	1.9	17
Year 2	11.2	2.2	2.1	19

Which of the following best describes the changes to the unemployment rate and the participation rate from year 1 to year 2?

- A. Unemployment rate has increased; participation rate has increased
- B. Unemployment rate has increased; participation rate has decreased
- C. Unemployment rate has decreased; participation rate has increased
- D. Unemployment rate has decreased; participation rate has decreased

16. The below diagram shows the private and social benefits of a hypothetical product.



What is the value of the negative externality at equilibrium?

- A. \$3
- B. \$4
- C. \$7
- D. \$18

17. The table below shows current account data for a hypothetical economy with a floating exchange rate.

Component of the current account	\$ billion
Exports of goods and services	400
Imports of goods and services	300
Net primary income	-50
Net secondary income	-10

What is the balance on the capital and financial account

- A. A deficit of \$40 billion
- B. A surplus of \$40 billion
- C. A surplus of \$60 billion
- D. A deficit of \$60 billion

18. Which of the following is an effect of a subsidy?

- A. Decreased domestic prices and improved international competitiveness for Australian goods
- B. Increased productivity of labour and the promotion of structural change
- C. Higher prices domestically and a redistribution of income in the economy
- D. Increased supply by domestic producers and a more efficient allocation of resources in the economy

19. The table shows data for a hypothetical economy.

Year	Real GDP (\$m)	Consumer price index (CPI)	Unemployment rate (%)
1	1,000,000	110	4.5
2	1,040,000	112	4.3

Which policy mix would have been implemented by the government of this economy to achieve the outcomes in Year 2?

	Fiscal policy	Monetary policy
A.	Contractionary	Expansionary
B.	Expansionary	Expansionary
C.	Contractionary	Contractionary
D.	Expansionary	Contractionary

20. The following table shows data for consumption (C) and national income (Y) for a hypothetical economy.

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<i>Year</i>	<i>Consumption (C)</i> \$ millions	<i>National income (Y)</i> \$ millions
1	500	2,000
2	1,000	3,000

Assume the government of this economy wants national income to rise to \$4,500 million in Year 3 by giving tax incentives to businesses for investment.

By how much would business investment have to increase for national income to rise to \$4,500 million in Year 3?

- A. \$250 million
- B. \$500 million
- C. \$750 million
- D. \$1,500 million

End of Section I

Section II
Short answer response
40 marks

Attempt all questions in the spaces provided.

Question 21 (10 marks).

- (a) Describe the impact of a large increase in export sales on Australia's exchange rate. **2**

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- (b) Explain how an appreciation in the exchange rate can affect Australia's current account. **3**

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(c) Analyse the impact of **ONE** bi-lateral trade agreement on the Australian economy.

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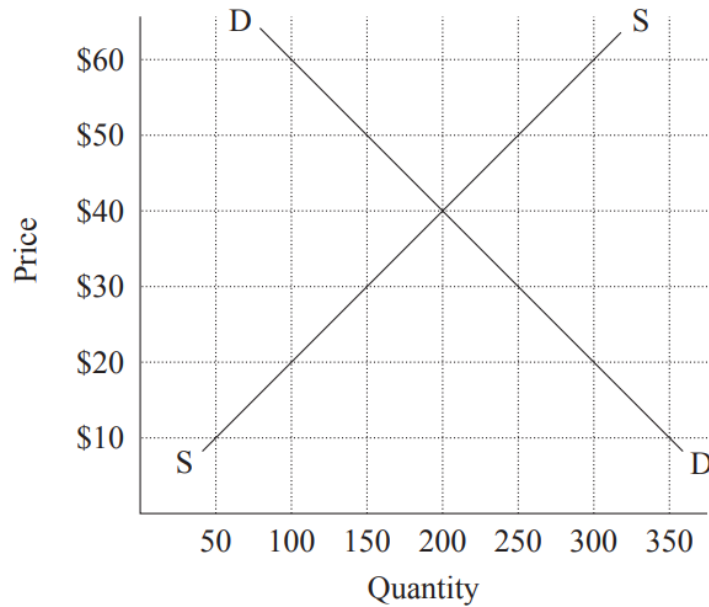
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End of Question 21

Question 22 (10 marks)

- (a) The diagram below shows the domestic demand and supply for a particular good in an economy.



- (i) What is the quantity of imports at the world price of \$20? **1**

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- (ii) Calculate domestic producer revenue if a subsidy of \$20 is introduced **1**

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Question 22 continues on the next page.

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(b) Describe the role of **ONE** international organisation on the global economy **3**

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(c) Analyse factors contributing to the difference between emerging and advanced economies. **5**

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Question 23 (10 marks)

Use the table below to answer parts (a) and (b).

The following information refers to a hypothetical economy.

Year	Nominal GDP (\$ million)	Consumer price index (CPI)
1	1,000	100
2	1,230	112
3	1,450	126

- (a) Calculate the real economic growth rate in Year 3 **1**

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- (b) Calculate the inflation rate in Year 3 **1**

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- (c) Explain the effects of sustained inflation on an economy **4**

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(d) Explain how a depreciation of the Australian dollar could result in cost inflation. **4**

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Question 24 (10 marks)

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- (a) Describe ONE method used by the Australian Government to finance a budget deficit. **2**

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- (b) Explain how a decrease in the cash rate can affect external stability **3**

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- (c) Analyse how a loosening of monetary policy might impact the level of economic activity in Australia. **5**

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End of Section II

Section III
Extended Response
20 marks

Attempt either Question 25 OR Question 26

Answer the question in a writing booklet. Extra writing booklets are available.

In your answer you will be assessed on how well you:

- Demonstrate knowledge and understanding relevant to the question
- Use the information provided
- Apply relevant economic terms, concepts, relationships and theory
- Present a sustained, logical and cohesive response to the question

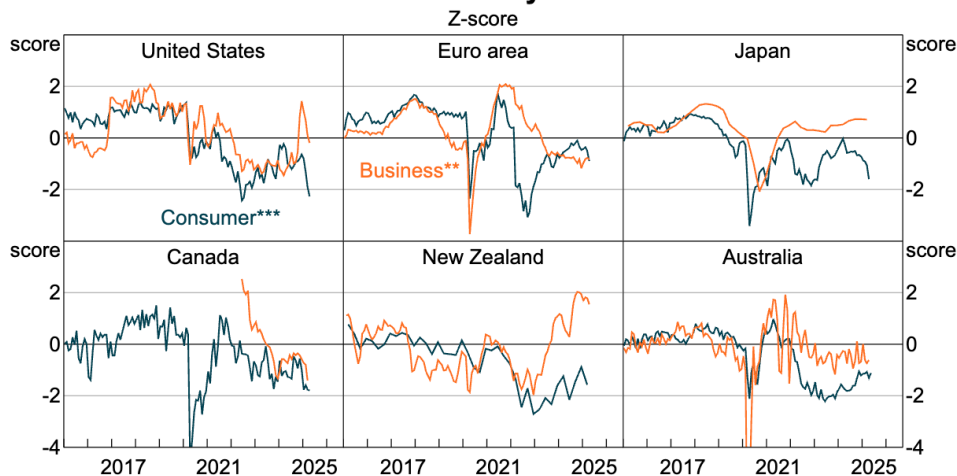
Question 25 (20 marks)

Discuss the impacts of recent increases in global protection on the Australian economy. In your answer you should refer to the economic information provided.

“The United States can no longer continue with the policy of unilateral economic surrender. Jobs and factories will come roaring back into our country, and you see it happening already. We will supercharge our domestic industrial base. We will pry open foreign markets and break down foreign trade barriers, and ultimately, more production at home will mean stronger competition and lower prices for consumers.”

Source: [Donald Trump, quoted in article by The Straits Times](#)

Graph 1.4
Advanced Economy Sentiment*



Source: [RBA](#)

OR

Question 26 (20 marks)

In your answer you will be assessed on how well you:

- Demonstrate knowledge and understanding relevant to the question
- Use the information provided
- Apply relevant economic terms, concepts, relationships and theory
- Present a sustained, logical and cohesive response to the question

Discuss the impact of recent changes in the global economy on Australia’s Balance of Payments. In your answer you should refer to the economic information provided.

As 2025 unfolds, the global business landscape is being reshaped by powerful forces that demand strategic foresight and the ability of companies to quickly adapt. The global trade system, regulatory frameworks, geopolitical alliances, security arrangements, and climate policies are all evolving rapidly. The forces of change fall into two broad categories:







The first is what we call “unbalanced multipolarity”: the shift from a few centres of global power to a larger number of nations of unequal influence that are asserting themselves in the world. The America First vision of the Trump Administration, China’s economic transition, the rise of a confident Global South, and Europe’s “reckoning” are among the developments driving this trend.

A second category of disruptive forces involves the economic battlegrounds that these megatrends are creating. They include tectonic trade shifts, the race for technological supremacy, and the growth of economic nationalism.

Source: [Boston Consulting Group](#), 2025

Foreign Investment in Australia by Economy

Average annual share of foreign investment in Australia by decade, per cent

	UK 	EURO AREA 	JAPAN 	MAINLAND CHINA 	SOUTH KOREA 	OTHER EAST ASIAN ECONOMIES¹	UNITED STATES 	OTHER ECONOMIES
2000s	24	7	4	0	0	6	26	32
2010s	18	14	6	2	1	7	27	25
2020s	18	18	6	2	1	7	24	23

Sources: ABS; DFAT; RBA

1. Other East Asia includes Taiwan, Singapore, Hong Kong, Indonesia, Thailand, Philippines, Malaysia and Vietnam

Source: [RBA](#), 2025

End of section III

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Section IV
Extended Response
20 marks

Attempt either Question 27 **OR** Question 28

Answer the question in a **separate** writing booklet. Extra writing booklets are available.

In your answer you will be assessed on how well you:

- Demonstrate knowledge and understanding relevant to the question
 - Apply relevant economic information, terms, concepts, relationships and theory
 - Present a sustained, logical and cohesive response
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Question 27 (20 marks)

Assess the effectiveness of monetary and fiscal policy in achieving an equitable distribution of income in the Australian economy.

OR

Question 28 (20 marks)

Assess the effectiveness of microeconomic policies in achieving external stability and low unemployment in the Australian economy.

End of paper

**Year 12 Economics
Trial Assessment Task 2025
Multiple Choice Answer Sheet**

Select the alternative A, B, C or D that best answers the question. Fill in the response oval completely.

Sample $2 + 4 =$ (A) 2 (B) 6 (C) 8 (D) 9

A B C D

If you think you have made a mistake, put a cross through the incorrect answer and fill in the new answer.

A B C D

If you have changed your mind and have crossed out what you consider to be the correct answer, then indicate this by writing the word *correct* and drawing an arrow as follows:

A B C D

correct ↖

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| 2. | A | <input type="radio"/> | B | <input type="radio"/> | C | <input type="radio"/> | D | <input type="radio"/> |
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| 19. | A | <input type="radio"/> | B | <input type="radio"/> | C | <input type="radio"/> | D | <input type="radio"/> |
| 20. | A | <input type="radio"/> | B | <input type="radio"/> | C | <input type="radio"/> | D | <input type="radio"/> |

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Newington College
Trial HSC Economics
Section I – Multiple Choice answer sheet

Student Number:.....

Circle the most correct answer to each question below

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Marking Criteria

Question 21 (10 marks).

- (a) Describe the impact of a large increase in export sales on Australia’s exchange rate. **2**

2	Clearly describes that increased export sales raise demand for the AUD, leading to an appreciation of the exchange rate
1	Identifies a relationship between export sales and the exchange rate but lacks detail or clarity

Sample answer:

A large increase in export sales increases demand for Australian dollars as foreign buyers exchange their currency to pay for exports. This higher demand appreciates the Australian dollar (AUD) in the foreign exchange market.

- (b) Explain how an appreciation in the exchange rate can affect Australia’s current account. **3**

3	Provides a clear explanation that links appreciation to reduced international competitiveness, lower export values, higher import volumes, and a likely deterioration in the balance on goods and services.
2	Provides some explanation of effects on trade and the current account but may be incomplete.
1	Identifies a basic relationship without explaining the impact on the current account.

Sample answer:

An appreciation makes Australian exports more expensive in foreign markets and imports cheaper in Australia. This reduces export demand and increases import spending, leading to a deterioration in the balance on goods and services, and thus a likely worsening of the current account balance.

- (c) Analyse the impact of **ONE** bi-lateral trade agreement on the Australian economy. **5**

5	Demonstrates a clear and comprehensive understanding of the impact of one bilateral trade agreement on components of Australia’s economy.
4	Demonstrates a sound understanding of the impact of one bilateral trade agreement on components of Australia’s economy.
3	Demonstrates some understanding of the impact of one bilateral trade agreement on at least one component of Australia’s economy.
2	Demonstrates some understanding of the impact of one bilateral trade agreement OR one component of the economy
1	Provides some relevant information.

Sample answer:

The China–Australia Free Trade Agreement (ChAFTA) has reduced tariffs on a range of Australian exports, including agricultural products, minerals, and services. This has increased Australia's export revenue by improving competitiveness in the Chinese market, boosting GDP growth and employment in sectors such as mining, agriculture, and education services. Lower import tariffs on Chinese goods have benefited Australian

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consumers through lower prices, contributing to lower inflation. However, increased import competition has placed pressure on some domestic manufacturing industries, leading to job losses in certain sectors. (data is suggested to be used in this answer)

Question 22 (10 marks)

a) i) What is the quantity of imports at the world price of \$20?

1	Correctly identifies a quantity of $(300-100 = 200)$ imports at the world price of \$20
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ii) Calculate domestic producer revenue if a subsidy of \$20 is introduced

1	Correctly calculates domestic producer revenue of \$8,000
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Domestic producer revenue is made up of (200×20) for the domestic production at world price, plus (200×20) for the subsidy revenue from the government, therefore a total of \$8,000

(b) Describe the role of **ONE** international organisation on the global economy

3	Describes the role of one international organisation and how it influences the global economy
2	Outlines the role of one international organisation and how it influences the global economy
1	Provides some relevant information

Organisations include:

- World Trade Organisation
- World Bank
- International Monetary Fund
- United Nations
- OECD

G7/G20 is not relevant as it is an economic forum, rather than an international organisation.

Sample answer:

(c) Analyse factors contributing to the difference between emerging and advanced economies.

5	Demonstrates a clear and comprehensive understanding of the factors leading to differences between advanced and emerging economies
4	Demonstrates a sound understanding of the factors leading to differences between advanced and emerging economies
3	Demonstrates some understanding of the factors contributing to economic performance in emerging and advanced economies
2	Demonstrates some understanding of the factors contributing to economic performance in emerging OR advanced economies
1	Provides some relevant information

Answers could include:

- Level of integration in the global financial system – credit availability
- Foreign direct investment traditionally, but not so much in recent years, has predominantly been between developed countries
- Global trade system – developed countries are more likely to have protected agricultural industries, established trading blocs (hence excluding emerging economies) and greater power in WTO negotiations
- Corporate tax avoidance of wealthy TNCs
- Little global aid to help emerging countries ‘catch up’ or develop
- New technologies are faster integrated in developed countries where infrastructure is better
- Factor endowment / allocation of resources
- Political / economic institutions

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- Education & health levels
- Degree of industrialisation – emerging economies are industrialising faster, hence higher sustained growth levels occur
- Or any other reasonable answer

Sample answer:

Question 23 (10 marks)

(a) Calculate the real economic growth rate in Year 3 **1**

1	Correctly calculates the real economic growth rate for Year 3.
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$\text{Real GDP}_2 = 1230 \div (112/100) = 1230 \div 1.12 = 1098.21$
 $\text{Real GDP}_3 = 1450 \div (126/100) = 1450 \div 1.26 = 1150.79$
 $\text{Growth rate (new-old/old)} \times 100 = ((1150.79 - 1098.21) \div 1098.21) \times 100$
 $= (52.58 \div 1098.21) \times 100 = 4.79\% (4.8\%)$
 Final Answer: 4.8%

(b) Calculate the inflation rate in Year 3 **1**

1	Correctly calculates the inflation rate for Year 3.
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$\text{Inflation} = ((126 - 112) \div 112) \times 100$
 $= (14 \div 112) \times 100 = 12.5\%$
 Final Answer: 12.5%

(c) Explain the effects of sustained inflation on an economy **4**

4	Provides a clear explanation of multiple effects of sustained inflation on an economy, with clear cause-and-effect relationships.
3	Explains some effects of sustained inflation but with less detail or missing some linkages.
2	Identifies basic effects of sustained inflation with limited explanation.
1	Provides some relevant information.

Sample answer:

Sustained inflation erodes purchasing power, reducing real incomes and potentially lowering living standards. It increases uncertainty for businesses, discouraging investment, and may lead to wage-price spirals as workers demand higher wages to keep up with prices. Inflation can reduce international competitiveness by making exports more expensive, worsening the balance of payments. It can also distort resource allocation as consumers and firms make decisions to avoid inflation impacts.

(d) Explain how a depreciation of the Australian dollar could result in cost inflation. **4**

4	Provides a clear explanation of how depreciation of the Australian dollar can result in cost inflation, with clear cause-and-effect reasoning.
3	Explains the relationship but with less detail or missing linkages.
2	Identifies a basic link between currency depreciation and higher costs.
1	Provides some relevant information.

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Sample answer:

A depreciation of the Australian dollar increases the cost of imported goods and services, including essential inputs such as fuel, machinery, and raw materials. Higher input costs raise production costs for businesses, which are often passed on to consumers as higher prices. This cost-push inflation can spread throughout the economy, increasing the general price level even if domestic demand remains unchanged.

Question 24 (10 marks)

- (a) Describe ONE method used by the Australian Government to finance a budget deficit. **2**

2	Clearly describes one method used by the Australian Government to finance a budget deficit.
1	Identifies a method with limited or no description

Sample answer:

One method is issuing government bonds to the public and financial institutions. The government borrows funds from investors in return for interest payments, using the funds to cover the shortfall between expenditure and revenue.

- (b) Explain how a decrease in the cash rate can affect external stability **3**

3	Provides a clear explanation of how a decrease in the cash rate can affect external stability, linking changes to capital flows, exchange rates, and the current account.
2	Provides some explanation of the effect but lacks detail or linkage to external stability.
1	Identifies a basic relationship between the cash rate and external stability without elaboration.

Sample answer:

A decrease in the cash rate reduces interest rates in the economy, making Australian financial assets less attractive to foreign investors, potentially leading to a depreciation of the Australian dollar. This can improve the balance on goods and services by making exports more competitive and imports more expensive, potentially improving external stability if export growth offsets any rise in foreign debt servicing costs.

- (c) Analyse how a loosening of monetary policy might impact the level of economic activity in Australia. **5**

5	Demonstrates a clear and comprehensive analysis of how a loosening of monetary policy might impact the level of economic activity in Australia, with multiple effects and clear cause-and-effect reasoning.
4	Demonstrates a sound analysis with some cause-and-effect reasoning and multiple impacts identified.
3	Demonstrates some understanding of the impact of loosening monetary policy, with limited analysis. (only 1 transmission channel explained)
2	Identifies a basic impact of loosening monetary policy.
1	Provides some relevant information.

Sample answer:

A loosening of monetary policy, such as reducing the cash rate, lowers borrowing costs and reducing the incentive to save for households and businesses, encouraging consumption and investment through the saving and investment channel. This increased aggregate demand can raise economic growth and reduce unemployment. The lower interest rates may also lead to a depreciation of the Australian dollar, boosting net

Student number:.....

exports. However, if the economy is near capacity, it could contribute to higher inflation. In the short term, the overall impact is likely to be an expansion of economic activity.

Students could also use the Wealth transmission Channel or the Cash Flow/ Balance Sheet Channel

Student number:.....

25. Discuss the impacts of recent increases in global protection on the Australian economy. In your answer you should refer to the economic information provided.

Criteria	Marks
<ul style="list-style-type: none">• Synthesises own knowledge and understanding with the information provided to develop a sustained, logical and cohesive response• Integrates relevant economic terms, concepts, relationships and theory• Demonstrates a comprehensive understanding of the impact of recent increases in global protection on the Australian economy	17-20
<ul style="list-style-type: none">• Synthesises own knowledge and understanding with the information provided to develop a logical and cohesive response• Applies relevant economic terms, concepts, relationships and theories• Demonstrates a sound understanding of impacts of recent increases in global protection on the Australian economy	13-16
<ul style="list-style-type: none">• Uses own knowledge and understanding with the information provided to develop a coherent response• Uses relevant economic terms, concepts, relationships and theories• Demonstrates some understanding of the impact of recent increases in global protection on the Australian economy	9-12
<ul style="list-style-type: none">• Presents a generalised response using some economic terms and concepts• Outlines some aspects of global protection	5-8
<ul style="list-style-type: none">• Presents a limited response with some relevant information• Uses some economic terms	1-4

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Answers could include:

- The basic premise of this question is that there is a decrease in economic integration - a movement away from a global free trade towards economic nationalism and a rise in protection. This has caused many countries to re-evaluate their trading partners and industry structure so that their economic progress can be maintained.
- Some reasons for protection that could be used include self-sufficiency or the protection / encouragement of domestic employment
- Diagrams that were applicable to this essay include (but are not limited to): AD/AS, tariff, quota & subsidy, comparative advantage, CFI (overseas sector link)
- **China Free Trade Agreement ChAFTA** → a reduction in tariffs to close to zero for all products traded, but Australia faced hikes in 2021-2024 of up to 200% over geopolitical tension. Wine, seafood, barley were some of the products heavily targeted, causing serious market disruption in Australia.
 - o Over-reliance on trade with China with them being our largest two-way trading partner and accounting for more than 35% of all exports.
- **Trade war between USA and China**, along with more broadly tariffs applied by USA on many countries have the ability to create **imported inflation**, impacting **aggregate demand** in Australia
- **Baseline tariffs of 10% on all Australian exports to the USA** will make Australian firms less competitive in this market. If the USA fulfils its ambitions to domestically produce these products and improve its trade balances further, then Australia could suffer from lower exports to the USA. They would need to find new markets for the products or potentially face structural unemployment and lower economic growth.
 - o **Australia is currently pursuing / negotiating trade agreements with India and the EU; has broadened the scope of our agreement with the UK**
- Stimulus link: lower business and consumer sentiment (confidence) in Australia and other advanced countries will see less potential business investment, weakening aggregate demand levels in Australia, though maybe improving the current account balance, that is currently in a deficit.

Marker comments:

- Students showed an awareness of types of protection. Some chose to structure their essay with reasons for protection as a theoretical base, which worked quite well as it had clear links to the stimulus.
- An area for many students to work on in the lead up to the HSC is diagram accuracy, drawing, labelling and integration with paragraphs. This is a crucial aspect of demonstrating accurate knowledge of economic theory. There are still students mixing up D/S or AD/AS curves and many unlabelled axes or points – there is no better way to show off your knowledge than accurately using economic diagrams. This is a must fix!
- Many students were able to describe current global events with regards to increases in protection, but what differentiated many was how well you linked these events to the impact on the Australian economy.
- Impacts should be expressed in terms of economic growth – most significant here would be the (X-M) component, but stronger responses were also able to link the changes to sentiment (confidence – source 1.4) and subsequent effects on C & I elements of AD and FDI (BOP / external stability).
- For those writing a context paragraph, these were generally helpful. A helpful note – make the statistics and economic indicators you reference here relevant to the question. Some students seemed to write all they could remember about the Australian economy, but missed more relevant to the Q statistics such as BOGS/CAD, foreign debt as a % of GDP and more.

Count: 21

Student number:.....

26. Discuss the impact of recent changes in the global economy on Australia's Balance of Payments. In your answer you should refer to the economic information provided.

Criteria	Marks
<ul style="list-style-type: none">• Synthesises own knowledge and understanding with the information provided to develop a sustained, logical and cohesive response• Integrates relevant economic terms, concepts, relationships and theory• Demonstrates a comprehensive understanding of the impact of global economic conditions on Australia's balance of payments.	17-20
<ul style="list-style-type: none">• Synthesises own knowledge and understanding with the information provided to develop a logical and cohesive response• Applies relevant economic terms, concepts, relationships and theories• Demonstrates a sound understanding of the impact of global economic conditions on Australia's balance of payments.	13-16
<ul style="list-style-type: none">• Uses own knowledge and understanding with the information provided to develop a coherent response• Uses relevant economic terms, concepts, relationships and theories• Demonstrates some understanding of the impact of global economic conditions on Australia's balance of payments.	9-12
<ul style="list-style-type: none">• Presents a generalised response using some economic terms and concepts• Outlines some aspects of global economic conditions and/or the balance of payments	5-8
<ul style="list-style-type: none">• Presents a limited response with some relevant information• Uses some economic terms	1-4

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Some current Balance of Payments statistics include:

- CAD of \$14.7b in Q1 2025. Our first CAS in 40+ years was in 2019 due to a high ToT and trade surplus
- BOGS surplus of \$5.2b
- NPI deficit of \$19.4b
- Recent trade balance – 6% rise in exports, 3% fall in imports
- KFAS – a recent increase in foreign debt

Recent changes to the global economy include:

- Commodity prices have fallen significantly, along with the volatile level of demand for them – varying levels of exports
 - China slowdown – modest growth of 3% in 2022 when Evergrande issues were at their peak; only picked up to 5.2% currently and is unpredictable due to current round of USA tariffs
- Varying inflation levels both globally and domestically, more recently demand pull and cost push inflation in post-COVID recovery
- Exchange rate fluctuations – of late the AUD has marginally depreciated against the USD and other major currencies
 - Depreciation of AUD leads to an improvement in BOGS via higher export demand and lower import demand
 - Also leads to a worsening in the Net Primary Income account as any loans require extra servicing costs
- Relative cash rates: Australian cash rates are falling (3.6% currently), meaning there is less demand by speculators for Aus government bonds. Australian cash rates have been out of sync with many other advanced economies, meaning there's been an interest rate differential and leading to less inflows into the financial account.
- Source material link: Race to dominate certain industries by China, USA and other emerging and developed countries has deepened Australia's reliance on certain countries for IT products and other high tech manufacturing. However, Australia is looking to tackle this dependence by investing in its Future Australia Fund – 'picking winners' to allow it to specialise in a modern trade world.
 - Supply chain bottlenecks and self-sufficiency have led to more investment funds being broadly directed domestically before heading overseas
- 'Multipolarity' of world order is presenting Australia with new opportunities to rekindle or deepen strategic alliances with countries or regions: UK, EU trade agreements are progressing currently in a bid for Australia to find new markets for economic growth and development.
- Trade wars – baseline 10% tariffs by Trump administration may mean that if they are sustained this may make Australian exports of agricultural goods and resources less competitive, should America scale up production in an attempt to replace their reliance on Australian imports. Therefore there is a chance that our exports to the USA will decline over time – currently Australia is more dependent on the USA for trade than they are on Australia.

Marker comments:

If you choose a balance of payment or external stability essay question, you need to be confident you can accurately explain the economic theory. There was a range of abilities here with many students doing it well, but others not identifying the more elementary theory base.

Global economy changes need to be focused on events such as COVID, China slowdown (2022), trade wars and recent tariff increases, and many of the stimulus links regarding greater economic nationalism.

This would be a good essay for everyone to practice / understand going into the HSC.

Count: 10

Student number:.....

27. Assess the effectiveness of monetary and fiscal policy in achieving an equitable distribution of income in the Australian economy

Criteria	Marks
<ul style="list-style-type: none">• Provides a sustained, logical and cohesive response that integrates relevant economic terms, concepts, relationships and theory• Demonstrates a clear and comprehensive understanding of the relationship between the effect of monetary and fiscal policies on income distribution• Makes a well-informed judgement about the effect of monetary and fiscal policy on income distribution in the Australian economy	17-20
<ul style="list-style-type: none">• Provides a logical and cohesive response that applies relevant economic terms, concepts, relationships and theory• Demonstrates a sound understanding of the relationship the effect of monetary and fiscal policies on income distribution• Makes some judgement about the effect of monetary and fiscal policy on income distribution in the Australian economy	13-16
<ul style="list-style-type: none">• Provides a coherent response that uses economic terms, concepts, relationships and theory• Demonstrates some understanding of the effects of monetary and/or fiscal policy on income distribution in the Australian economy	9-12
<ul style="list-style-type: none">• Provides a generalised response that uses some economic terms• Demonstrates some understanding of monetary and/or fiscal policy on income distribution in the Australian economy	5-8
<ul style="list-style-type: none">• Provides a limited response that uses some economic terms• Identifies some aspects of monetary or fiscal policy	1-4

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Assess

Make a judgement of value, quality, outcomes, results or size

Definition of monetary policy: Monetary policy involves influencing interest rates to affect aggregate demand, employment and inflation in the economy. It is one of the main economic policies used to stabilise business cycles. Three main objectives – stability of the currency, maintenance of full employment and price stability

Definition of fiscal policy: Fiscal policy is the government’s use of taxation and spending to influence the economy through the budget. It is a key tool to managing economic conditions, such as AD, employment, inflation, growth and income distribution

Definition of income distribution: Refers to how a nation’s total income is divided amongst the population. Can be shown by the Gini Coefficient

Answers could include:

- Effect of monetary policy in achieving an equitable distribution of income:
 - Maintenance of full employment in the Australian economy, which means sustaining a low level of unemployment, therefore lowering income inequality
 - Lower interest rates allow for greater consumption, allowing for higher levels of employment and greater tax revenue, which is then used for welfare payments
 - Lower interest rates increase aggregate disposable income, reducing income inequality
 - Lower interest rates can affect the distribution of wealth through higher asset prices, as the cost of financing assets is lower, driving prices of assets, such as property up
 - Whilst monetary policy may reduce the distribution of income, it can worsen the distribution of wealth
- Effect of fiscal policy in achieving an equitable distribution of income:
 - Progressive taxation – higher tax rates for higher income individuals allowing the government to use this money for transfer payments, community services and other types of expenditure, reducing income inequality
 - Transfer payments to individuals or households, such as unemployment benefits, welfare payments or pensions can increase their income and reduce inequality
 - Government spending and provision of public goods such as education, healthcare and infrastructure can improve access to opportunities and reduce inequalities in access to essential services
 - Government spending reductions can often increase income inequality because low-income earners tend to be more reliant on income support payments and government services than higher-income earners

Economic Diagram: AD/AS curve, Lorenz Curve

Economic statistics: Gini coefficient, cash rate, unemployment rate, economic growth rate, inflation rate

Student number:.....

28. Assess the effectiveness of microeconomic policies in achieving external stability and low unemployment in the Australian economy..

Criteria	Marks
<ul style="list-style-type: none"> Provides a sustained, logical and cohesive response that integrates relevant economic terms, concepts, relationships and theory Demonstrates a clear and comprehensive understanding of the effectiveness of microeconomic policies in achieving external stability and low unemployment in the Australian economy Makes a well-informed judgement about the effectiveness of microeconomic policies in achieving external stability and low unemployment in the Australian economy 	17-20
<ul style="list-style-type: none"> Provides a logical and cohesive response that applies relevant economic terms, concepts, relationships and theory Demonstrates a sound understanding of the effectiveness of microeconomic policies in achieving external stability and low unemployment in the Australian economy Makes some judgement about effectiveness of microeconomic policies in achieving external stability and low unemployment in the Australian economy 	13-16
<ul style="list-style-type: none"> Provides a coherent response that uses relevant economic terms, concepts, relationships and theory Demonstrates some understanding effectiveness of microeconomic policies in achieving external stability and low unemployment in the Australian economy 	9-12
<ul style="list-style-type: none"> Provides a generalised response that uses some economic terms Demonstrates some understanding of microeconomic policies, external stability and low unemployment in the Australian economy 	5-8
<ul style="list-style-type: none"> Provides a limited response that uses some economic terms Provides some aspects of microeconomic policies, external stability and low unemployment in the Australian economy 	1-4

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Answers could include:

Assess

Make a judgement of value, quality, outcomes, results or size

- **Definition and objectives of microeconomic policy:** Supply-side reforms through improving the quantity and quality of factors of production, aiming to improve allocative, technical and dynamic efficiency; shift LRAS right – AD/AS diagram; enhance productivity.
- **Links to external stability:** Lower production costs → improved international competitiveness; improved BOGS; influence on CAD sustainability; changes to NIIP composition via increased FDI and reduced reliance on debt.
- **Links to low unemployment:** Reduced NAIRU; better labour-market matching through skills, training, and flexibility;
- **Policy examples:**
 - Trade liberalisation (tariff cuts, FTAs) – use tariff diagram
 - National Competition Policy reforms
 - Infrastructure investment (transport, ports)
 - Education and training (skills packages)
 - Labour market reforms (enterprise bargaining, participation incentives)
- **Judgement/evaluation:**
 - Effective in lifting productivity and competitiveness over long term.
 - Mixed short-run effects (structural unemployment, industry closure).
 - Data on productivity, unemployment, CAD/NIIP trends to support analysis.
 - Long Time lags
 - Political constraints