

Mathematics Level 7

Chapter 1 — the economics line

This work is licensed under the Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International License. To view a copy of this license, visit <http://creativecommons.org/licenses/by-nc-nd/4.0/> or send a letter to Creative Commons, PO Box 1866, Mountain View, CA 94042, USA.

Attribution: Classbasics Pty Ltd, vwx.au

Curriculum codes refer to the *Victorian Curriculum F–10 Version 2.0*, published by the Victorian Curriculum and Assessment Authority (VCAA). Classbasics is not affiliated with the VCAA; the VCAA does not endorse this resource and makes no warranties regarding it.

Distribution note: this document may be distributed, and whole pages may be removed from it, provided only WHOLE pages are removed (never part of a page). This allows teachers to remove tests, exams and subtopics they do not want to issue.

Aboriginal and Torres Strait Islander content has been excluded as accuracy cannot be guaranteed, and it is better to be respectful than cover the entire curriculum inaccurately.

Significant effort has been made to ensure this content is legal. Please send any areas of concern to admin@vwx.au with appropriate document/legal references so errors can be verified and changes be made.

Contents

Section	Page
Steering the economy: the circular flow model, fiscal policy and monetary policy	2
Stepping in: why and how the government and the RBA intervene	17
Economic indicators: what the numbers say and how they shape decisions	32
Australia's trade with the world: patterns, gains and costs of globalisation	49

Steering the economy: the circular flow model, fiscal policy and monetary policy

Content description (Victorian Curriculum 2.0): VC2HE10K01

Elaborations:

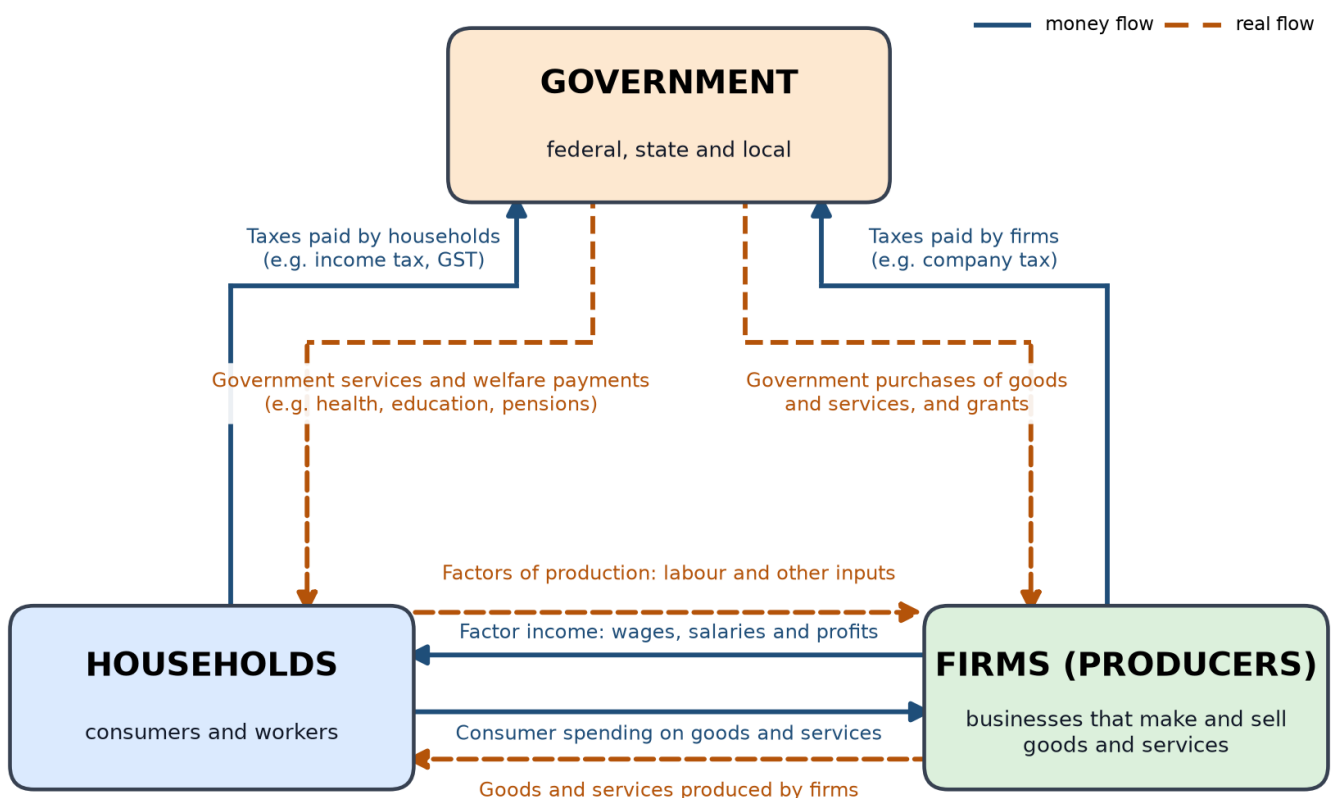
- VC2HE10K01.E01
- VC2HE10K01.E02
- VC2HE10K01.E03

Theory

The big picture. In Years 7 and 8 you met consumers and producers and saw that they trade with each other because both sides gain; this section joins those ideas into one model of the whole economy, then looks at the two main tools Australia uses to steer it.

The circular flow model

Economists picture the economy with a simple model called the **circular flow model**. The model splits the economy into three groups: **households** (consumers, and the people who supply labour and other inputs), **firms** (producers — businesses that make and sell goods and services), and **government** (federal, state and local). The three groups are joined in a loop, and each group's spending is another group's income.



Circular flow diagram with three boxes, Government at the top and Households and Firms below, joined by paired arrows: solid arrows for money flows and dashed arrows for real flows, showing factors of production, factor income, consumer spending, goods and services, taxes, government services and government purchases

Figure 1. The circular flow model. Solid arrows are money flows; dashed arrows are real flows (actual goods, services and inputs). Original diagram.

Read the arrows in pairs — a real flow one way, a money flow the other:

- Households supply **factors of production** (the inputs used to produce goods and services, above all labour) to firms. Firms pay for them with wages, salaries and profits, together called **factor income**.
- Households then spend that income on goods and services from firms. The goods flow one way; the consumer spending flows back the other way.
- Both households and firms pay **taxes** to government. Government flows money and services back: public services and welfare payments to households (think of public schools, hospitals and pensions), and purchases and grants to firms (think of a government buying roads, vaccines or office supplies from Australian businesses).

The point of the model is that every flow is someone's income. If households suddenly spend less, firms earn less, pay out less income, and the whole loop slows down. If spending speeds up, the loop speeds up. That is exactly what economic policy tries to influence.

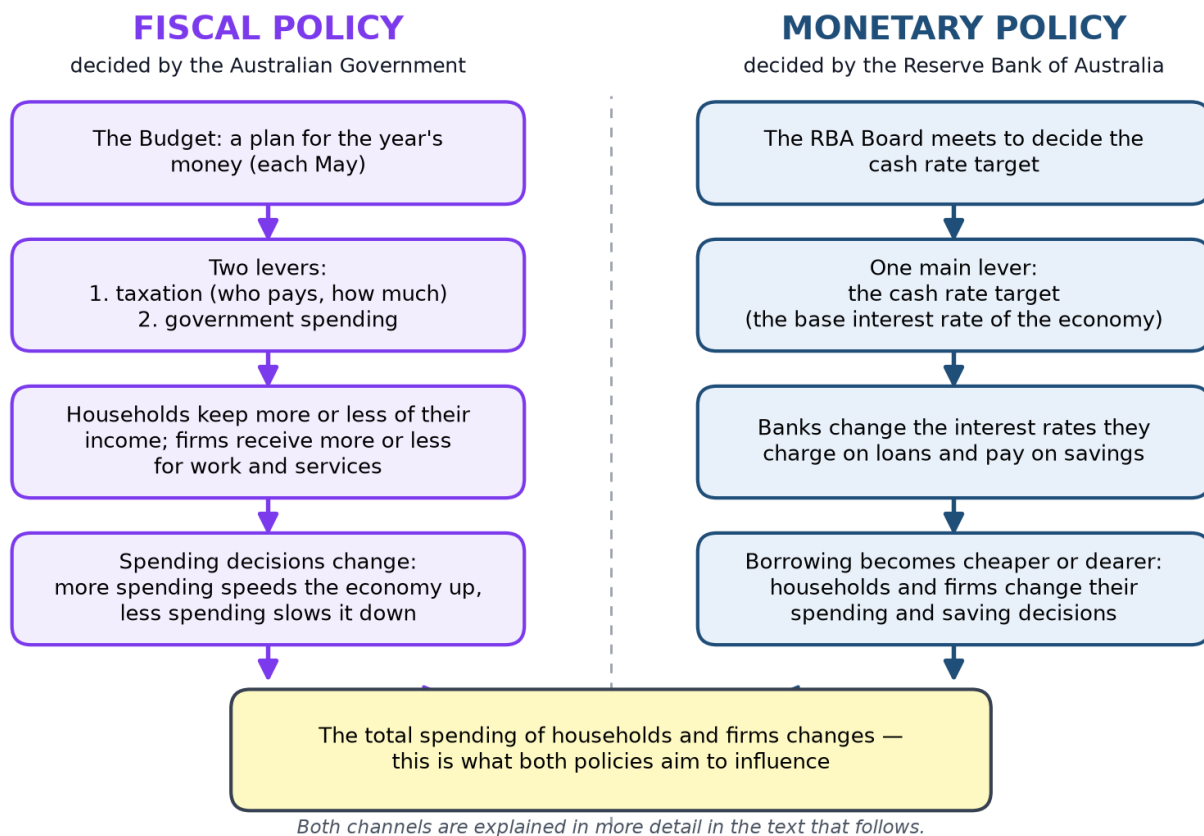
Economic policy — steering the economy

Economic policy is the use of government and central-bank tools to influence the economy. In Australia two decision-makers share the job: the Australian Government (fiscal policy) and the nation's central bank, the Reserve Bank of Australia (monetary policy). They generally aim for three things: steady growth in output and incomes, enough jobs for people who want one, and prices that rise only slowly and predictably — that is, low **inflation** (a general rise in the level of prices across the economy, measured each quarter by the ABS (Australian Bureau of Statistics)).

How far governments and central banks *should* try to steer the economy is genuinely debated. One view is that governments should keep taxes and spending modest and leave most decisions to households and firms, because heavy government involvement can crowd out private business, add to public debt, and officials may simply misread what the economy needs. The other view is that, left entirely to itself, the economy can swing too far in either direction — spending can collapse in a downturn, leaving people without jobs for years, or prices can rise so fast that wages and savings are eaten away — so governments and the RBA have a duty to steady the ship. In practice Australia mixes both views: every Budget and every RBA rate decision is a judgement about where to sit between the two.

Fiscal policy

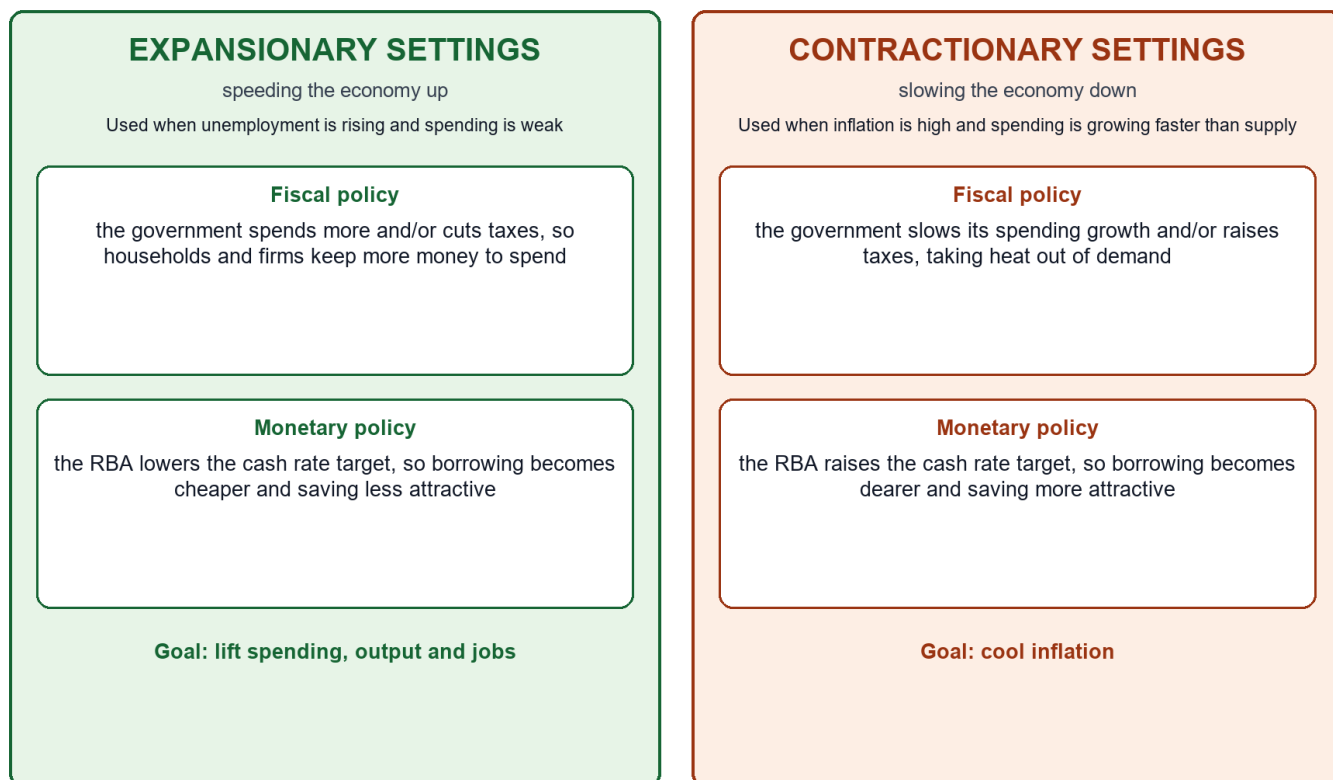
Fiscal policy is the Australian Government's use of taxation and government spending to influence the economy. It is announced in the **Budget**, a plan for the year's money tabled each May. Fiscal policy has two levers: taxes (who pays, how much) and government spending (how much flows out into the economy, and on what).



Two flow charts side by side. The fiscal policy chain runs from the Budget, through the levers of taxation and government spending, to changes in incomes and spending decisions. The monetary policy chain runs from the RBA Board, through the cash rate target, to bank interest rates and borrowing costs. Both chains end at the same box: the total spending of households and firms changes

Figure 2. How each policy travels through the economy. Both channels end at the same place — the total spending of households and firms. Original diagram.

The setting of fiscal policy is described as either **expansionary** (the government spends more and/or cuts taxes, adding spending to the loop — used when unemployment is rising and spending is weak) or **contractionary** (the government slows its spending growth and/or raises taxes, taking heat out of the loop — used when inflation is high).

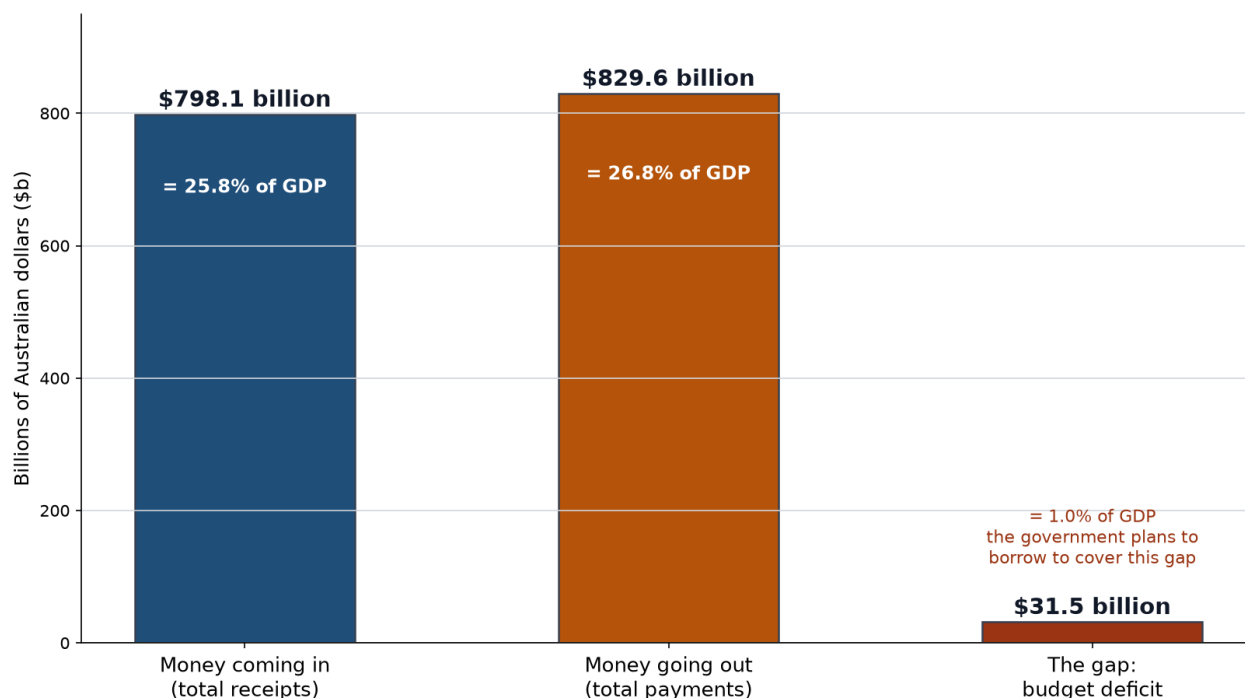


Two panels. The left panel, in green, shows expansionary settings: fiscal policy where the government spends more or cuts taxes, and monetary policy where the RBA lowers the cash rate target, with the goal of lifting spending, output and jobs. The right panel, in red, shows contractionary settings: fiscal policy where the government slows spending growth or raises taxes, and monetary policy where the RBA raises the cash rate target, with the goal of cooling inflation

Figure 3. Expansionary and contractionary settings of fiscal and monetary policy. Original diagram.

A real example: the **2026-27 Budget**. The government expected to receive \$798.1 billion (total **receipts**, mostly taxes) and planned to pay out \$829.6 billion (total **payments**). Because payments were bigger than receipts, the Budget planned a **deficit** of \$31.5 billion (the gap the government borrows to cover), equal to 1.0% of GDP. The Budget also cut the **fuel excise** — the tax on petrol and diesel — in half for a time, worth about 32 cents a litre, and included a one-off \$250 cost-of-living payment for people on some welfare payments. A Budget that runs a deficit while cutting taxes and making extra payments is adding spending to the circular flow: it leans expansionary. (Source: Australian Government Budget 2026-27, Budget Paper No. 1, released 12 May 2026; retrieved 26 Aug 2026.)

The Australian Government 2026-27 Budget (estimates, May 2026)



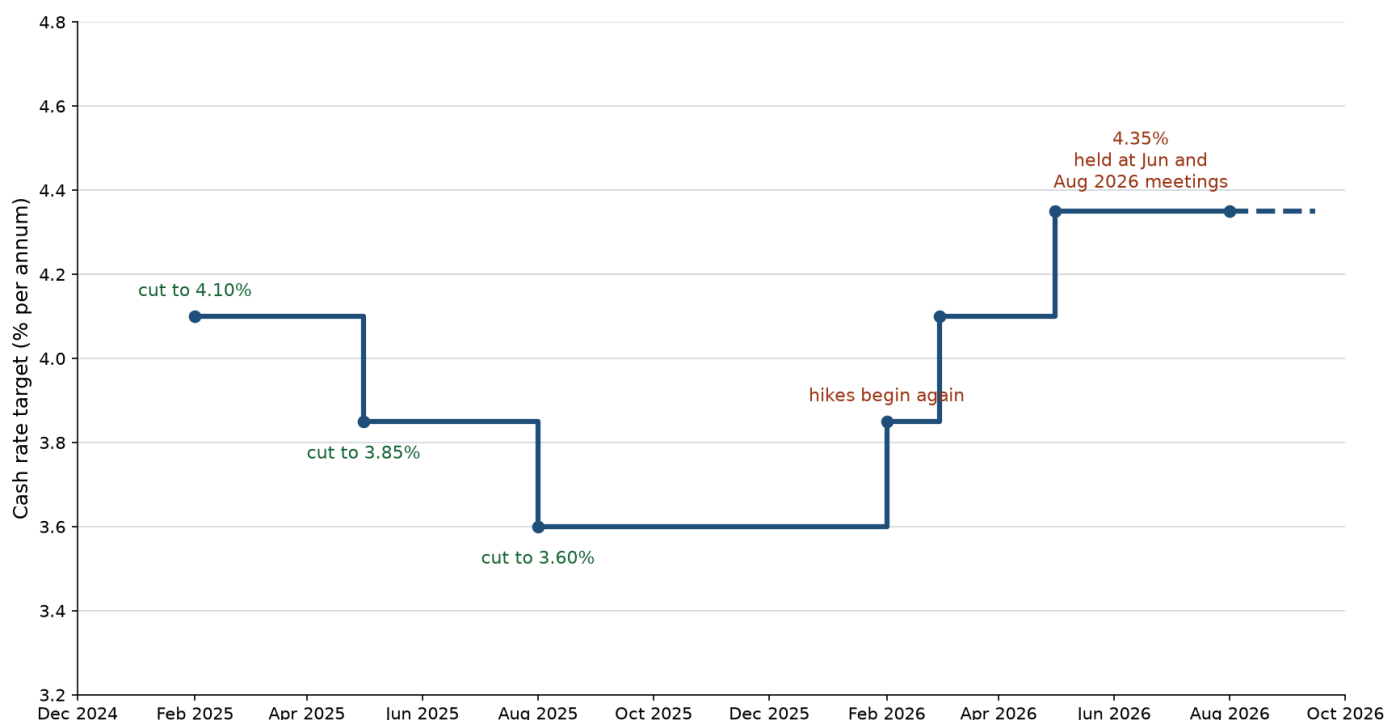
Source: Australian Government Budget 2026-27, Budget Paper No. 1 (released 12 May 2026; retrieved 26 Aug 2026). Payments figure derived as receipts plus deficit.

Bar chart of the 2026-27 Australian Government Budget: money coming in (total receipts) \$798.1 billion or 25.8 per cent of GDP, money going out (total payments) \$829.6 billion or 26.8 per cent of GDP, and the gap, a budget deficit of \$31.5 billion or 1.0 per cent of GDP, which the government plans to borrow

Figure 4. The 2026-27 Budget in one picture. When payments exceed receipts, the gap is the budget deficit. Source: Australian Government Budget 2026-27, Budget Paper No. 1 (released 12 May 2026; retrieved 26 Aug 2026). Payments figure derived as receipts plus deficit.

Monetary policy

Monetary policy is the Reserve Bank of Australia's use of interest rates to influence borrowing costs and spending. The RBA Board meets about eight times a year and sets the **cash rate target** — the base interest rate of the economy. The RBA is kept separate from the government of the day so that rate decisions are made for the long run, not for the next election. When the cash rate moves, banks move the rates they charge on loans and pay on savings, and households and firms change their borrowing and spending: cheaper borrowing encourages spending; dearer borrowing encourages saving. The RBA's main yardstick is inflation, which it aims to keep between 2 and 3 per cent per year on average.



Source: Reserve Bank of Australia cash rate target decisions (retrieved 26 Aug 2026, via Trading Economics and ABC News reports).

Step chart of the RBA cash rate target from February 2025 to August 2026. The rate is cut three times in 2025, from 4.10 to 3.85, 3.60 per cent, then raised three times in early 2026, to 3.85, 4.10 and 4.35 per cent, and held at 4.35 per cent at the June and August 2026 meetings

Figure 5. The cash rate target, 2025-26. Source: Reserve Bank of Australia cash rate target decisions (retrieved 26 Aug 2026, via Trading Economics and ABC News reports).

The last two years show both settings in action. Through 2025 the RBA cut the cash rate three times, from 4.10% to 3.60% — an expansionary setting, making borrowing cheaper to support spending and jobs. But inflation climbed again in 2026 after a jump in world oil prices linked to conflict in the Middle East, so the RBA reversed course: three rises of a quarter of a percentage point each (February, March and May 2026) took the target to 4.35%, where it was held at the June and August meetings. Those rises are a contractionary setting: dearer borrowing is meant to slow spending just enough to cool inflation. (Source: Australian Government Budget 2026-27, Budget Paper No. 1, for the oil-shock context; retrieved 26 Aug 2026.)

Two policies, one goal

	Fiscal policy	Monetary policy
Who decides	The Australian Government, in the Budget (each May)	The Reserve Bank of Australia (Board meetings, about eight a year)
Main levers	Taxation and government spending	The cash rate target
How it reaches households and firms	Households and firms keep more or less of their income; government spending flows into or out of the loop	Banks change loan and savings rates, so borrowing becomes cheaper or dearer
A 2026 example	Fuel excise halved in the May 2026 Budget	Cash rate raised to 4.35% by May 2026, then held

The two policies are different tools, but they push on the same thing: the total spending of households and firms (Figure 2). A good way to keep them distinct is to ask *who* decided and *which lever* moved — a tax or spending change is fiscal; a cash-rate change is monetary.

Reading the economy: key indicators

Policymakers cannot steer the economy without gauges, just as a driver cannot steer without a speedometer. An economic **indicator** is a published number that summarises how one part of the economy is travelling. The four indicators in the table below are the ones economists and policymakers watch most closely, and the ones named in the curriculum. (Section 1C works with these indicators in more depth.)

Indicator	What it is (definition)	What it is used for	Latest Australian reading
Unemployment rate	The share of people in the labour force (working or actively looking for work) who do not have a job.	Shows how well the economy is creating jobs. High unemployment wastes talent and hurts incomes, so governments watch it closely when setting fiscal policy and the RBA watches it when setting monetary policy.	4.5% in July 2026, up slowly from 4.3% in March 2026 (ABS Labour Force, Australia, 20 Aug 2026).
Gross domestic product (GDP)	The total value of all goods and services produced in the economy over a period of time.	Shows whether the economy is growing or shrinking. Rising real GDP usually means rising incomes and more jobs.	Grew 2.5% through the year to the March quarter 2026 (ABS National Accounts, 3 Jun 2026).
Consumer price index (CPI)	A measure of the average change in prices of a fixed basket of goods and services that households buy.	Measures inflation. The RBA uses it to set monetary policy, aiming to keep inflation between 2 and 3 per cent per year.	Prices rose 3.8% in the year to the June quarter 2026 (ABS Consumer Price Index, 29 Jul 2026).
Balance of trade	The difference between the value of a country's exports (goods and services sold to other countries) and its imports (bought from other countries).	Shows whether a country sells more to the world than it buys (surplus) or the reverse (deficit), and how trade with other countries is changing.	Goods surplus of \$1.9b in June 2026; goods and services deficit of \$2.4b in the March quarter 2026 (ABS, 6 Aug and 2 Jun 2026).

Readings retrieved 26 Aug 2026. The ABS is the Australian Bureau of Statistics; the RBA is the Reserve Bank of Australia.

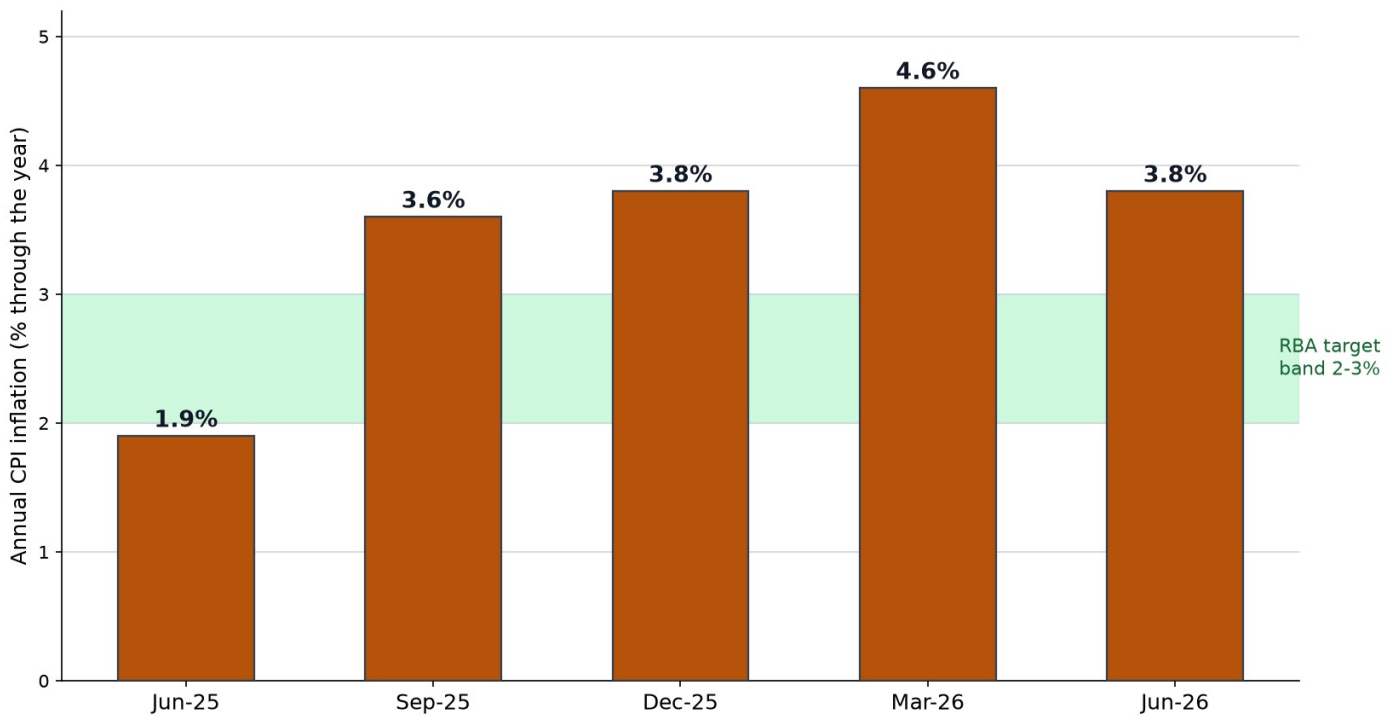
Table of four key economic indicators. Rows: unemployment rate, gross domestic product, consumer price index, balance of trade. Columns give the definition of each indicator, what it is used for, and the latest Australian reading: unemployment 4.5 per cent in July 2026; GDP grew 2.5 per cent through the year to the March quarter 2026; CPI rose 3.8 per cent in the year to the June quarter 2026; goods trade surplus of \$1.9 billion in June 2026

Figure 6. Four key economic indicators: what each one means and what it is used for. Readings retrieved 26 Aug 2026 from the ABS releases listed in Figures 7-10.

Now look at each indicator as a chart, the way a policymaker would in mid-2026.

Inflation (CPI). The **consumer price index (CPI)** measures the average change in the prices of a fixed basket of goods and services that households buy. The chart shows inflation jumping from 1.9% to well above the RBA's 2-3% band, peaking at 4.6% in the year to the March quarter 2026, then easing to 3.8% — still above the band. Housing and food prices were the biggest contributors over the year. This is the reason the RBA raised rates in 2026. (Source: ABS Consumer Price Index, Australia, released 29 Jul 2026; retrieved 26 Aug 2026.)

Inflation rose, then eased a little — year to each quarter



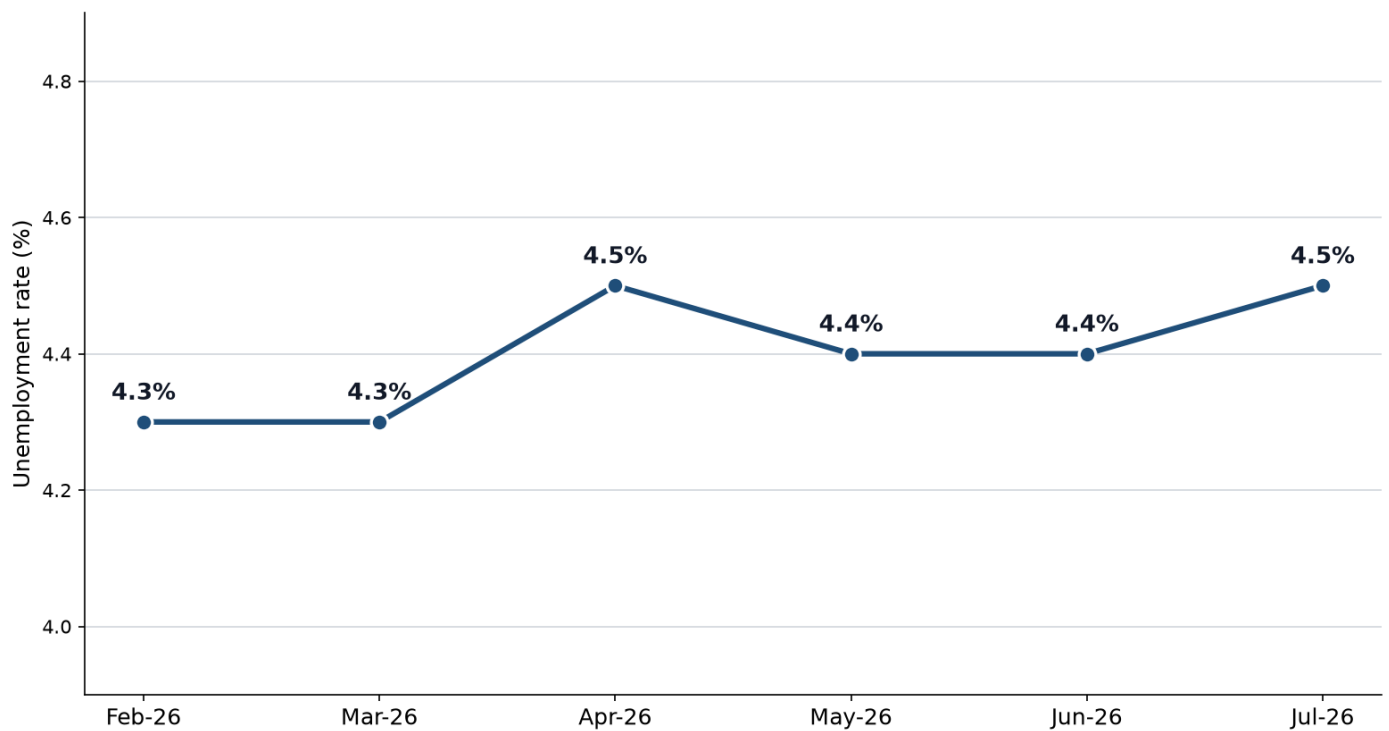
Source: ABS Consumer Price Index, Australia, released 29 July 2026 (retrieved 26 Aug 2026).

Bar chart of annual CPI inflation from the June quarter 2025 to the June quarter 2026: 1.9, 3.6, 3.8, 4.6 and 3.8 per cent, with the RBA's 2 to 3 per cent target band shaded in green

Figure 7. Inflation rose through 2025 and early 2026, then eased a little. Source: ABS Consumer Price Index, Australia, released 29 Jul 2026 (retrieved 26 Aug 2026).

Jobs (unemployment rate). The **unemployment rate** is the share of people in the labour force (working, or actively looking for work) who do not have a job. At 4.5% in July 2026 it was low by Australia's historical standards, but drifting up from 4.3% earlier in the year — a sign the labour market is slowly softening. (Source: ABS Labour Force, Australia, released 20 Aug 2026; retrieved 26 Aug 2026.)

A low but slightly rising unemployment rate, month to month

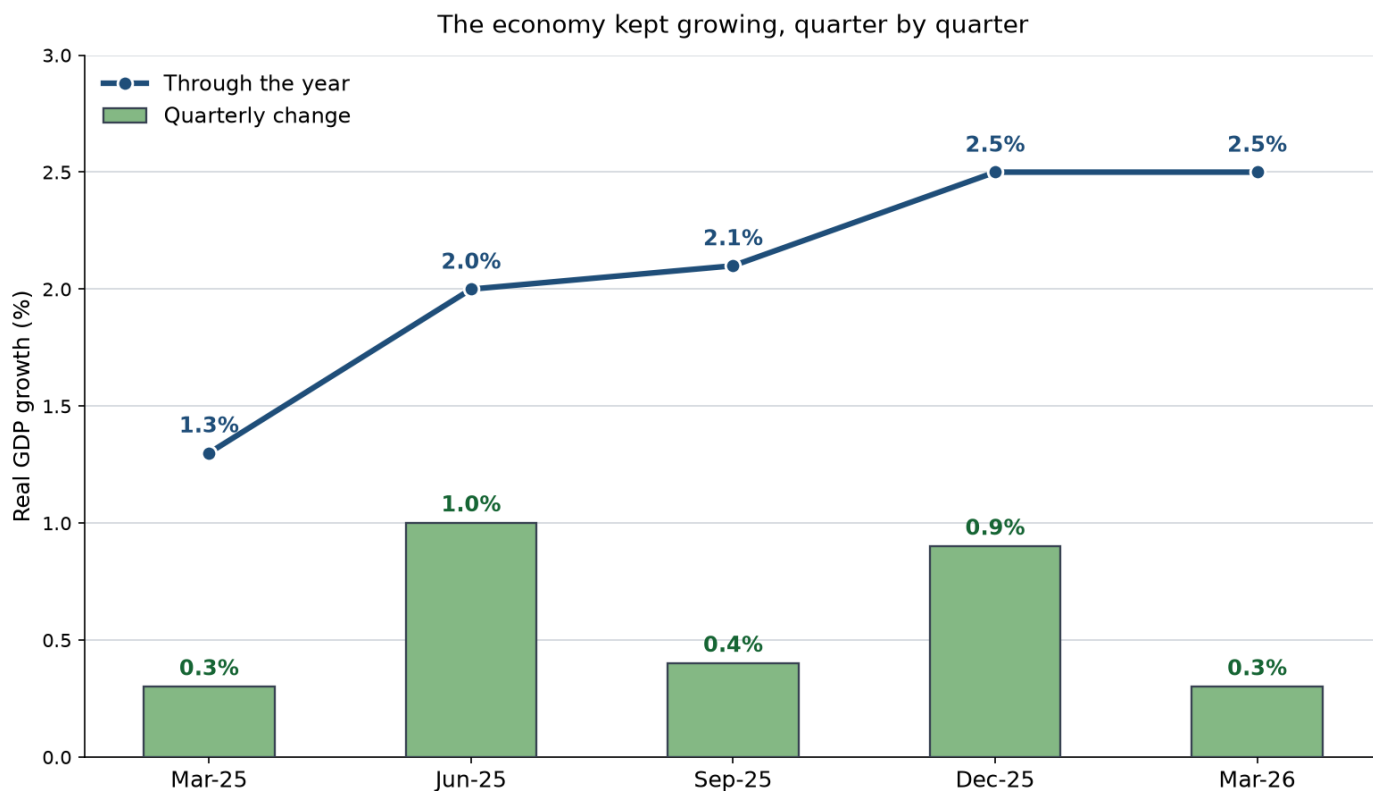


Source: ABS Labour Force, Australia, released 20 Aug 2026 (retrieved 26 Aug 2026). Figures adjusted to smooth out regular seasonal swings.

Line chart of the monthly unemployment rate from February to July 2026: 4.3, 4.3, 4.5, 4.4, 4.4 and 4.5 per cent

Figure 8. A low but slightly rising unemployment rate. Source: ABS Labour Force, Australia (figures adjusted by the ABS to smooth out regular seasonal swings), released 20 Aug 2026 (retrieved 26 Aug 2026).

Output (GDP). **Gross domestic product (GDP)** is the total value of all goods and services produced in the economy over a period. Real GDP (with price rises stripped out) grew 0.3% in the March quarter 2026 and 2.5% through the year — the economy kept growing, but more slowly than its usual pace. (Source: ABS Australian National Accounts, released 3 Jun 2026; retrieved 26 Aug 2026.)



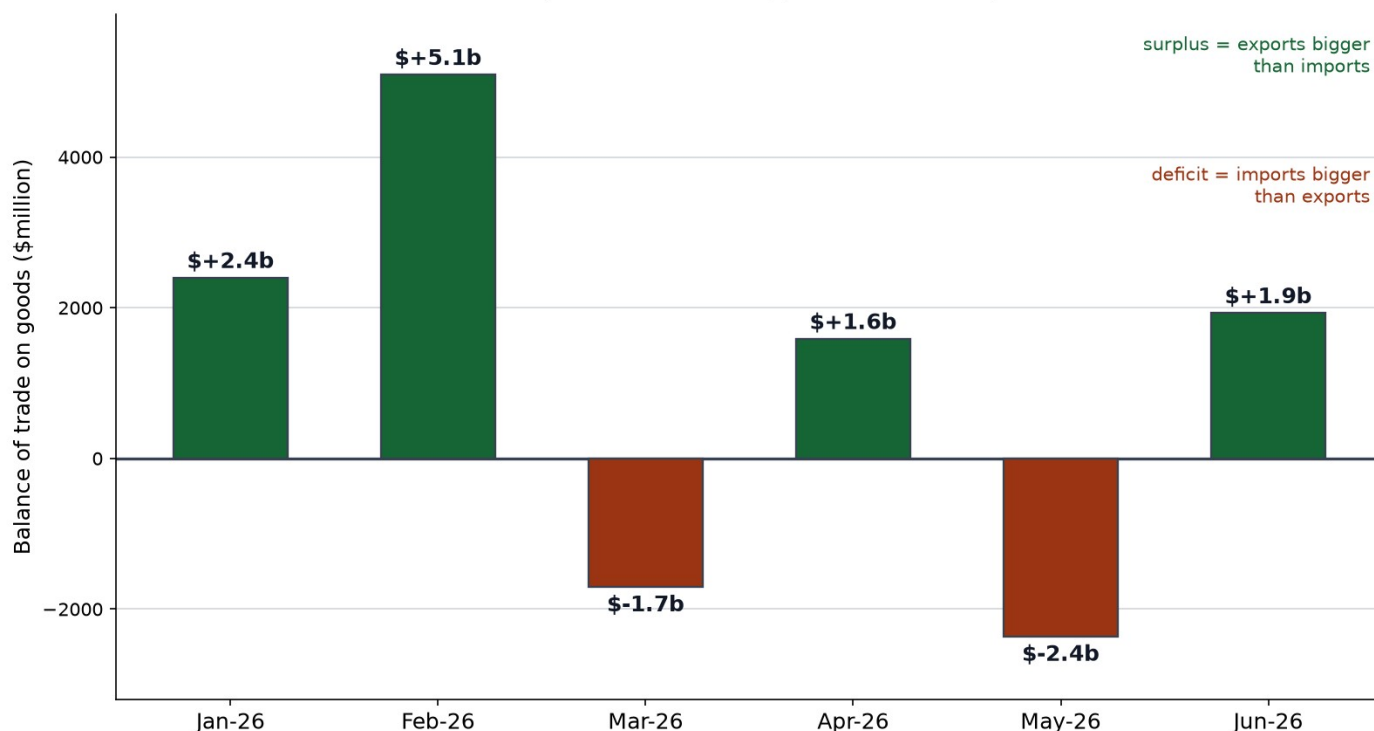
Source: ABS Australian National Accounts, released 3 June 2026 (retrieved 26 Aug 2026).

Chart of real GDP growth from the March quarter 2025 to the March quarter 2026: quarterly change shown as bars of 0.3, 1.0, 0.4, 0.9 and 0.3 per cent, and growth through the year shown as a line rising from 1.3 to 2.5 per cent

Figure 9. Real GDP growth, quarter by quarter and through the year. Source: ABS Australian National Accounts, released 3 Jun 2026 (retrieved 26 Aug 2026).

Trade (balance of trade). The **balance of trade** is the difference between the value of a country's exports (sold to other countries) and imports (bought from them). A **surplus** means exports won; a **deficit** means imports won. Australia's monthly goods balance flipped between the two through the first half of 2026, ending with a \$1.9 billion surplus in June. (Source: ABS International Trade in Goods and Services, released 6 Aug 2026; retrieved 26 Aug 2026.)

Australia's monthly trade balance flipped between surplus and deficit



Source: ABS International Trade in Goods and Services, released 6 Aug 2026 (retrieved 26 Aug 2026).

Bar chart of Australia's monthly balance of trade on goods from January to June 2026, alternating between surplus and deficit: plus \$2.4, plus \$5.1, minus \$1.7, plus \$1.6, minus \$2.4 and plus \$1.9 billion

Figure 10. The goods trade balance swings month to month. Source: ABS International Trade in Goods and Services, released 6 Aug 2026 (retrieved 26 Aug 2026).

Pulling it together. The model, the policies and the indicators are one connected story. The indicators (Figures 6-10) tell the government and the RBA how the economy is travelling; the two policies (Figures 2-5) are the levers they pull in response; and the effect of every pull is felt in the flows of the circular flow model (Figure 1) — in the spending, incomes and jobs of Australian households and firms.

Worked examples

Example 1 — scaffolded

Tracing a fiscal measure through the circular flow.

Context. The 2026-27 Budget cut the fuel excise — the tax on petrol and diesel — in half for a time, knocking about 32 cents a litre off pump prices. (Source: Australian Government Budget 2026-27, Budget Paper No. 1, released 12 May 2026; retrieved 26 Aug 2026.)

Step 1 (shown). Which policy is this, and which lever? It is fiscal policy: a change to taxation, decided by the government in the Budget. (A cash-rate change by the RBA would be monetary policy.)

Step 2 (you try). Which sector keeps more money first? Look at Figure 1 and name the sector.

Step 3 (you try). Name two flows in Figure 1 that are likely to get bigger once households have that extra money.

Step 4 (you try). Name the setting — expansionary or contractionary — and the goal it serves.

The fully worked version is at the end of the section.

Example 2 — scaffolded

How a cash-rate rise reaches one household.

Context. On 5 May 2026 the RBA raised the cash rate target from 4.10% to 4.35%. Imagine a family with a \$400,000 variable home loan. (Source: RBA cash rate target decisions; retrieved 26 Aug 2026.)

Step 1 (shown). *Roughly how much extra interest is that?* If the bank passes the rise on in full, the family pays about a quarter of one per cent more on \$400,000 — about \$1,000 a year, or roughly \$83 a month. (Real loans vary, so treat this as a guide, not a quote.)

Step 2 (you try). *What is the family likely to do to its spending, and which flow in Figure 1 eases as a result?*

Step 3 (you try). *Now think of the whole economy: millions of families and firms face the same dearer borrowing. Name the setting and what it is trying to cool.*

The fully worked version is at the end of the section.

Practice questions

Scaffolded

Q1. For each flow below, name the two sectors involved (households, firms, government) and say whether it is a money flow or a real flow in Figure 1. The first row is done for you.

Flow	Sectors	Money or real?
(a) A Saturday wage at a bakery	households and firms	money flow (factor income)
(b) Buying a new pair of runners		
(c) Income tax taken from a pay		
(d) A free vaccine at a public clinic		

Q2. Make your own circular flow poster (elaboration E02). Copy the three-sector layout of Figure 1 onto a page, draw all eight arrows (four money-and-real pairs), and write one real Australian example on each arrow. The first one is done for you: households → firms, real flow — “a loaf of bread from Coles or your local baker”.

Q3. Complete the table. The first row is done for you.

Decision	Fiscal or monetary?	Who made it?
(a) Cash rate held at 4.35% in August 2026	monetary	the RBA Board
(b) Fuel excise cut in half, May 2026		
(c) \$829.6 billion of payments planned for 2026-27		

Q4. Label each decision expansionary or contractionary. Hint: ask “does this add spending to the loop, or take some out?”

- (a) The RBA raises the cash rate target.
- (b) The government cuts a tax.
- (c) The government slows the growth of its spending.
- (d) The RBA lowers the cash rate target.

Q5. Use Figure 5. (a) What was the cash rate target in August 2025? (b) How many rate rises were there in the first half of 2026? (c) What was the target after the May 2026 meeting?

Q6. Use Figure 7. (a) Which quarters show inflation above the RBA's 2-3% band? (b) What was the highest reading, and when? (c) In one sentence, why did the RBA raise rates in 2026?

Un scaffolded

Q7. Explain the difference between fiscal policy and monetary policy. In your answer, name who controls each one, one lever each, and the way each one changes the spending of households or firms (elaboration E01).

Q8. Figure 4 shows the 2026-27 Budget planning a \$31.5 billion deficit, and the Budget cut the fuel excise in half. Argue whether this Budget is mostly expansionary or contractionary, using two pieces of evidence from the figure.

Q9. Using Figures 8 and 9, describe the Australian economy in mid-2026 in about three sentences. Then say which policy setting you would lean towards — expansionary or contractionary — and why.

Q10. A friend says: "A trade deficit is always bad news." Using Figure 10 and the table in Figure 6, evaluate that view in a short paragraph.

Inquiry

Q11. Build your own indicators table (elaboration E03). Using the ABS website (or the figures in this section if you are offline), record for each of the unemployment rate, GDP, the CPI and the balance of trade: the latest reading and its release date, the definition in your own words, and what the indicator is used for. Then write three or four sentences evaluating whether, taken together, the indicators show an economy that is strong, weak or mixed in mid-2026. Quote at least three numbers in your answer.

Answers

Q1. (b) households and firms; money flow (consumer spending). (c) households and government; money flow (taxes). (d) government and households; real flow (a government service).

Q2. Answers will vary. Check: all eight arrows drawn as four money-and-real pairs; each arrow carries a sensible Australian example (e.g. households → government, money: “income tax”; government → households, real: “a place at a public school”; firms → government, money: “company tax”; government → firms, real: “an order to build a road”; firms → households, real: “a haircut”; households → firms, money: “a coffee purchase”; etc.).

Q3. (b) fiscal — the Australian Government (in the Budget). (c) fiscal — the Australian Government (in the Budget).

Q4. (a) contractionary. (b) expansionary. (c) contractionary. (d) expansionary.

Q5. (a) 3.60%. (b) Three (February, March and May 2026). (c) 4.35%.

Q6. (a) Every quarter shown except June 2025: Sep-25, Dec-25, Mar-26 and Jun-26. (b) 4.6%, in the year to the March quarter 2026. (c) Inflation was above the 2-3% band and climbing, so the RBA raised rates to cool spending and price rises.

Q7. Key points: fiscal policy is controlled by the Australian Government and uses taxation and government spending (Budget, each May); monetary policy is controlled by the RBA and uses the cash rate target. Fiscal policy changes households’ and firms’ disposable income directly (taxes) and adds or removes government spending from the loop; monetary policy works through banks’ loan and savings rates, making borrowing cheaper or dearer. One clear example each earns full marks.

Q8. Mostly expansionary. Evidence 1: payments (\$829.6b) exceed receipts (\$798.1b), a \$31.5b deficit, so the government is putting more money into the loop than it takes out. Evidence 2: the halved fuel excise leaves households with more to spend, and the \$250 payment does the same. (Credit any answer that argues its side with two correct pieces of figure evidence.)

Q9. Key points: growth is positive but slow (0.3% in the March quarter, 2.5% through the year); unemployment is low (4.3–4.5%) but drifting up; inflation (3.8%) is still above the band. A defended judgement either way is fine — e.g. leaning contractionary because inflation is above target, or leaning expansionary because growth is slow and unemployment is rising — the reasoning must match the numbers quoted.

Q10. Key points: disagree. A deficit simply means imports exceeded exports in that period; it is not a verdict on the economy. Figure 10 shows Australia swinging between surplus and deficit within months while the rest of the economy kept growing (Figure 9); a deficit can reflect strong household spending or big imports of useful capital goods. Equally, a persistent deficit does matter for some industries, so “always bad” overstates the case.

Q11. Answers will vary. Check: four rows with a reading, release date, own-words definition and use; the evaluation quotes at least three numbers and reaches a defended strong/weak/mixed judgement (mid-2026 a fair answer is “mixed”: solid growth and low unemployment, but inflation above target and unemployment creeping up).

Fully-worked solutions

Example 1.

- **Step 2.** Households keep more money first: every time they fill the tank they pay about 32 cents a litre less tax, so more of their income stays in their pockets. (Firms that burn fuel — trucking companies, for instance — also keep more.)
- **Step 3.** Two flows that get bigger: (1) consumer spending, the money flow from households to firms, because households have extra to spend; and (2) factor income, the money flow from firms to households, because firms that sell more can pay out more wages and profits. (Taxes flowing to government may grow later too, as the extra spending becomes income.)
- **Step 4.** Expansionary. A tax cut leaves more spending in the loop; the goal is to support spending, output and jobs.

Example 2.

- **Step 2.** The family is likely to trim some spending — takeaways, a holiday, a new car — to cover the extra \$1,000 a year. In Figure 1 the consumer-spending flow from households to firms eases. Savers may also save a little more, now that saving pays better.
- **Step 3.** Multiplied across millions of households and firms, total spending grows more slowly than before. That is a contractionary setting, and it is meant to cool inflation — with inflation at 3.8%, above the 2-3% band, slowing spending takes pressure off prices.

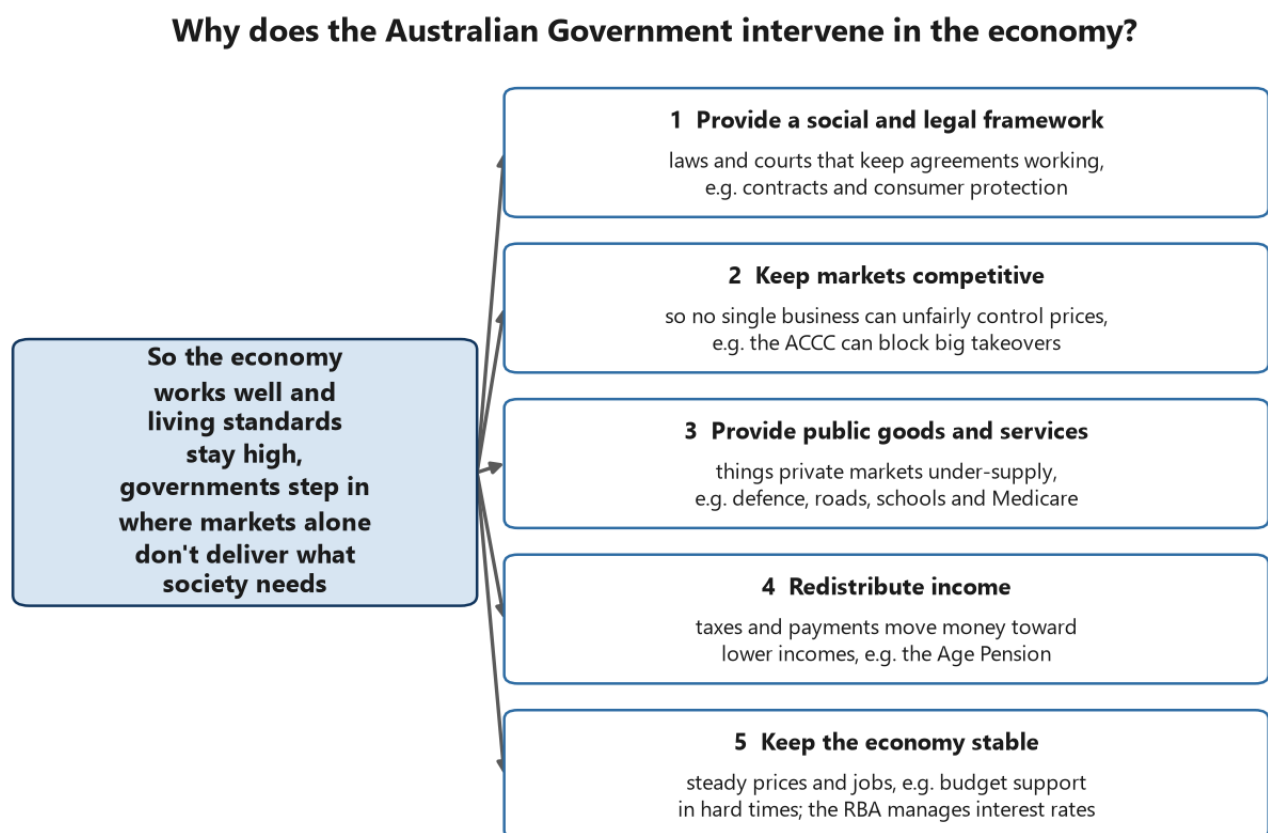
Stepping in: why and how the government and the RBA intervene

Content description VC2HE10K02. This section draws on elaborations .E01, .E02, .E03 and .E04.

In Levels 7 and 8 you met the idea that markets move resources toward what people choose to buy: when buyers and sellers are free to trade, prices carry the messages. But no economy runs on markets alone. In Australia, two decision-makers step into the economy every day — the **Australian Government** (which collects taxes and spends on services) and, on the money side, the **Reserve Bank of Australia** (the **RBA**, which sets the base interest rate). This section looks at *why* they intervene, *how* they do it, and what it means for living standards.

Theory

Why intervene at all? Markets do a lot of things well, but left completely alone they do not deliver everything a society wants: not enough of some things (like defence or clean air), too much of some harms (like pollution), and no support at all for people who cannot earn an income. The curriculum names five broad reasons and means for government intervention, shown in Figure 1.



Hub diagram with the goal “so the economy works well and living standards stay high” linked to five reasons the Australian Government intervenes: setting the rules (a social and legal framework), keeping markets competitive, providing public goods and services, redistributing income, and keeping the economy stable.

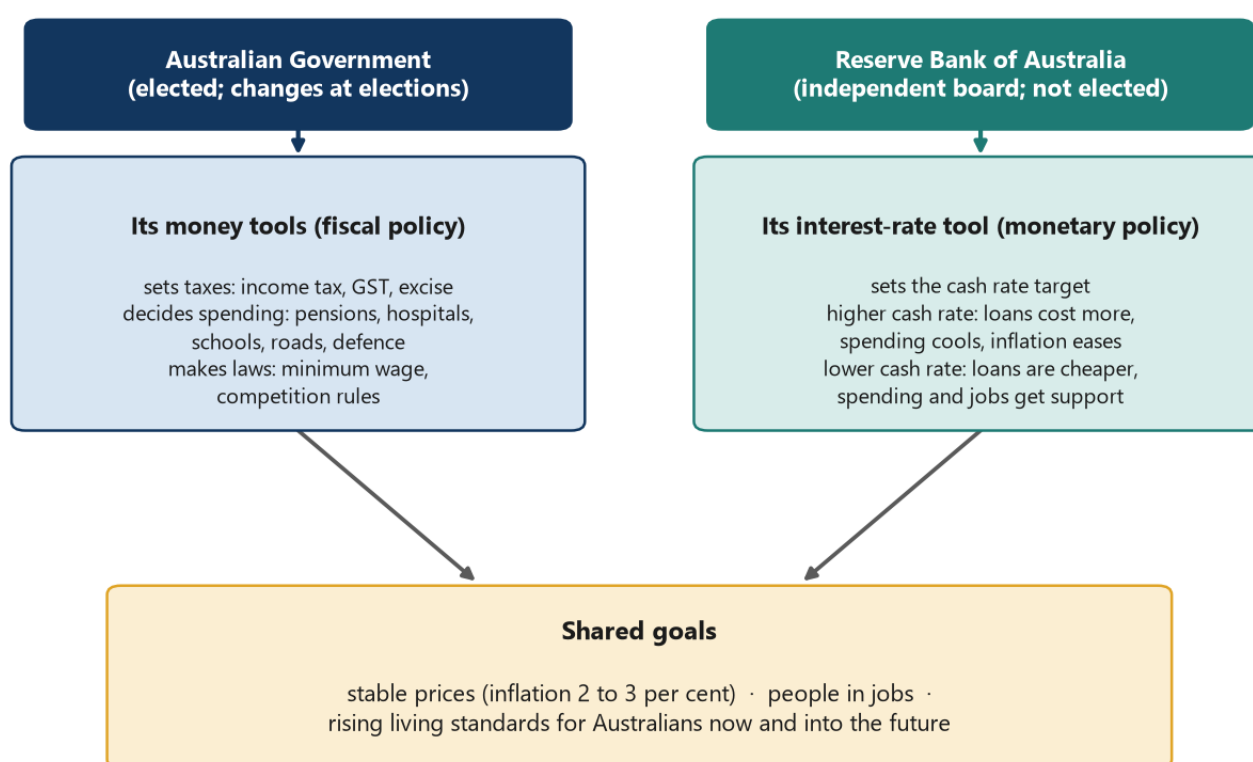
Figure 1. Five reasons the Australian Government intervenes in the economy.

1. **A social and legal framework.** Before any market can work, someone has to write and enforce the rules: companies must be able to register, contracts must be enforced by courts, and consumers must be protected from unsafe goods and misleading claims. In Australia this framework includes consumer law policed by the **Australian Competition and Consumer Commission** (the **ACCC**), which can also block big takeovers that would remove competition.
2. **Maintaining competition.** Where one business becomes powerful enough to control a market, prices rise and choice falls, so the government sets and enforces competition rules to keep markets contested.

3. **Public goods and services.** Some things would be under-supplied if left to private sellers, because one person's use does not reduce another's and non-payers cannot easily be shut out — defence and street lighting are classic examples. The government also funds services a society wants everyone to have, such as schools, Medicare and roads.
4. **Redistributing income.** Markets pay people very differently. Through taxes on higher incomes and payments such as the Age Pension, the government moves some income toward people on lower incomes or no income. Whether and how far to do this is debated (see the two views at the end of the theory).
5. **Maintaining economic stability.** Big swings in spending, prices and jobs hurt households and businesses, so the government and the RBA both work to keep the economy steady — the government through its Budget, the RBA through interest rates.

Two sets of tools. The word for the government's use of taxing and spending to influence the economy is **fiscal policy**; the word for the RBA's use of interest rates is **monetary policy**. Figure 2 shows who holds which tool, and the goals they share.

Two decision-makers, two sets of tools

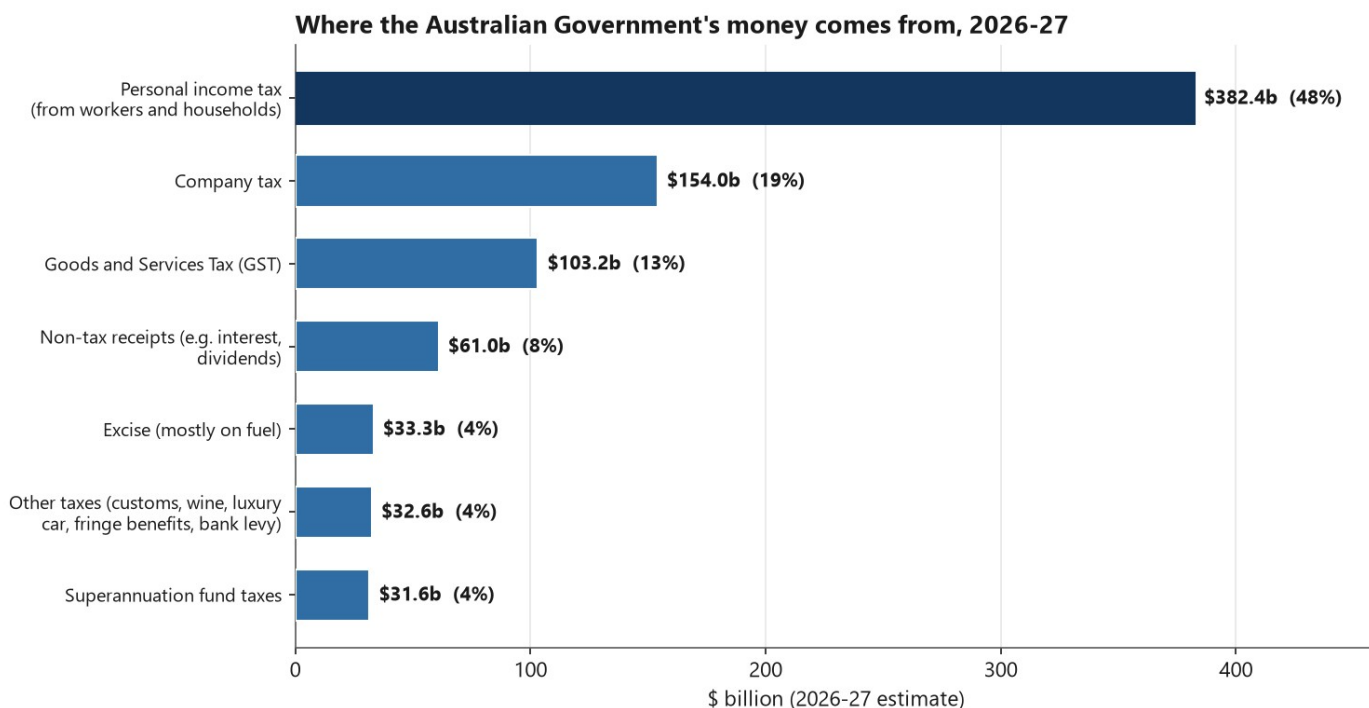


The government decides taxes and spending in the Budget; the RBA decides the cash rate about eight times a year.

Two-column diagram: the Australian Government uses fiscal policy (taxes, spending and laws) while the Reserve Bank of Australia uses monetary policy (the cash rate target), both pointing to shared goals of stable prices, jobs and rising living standards.

Figure 2. Two decision-makers, two sets of tools, shared goals.

The government's side: the Budget. Every year the Australian Government publishes its Budget: a plan of the money it expects to collect (**receipts**) and the money it will pay out (**payments**). In the 2026–27 Budget, receipts were estimated at \$798.1 billion and payments at \$829.6 billion (Australian Government Budget 2026–27, retrieved 26 August 2026). Figures 3 and 4 show where that money comes from and where it goes.

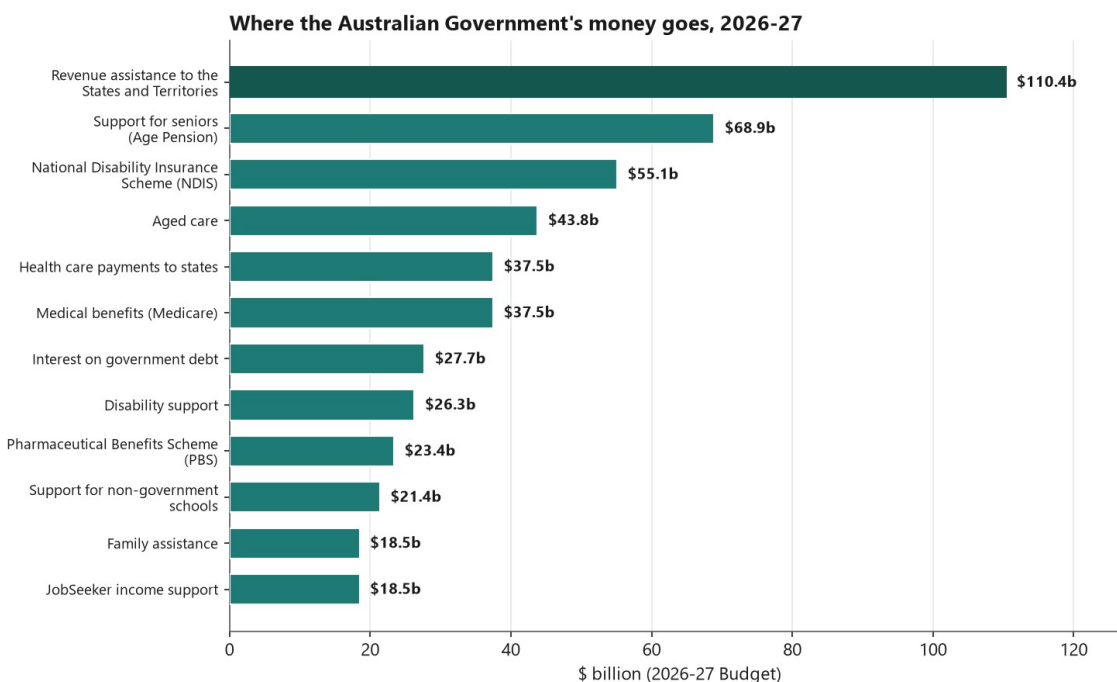


Total receipts: \$798.1 billion. Source: Australian Government Budget 2026-27, Budget Paper No. 1, Statement 5.

Horizontal bar chart of Australian Government receipts in 2026-27: personal income tax \$382.4 billion, company tax \$154.0 billion, GST \$103.2 billion, non-tax receipts \$61.0 billion, excise \$33.3 billion, other taxes \$32.6 billion and superannuation fund taxes \$31.6 billion, totalling \$798.1 billion.

Figure 3. Where the Australian Government's money comes from, 2026-27 (estimate). Source: Budget 2026-27, Budget Paper No. 1, Statement 5, retrieved 26 August 2026.

Notice that workers' income tax is by far the biggest single source — nearly half of all receipts. That matters for redistribution, because income tax rates rise with income (see Worked example 2), so higher earners contribute a larger share.



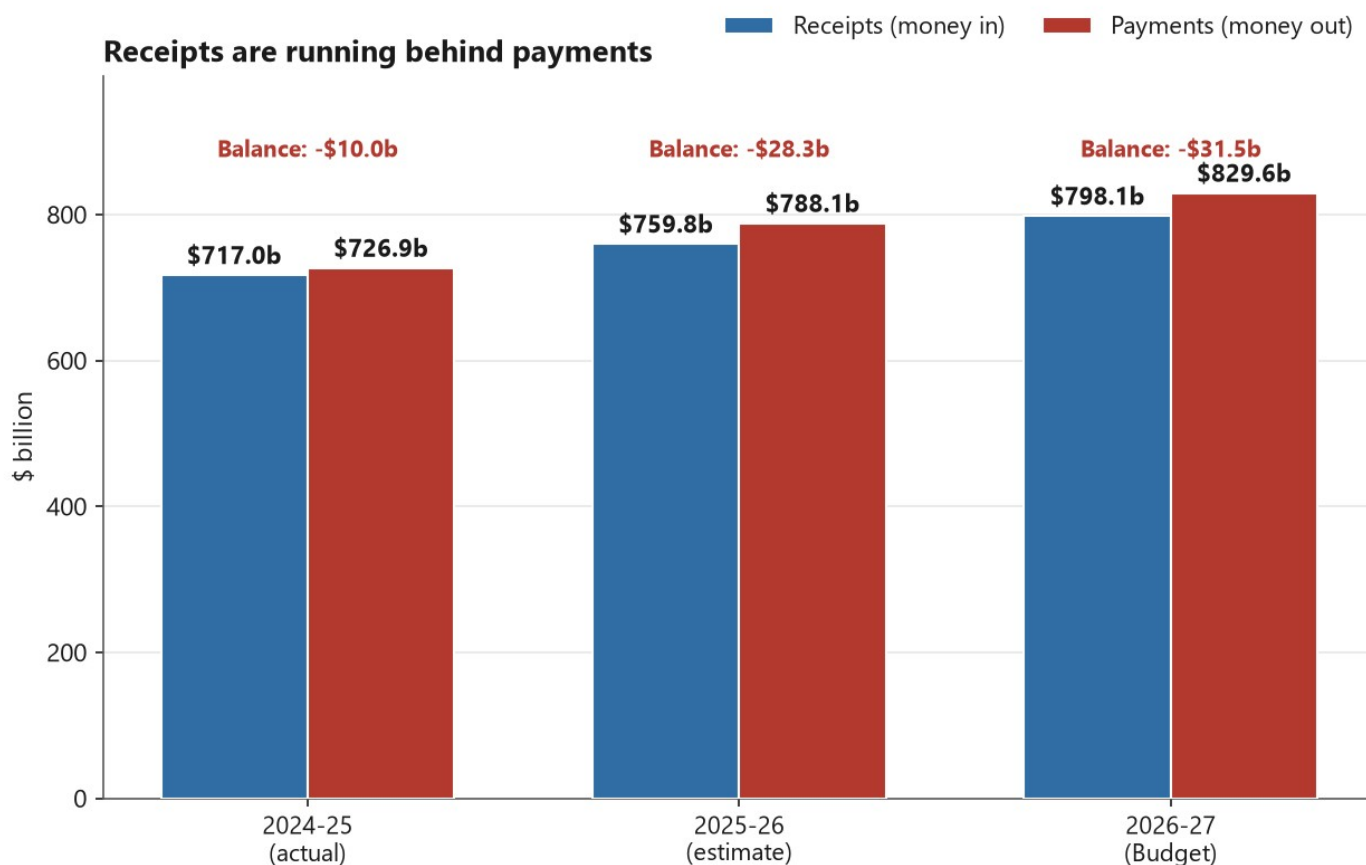
These 12 programs are the biggest of the top 20 in Table 6.2.2; together, total payments are \$829.6 billion in 2026-27. Source: Australian Government Budget 2026-27, Budget Paper No. 1.

Horizontal bar chart of the largest Australian Government payment programs in 2026-27, led by revenue assistance to the states (\$110.4 billion), support for seniors (\$68.9 billion) and the NDIS (\$55.1 billion), with health, aged care, schools, JobSeeker and family assistance also shown.

Figure 4. The Australian Government's biggest payment programs, 2026–27. Source: Budget 2026–27, Budget Paper No. 1, Table 6.2.2, retrieved 26 August 2026.

Look down the list in Figure 4 and you will see redistribution and public services in action: support for seniors (the Age Pension), the National Disability Insurance Scheme, aged care, Medicare, public hospitals, schools, and income support such as **JobSeeker** for people between jobs. The single biggest line — revenue assistance to the states — is the Commonwealth passing money to state governments, which in Victoria deliver most schools, hospitals and public transport.

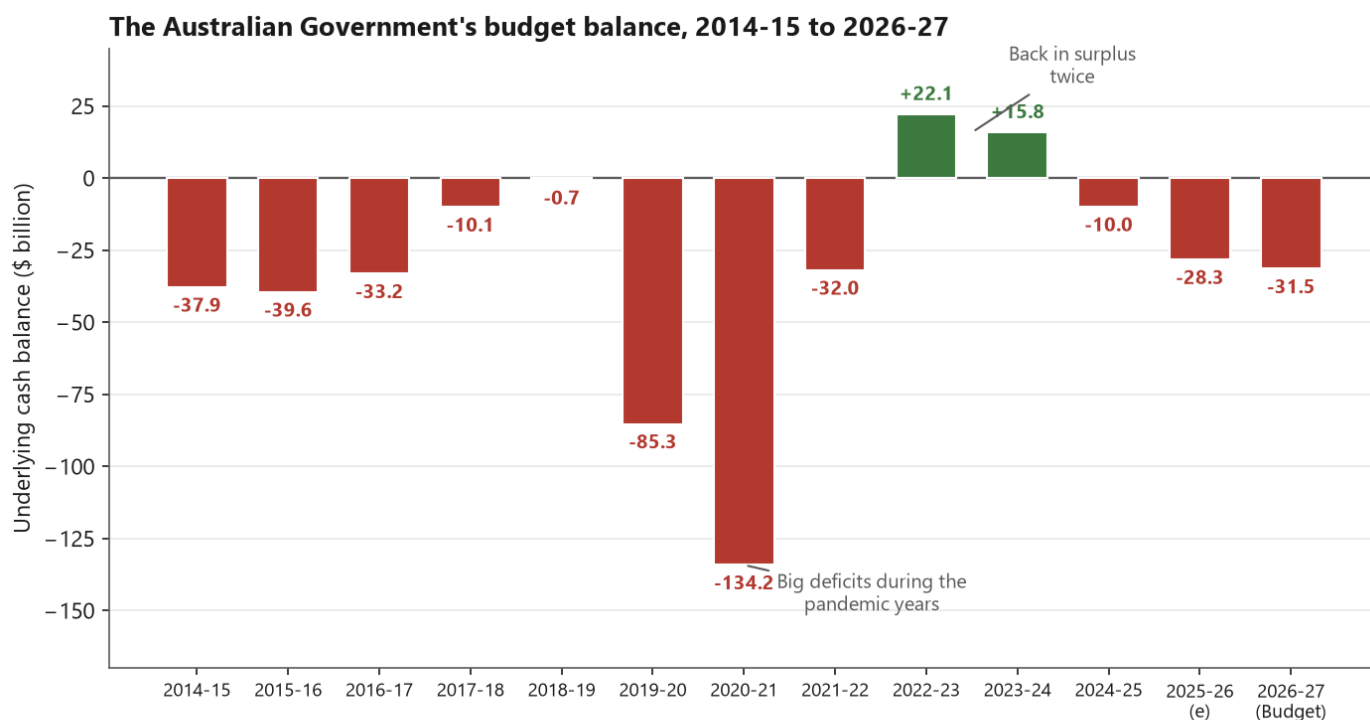
Deficits, surpluses and stability. When payments exceed receipts the Budget is in **deficit**; when receipts exceed payments it is in **surplus**. Figure 5 puts receipts and payments side by side for the three most recent Budget years, and Figure 6 shows the resulting balance over thirteen years.



Source: Australian Government Budget 2026-27, Budget Paper No. 1.

Grouped bar chart of Australian Government receipts and payments: in 2024-25 (actual) \$717.0 billion in and \$726.9 billion out; in 2025-26 (estimate) \$759.8 billion in and \$788.1 billion out; in 2026-27 (Budget) \$798.1 billion in and \$829.6 billion out, with the balance in deficit in all three years.

Figure 5. Receipts are running behind payments. Source: Budget 2026–27, Budget Paper No. 1, retrieved 26 August 2026.



Sources: Australian Government Budget 2026-27, Budget Paper No. 1, Table 11.1 and Table 1.1. Negative = deficit; positive = surplus.

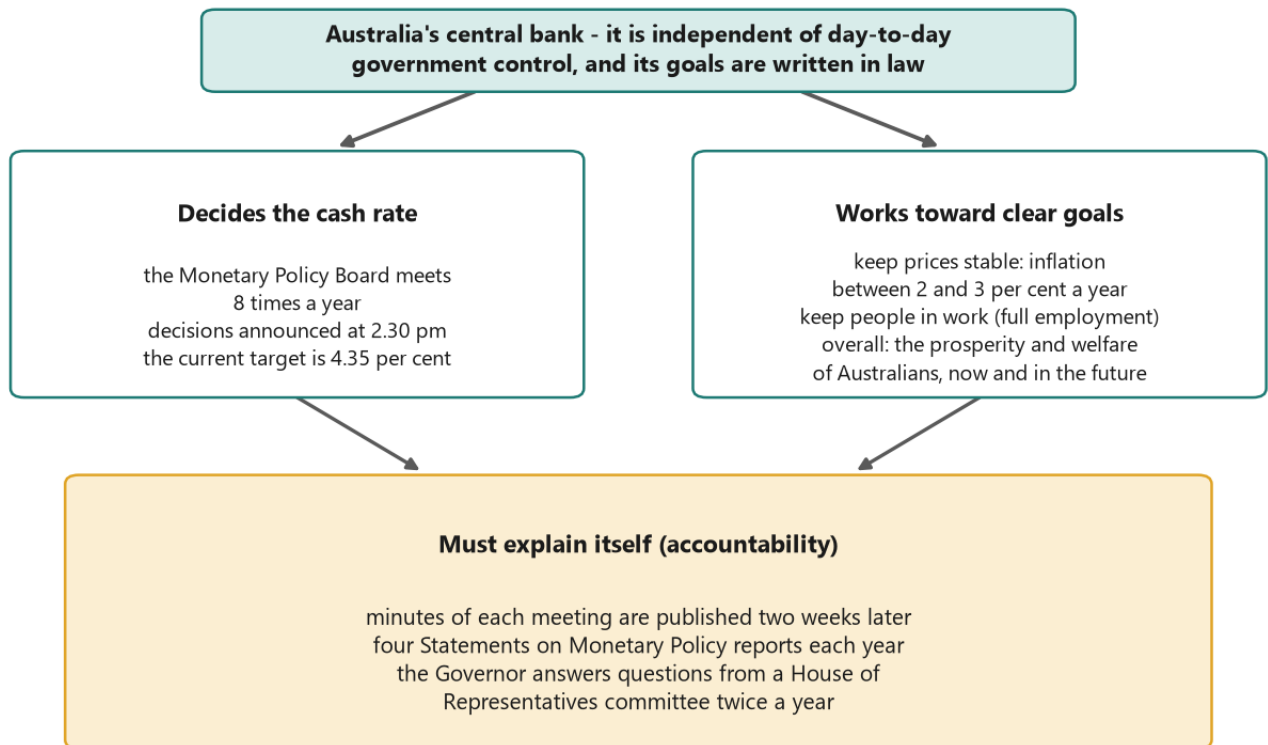
Bar chart of the Australian Government underlying cash balance for each year from 2014-15 to 2026-27, negative in most years, very negative in 2019-20 and 2020-21, and positive in 2022-23 and 2023-24.

Figure 6. The budget balance over thirteen years. Source: Budget 2026–27, Budget Paper No. 1, Table 11.1, retrieved 26 August 2026.

The huge deficits of 2019–20 and 2020–21 (Figure 6) were a deliberate stability decision: during the pandemic the government paid wage support and extra payments so that businesses could keep staff and households could keep spending. When prices then rose quickly in 2022–23, the same Budget moved back toward surplus. Running a deficit is one way fiscal policy supports the economy in hard times; paying it back later means borrowing, and interest on that debt was itself a \$27.7 billion payment in 2026–27 (Figure 4). Whether big deficits are the right choice in any year is exactly the kind of contested question the two views at the end of this theory address.

The RBA's side: the cash rate. The Reserve Bank of Australia is Australia's central bank. Its role and function come from the *Reserve Bank Act 1959*, amended in 2024: its overarching objective is “to promote the economic prosperity and welfare of the people of Australia both now and into the future”, pursued through two monetary policy goals — **stable prices** and **full employment** (RBA, *About Monetary Policy*, retrieved 26 August 2026). Stable prices is made precise as an **inflation target**: consumer price inflation of **2 to 3 per cent a year**, on average over time.

The Reserve Bank of Australia: what it does



The RBA does not control prices or wages directly - it works through interest rates, which affect borrowing and spending.

Diagram of the Reserve Bank of Australia: an independent central bank whose Monetary Policy Board decides the cash rate eight times a year and must explain its decisions, working toward stable prices of 2 to 3 per cent and full employment.

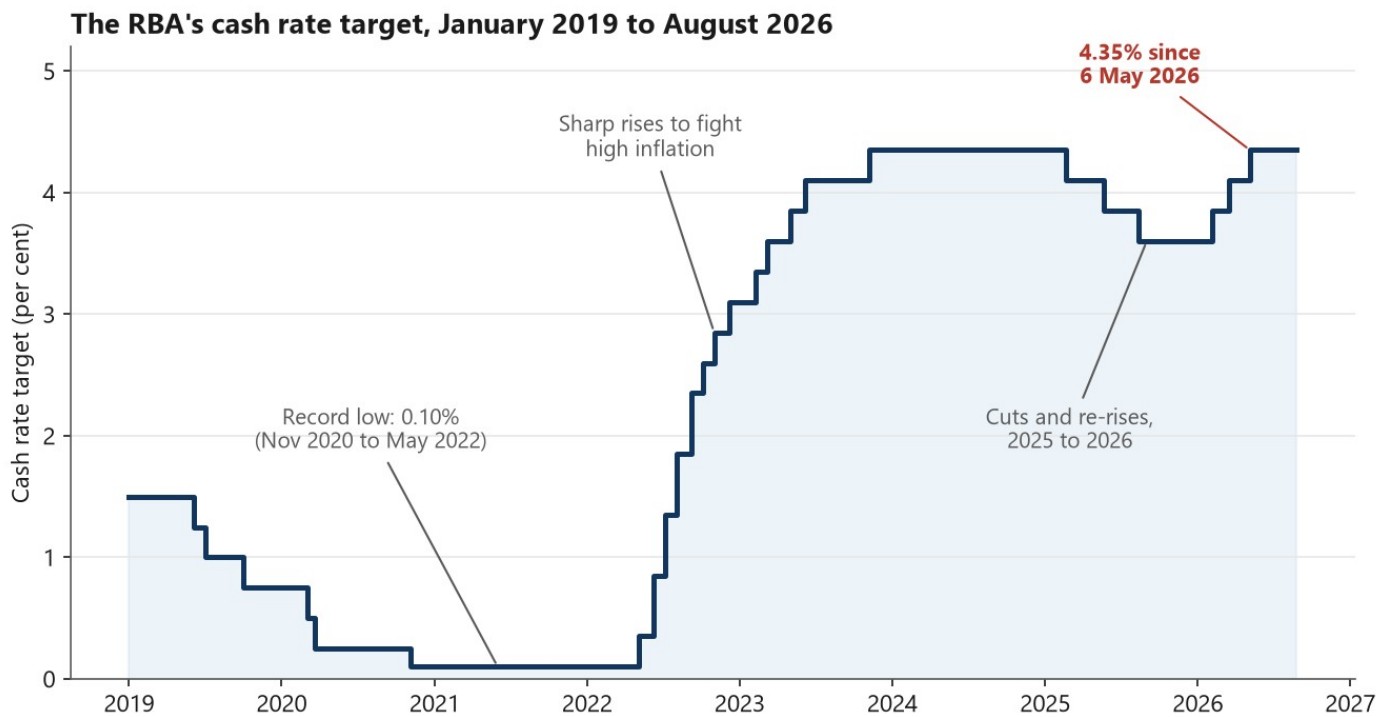
Figure 7. The RBA's role and how it is held to account. Source: RBA website, retrieved 26 August 2026.

The tool is the **cash rate target** — the base interest rate in the economy. Banks borrow and lend to each other at about the cash rate, and from it flow the interest rates households and businesses face on loans and savings. The **Monetary Policy Board** meets eight times a year; each decision is announced at 2.30 pm on the day, the minutes follow two weeks later, and the Governor answers questions from a House of Representatives committee twice a year (Figure 7). The RBA is **independent**: the government of the day does not set the cash rate.

The chain of cause and effect runs like this:

- **Cash rate up** → borrowing costs more and saving earns more → households and businesses spend less → price rises cool and job growth slows.
- **Cash rate down** → borrowing is cheaper → spending picks up → prices rise faster and more people find work.

Figure 8 shows the cash rate the Board actually set between 2019 and 2026.

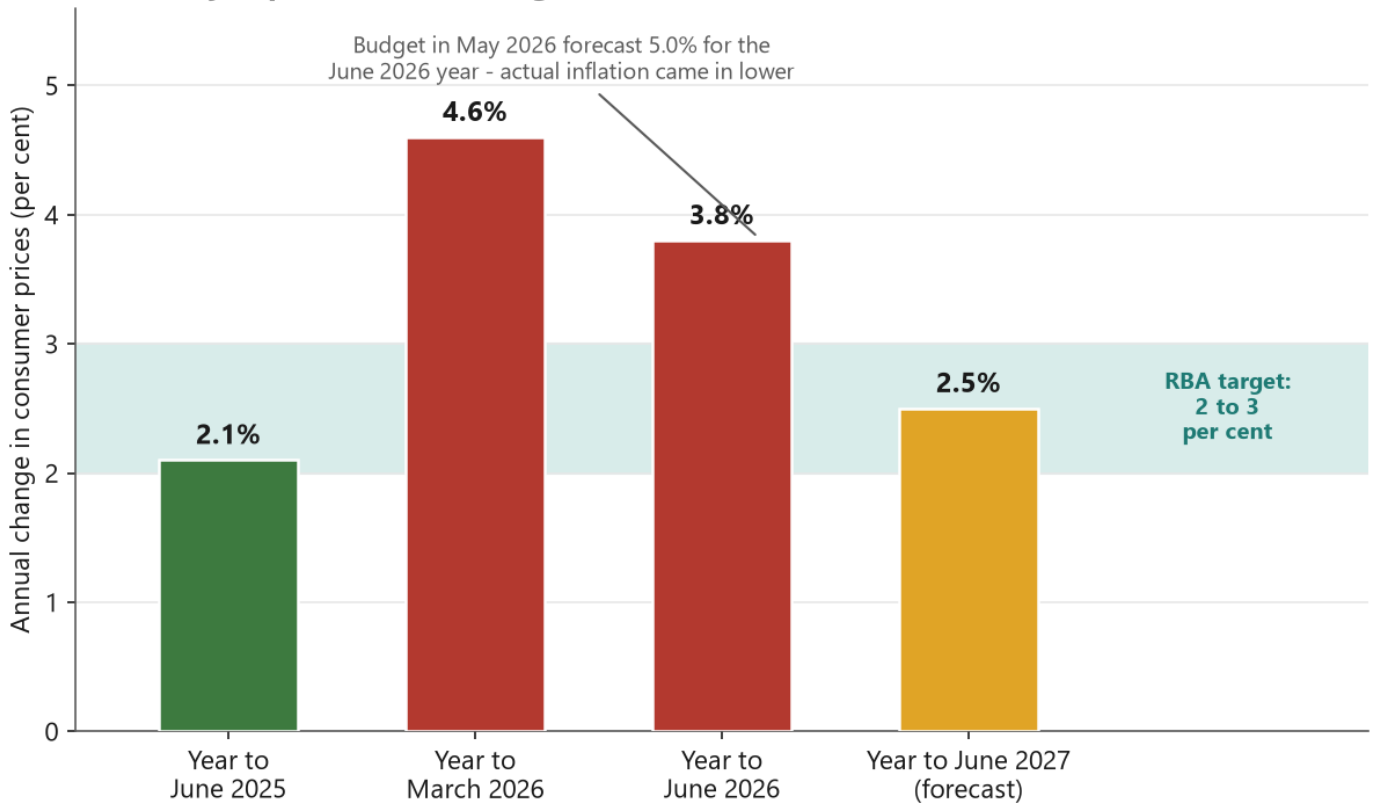


Step chart of the RBA cash rate target from January 2019 to August 2026: cut from 1.50 per cent to a record low of 0.10 per cent by late 2020, raised sharply through 2022 and 2023 to 4.35 per cent, cut three times in 2025 to 3.60 per cent, then raised back to 4.35 per cent by May 2026.

Figure 8. The cash rate target, January 2019 to August 2026. Source: RBA Statistical Table F1, data to 25 August 2026, retrieved 26 August 2026.

Read Figure 8 against the story: cuts to a record 0.10 per cent during the pandemic made borrowing almost free, supporting spending and jobs; then, as inflation jumped, the Board raised the target sharply through 2022–23 to cool it. Figure 9 shows why: annual inflation reached 4.6 per cent to the March quarter 2026 after a global oil shock pushed fuel prices sharply up, above the 2–3 per cent band.

Inflation jumped above the target band in 2026



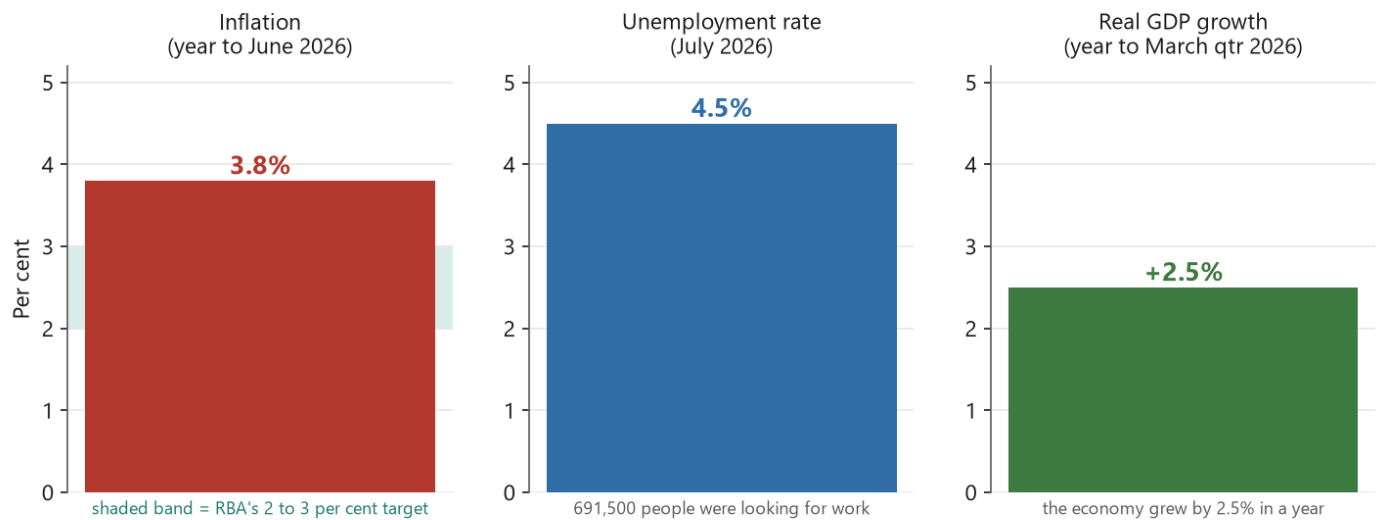
Sources: ABS Consumer Price Index, June quarter 2026 (published 29 July 2026); Australian Government Budget 2026-27, Budget Paper No. 1.

Bar chart of annual consumer price inflation: 2.1 per cent to June 2025 (inside the RBA 2-3 per cent band), 4.6 per cent to March 2026, 3.8 per cent to June 2026, and a Budget forecast of 2.5 per cent to June 2027, with the 2-3 per cent target band shaded.

Figure 9. Inflation against the RBA's target band. Sources: ABS Consumer Price Index, June quarter 2026 (published 29 July 2026); Budget 2026-27, retrieved 26 August 2026.

The scoreboard. The government and the RBA watch a small set of numbers to judge economic performance. In mid-2026 that scoreboard read: inflation 3.8 per cent (year to June 2026), unemployment 4.5 per cent (July 2026, with 691,500 people looking for work), and real GDP growth of 2.5 per cent (year to the March quarter 2026) — sources in the figure note.

Three numbers on the scoreboard, mid-2026



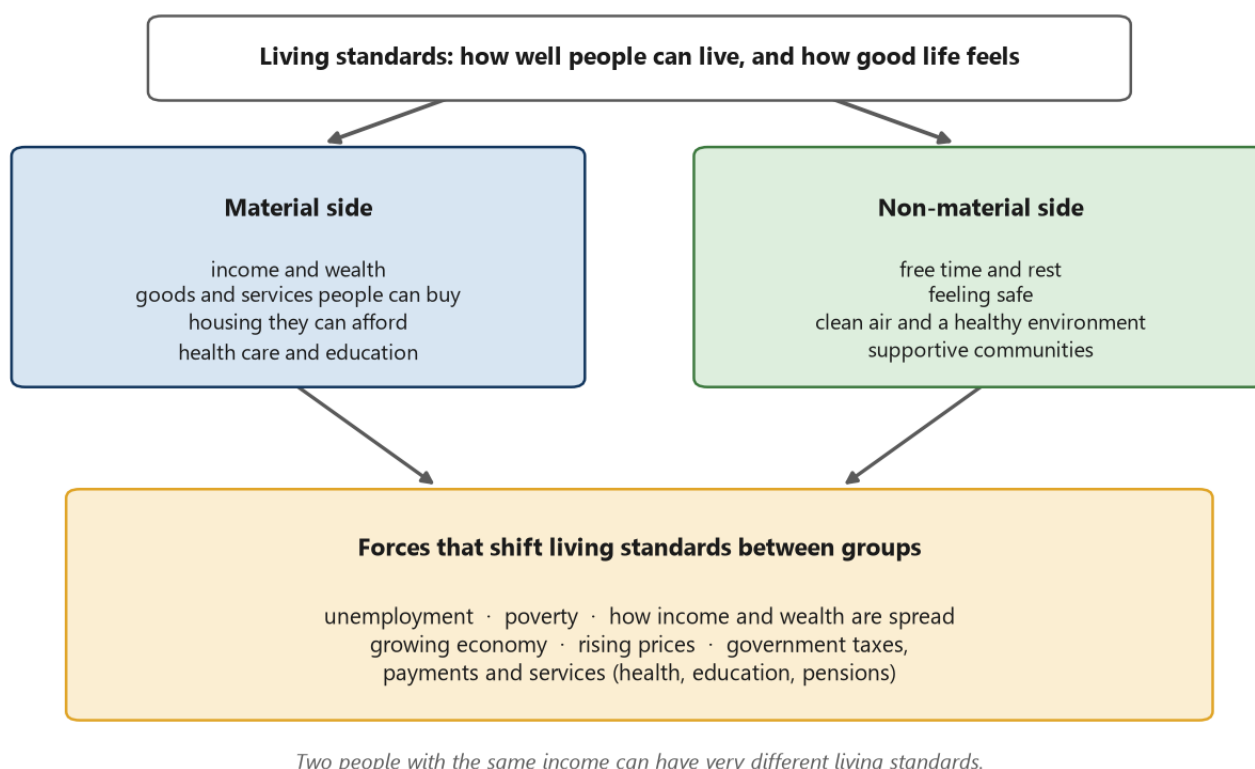
Sources: ABS Consumer Price Index (29 July 2026); ABS Labour Force, July 2026 (20 August 2026); ABS National Accounts, March quarter 2026 (3 June 2026).

Three side-by-side bar charts: inflation 3.8 per cent against the shaded 2-3 per cent target band, unemployment 4.5 per cent, and real GDP growth 2.5 per cent, mid-2026.

Figure 10. Three numbers on the scoreboard, mid-2026. Sources: ABS (29 July 2026; 20 August 2026; 3 June 2026 releases).

Living standards — the point of it all. The curriculum asks you to investigate what “living standards” means, and neither the curriculum nor the ABS gives one official definition, so this book uses an operational one: **living standards are the material and non-material conditions of people’s lives — what people have, and how safe, healthy and free they feel.** Figure 11 splits the idea in two.

Living standards are about more than money

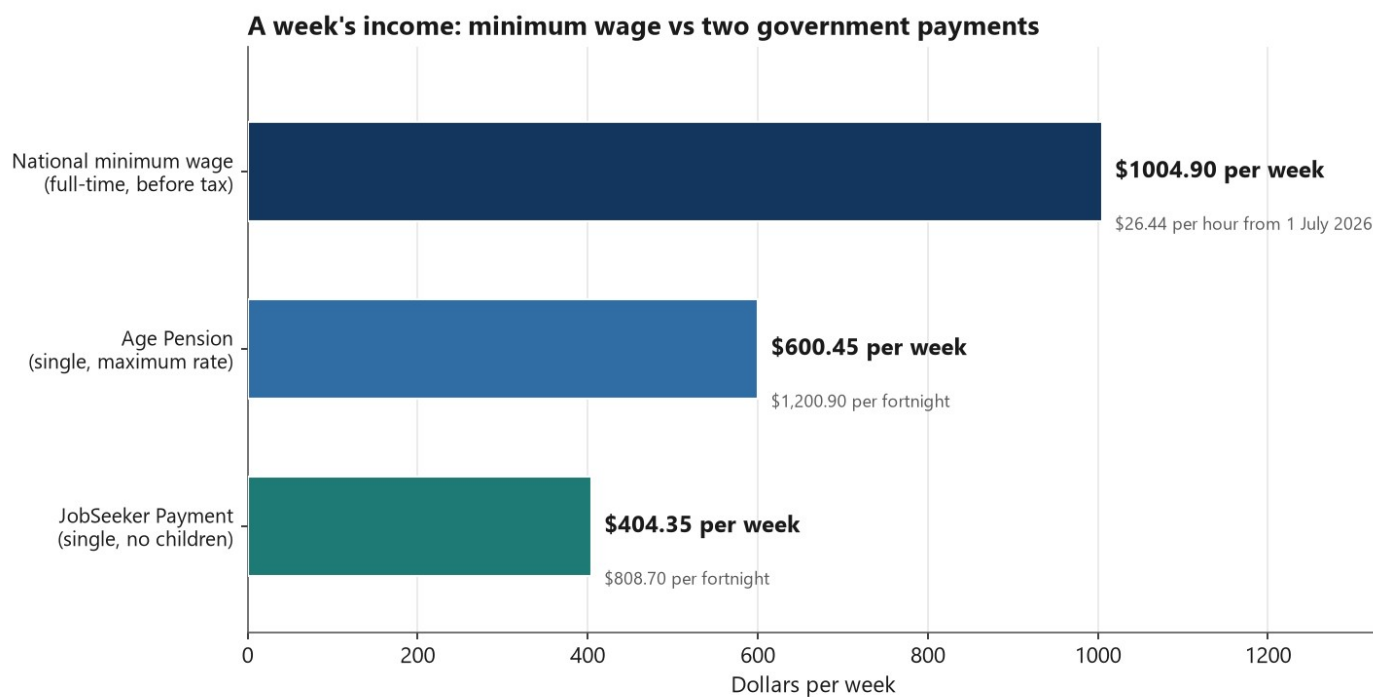


Two-column concept map: material living standards (income and wealth, goods and services, housing, health care, education) and non-material living standards (free time, safety, a clean environment, supportive communities), with forces such as unemployment, poverty and the spread of income and wealth shifting them between groups.

Figure 11. The two sides of living standards.

The **material** side is the easier one to measure: income, wealth, and access to goods, services, housing, health care and education. (Real GDP per person — \$24,917 a year in the March quarter 2026, ABS National Accounts — is one rough material measure.) The **non-material** side is just as real: free time, safety, clean air, and a say in decisions. Two people on the same income can have very different living standards if one has long travel hours, unsafe housing or no community support.

Forces that shift living standards. The curriculum names **unemployment** and **poverty** as two forces that shift living standards between groups in Australia, and **redistribution** as the government's response. Unemployment is the bluntest force: a job lost means income lost, and long spells out of work damage the non-material side too — confidence, routine, connection. Poverty — living so far below the typical standard that basics become hard — sits at the sharp end of the income spread. Figure 12 puts three real 2026 incomes side by side.



Sources: Fair Work Commission Annual Wage Review 2026 [2026] FWCFB 3500; Services Australia payment rates from 20 March 2026.

Horizontal bar chart comparing weekly incomes in 2026: the national minimum wage at \$1004.90 per week, the maximum single Age Pension at \$600.45 per week equivalent, and JobSeeker for a single person with no children at \$404.35 per week equivalent.

Figure 12. A week's income in 2026. Sources: Fair Work Commission Annual Wage Review 2026 [2026] FWCFB 3500; Services Australia rates from 20 March 2026, retrieved 26 August 2026.

From 1 July 2026 the national minimum wage is \$1,004.90 a week (\$26.44 an hour). The Age Pension for a single person at the maximum rate — basic rate plus supplements — is \$1,200.90 a fortnight, about \$600.45 a week, and JobSeeker for a single person with no children is \$808.70 a fortnight, about \$404.35 a week. A person on JobSeeker therefore lives on less than half of what a full-time minimum-wage worker earns before tax. Whether JobSeeker is enough to live on is publicly debated in Australia; the figures above are the institutional facts, and your task is to reason with them, not to be told what to conclude.

Redistribution works through both columns of the Budget. On the receipts side, income tax rates rise as income rises. On the payments side, pensions, allowances, Medicare and public education deliver more support than their recipients pay in tax. Different governments set those dials differently: one may aim to narrow the gap between high and low incomes more than another, depending on what its voters and its view of the economy prefer. Explaining *why* is part of the content description, and the two views below put each side in its strongest form.

Two views on how far government should intervene. This is a live question in Australian politics, and the book's job is to put both sides in their strongest form.

- **The case for more intervention.** Markets leave gaps: without public health and education, a low-income household cannot buy its way into them; without payments, a person between jobs has no income at all; without competition law, monopolies can charge what they like. Collective problems — from a pandemic to a global oil shock — are only affordable collectively. On this view, taxes are the price of a society that does not leave its worst-off behind, and the 2020–21 deficits (Figure 6) were money well spent keeping people in jobs.
- **The case for less intervention.** Every dollar the government spends must first be taxed or borrowed; high taxes reduce the reward for working, saving and investing, and borrowed spending leaves debt — \$27.7 billion of 2026–27 payments went to interest alone. On this view, individuals and families often spend their own money better than governments do, smaller government means lower taxes and more freedom of choice, and governments that keep stepping in end up running deficits in good years as well as bad (again, Figure 6).

Reasonable people weigh these differently, and a good answer to an evaluate question engages with the stronger version of each side, not a caricature.

Worked examples

Example 1 — scaffolded

The 2026–27 Budget estimates total receipts of \$798.1 billion and total payments of \$829.6 billion. Find the budget balance and name it.

Working	Comment
balance = receipts – payments	The balance is what is left after payments are met.
balance = \$798.1b – \$829.6b = –\$31.5b	Subtract payments from receipts.
–\$31.5b is negative → a deficit	Negative balance = deficit; positive = surplus.

So the 2026–27 Budget is in deficit by \$31.5 billion: the government plans to pay out more than it collects, and the gap must be borrowed.

Example 2 — scaffolded

A worker earns \$50,000 a year. Using the 2026–27 resident tax rates (ATO, retrieved 26 August 2026), calculate their income tax and Medicare levy.

Working	Comment
First \$18,200: no tax	The tax-free threshold.
\$18,201–\$45,000: 15c for each \$1 over \$18,200 → 0.15 × \$26,800 = \$4,020	Second bracket.
\$45,001–\$50,000: \$4,020 + 30c for each \$1 over \$45,000 → \$4,020 + 0.30 × \$5,000 = \$5,520	Third bracket; only the part above \$45,000 is taxed at 30c.
Medicare levy: 2% × \$50,000 = \$1,000	Added on top of income tax for most taxpayers.
Total: \$5,520 + \$1,000 = \$6,520	About 13c in every dollar earned.

Notice the structure: the rate rises as income rises (15c, then 30c brackets). That rising structure is *how* the tax system redistributes — a \$150,000 earner pays 37c in the dollar on the slice above \$135,000, and the top slice above \$190,000 at 45c.

Example 3 — unscaffolded

Using Figure 12, find the weekly gap between (a) the national minimum wage and JobSeeker for a single person with no children, and (b) the minimum wage and the maximum single Age Pension.

- (a) $\$1,004.90 - \$404.35 = \$600.55$ a week. (b) $\$1,004.90 - \$600.45 = \$404.45$ a week. A single person on JobSeeker receives, each week, less than half of a full-time minimum wage, which is why income-support rates sit at the centre of the redistribution debate.

Practice questions

Scaffolded

Q1. Match each government action to the reason for intervention it best serves (reasons 1–5 of Figure 1): (a) the ACCC blocks a takeover that would leave one company controlling most of the market; (b) the government funds Medicare so all Australians can see a doctor; (c) courts enforce a contract between two businesses; (d) the Age Pension is paid to retired Australians; (e) extra payments are made to households during a flood disaster.

Q2. Classify each action as **fiscal policy** (government) or **monetary policy** (RBA): (a) the income tax rate on the second bracket is cut from 16c to 15c from 1 July 2026; (b) the cash rate target is raised from 3.60 to 3.85 per cent in February 2026; (c) \$25.0 billion is committed to public hospitals over five years; (d) the cash rate target is held at 4.35 per cent at the August 2026 meeting.

Q3. Read Figure 8. (i) What was the lowest cash rate target shown, and roughly how long did it last? (ii) What was the target on 25 August 2026? (iii) Count the number of changes between 7 November 2023 and 25 August 2026, and say how many were cuts and how many were rises.

Q4. In 2024–25 the Australian Government’s receipts were \$716,951 million and its underlying cash balance was – \$9,990 million. Calculate total payments for 2024–25. (Hint: balance = receipts – payments, so payments = receipts – balance.)

Q5. Services Australia lists JobSeeker for a single person with no children at \$808.70 per fortnight (rates from 20 March 2026). Convert this to a weekly amount and check it against Figure 12.

Q6. Sort these into material and non-material living standards: (a) a safe home; (b) two weeks of annual leave; (c) access to a local doctor; (d) feeling safe walking home at night; (e) a reliable family income; (f) clean air in your suburb.

Unscaffolded

Q7. Explain, with one example each, why the Australian Government intervenes to (a) maintain competition and (b) provide public goods.

Q8. Calculate the 2026–27 income tax and Medicare levy for a resident earning \$60,000 a year (ATO resident rates, retrieved 26 August 2026).

Q9. Inflation for the year to June 2026 was 3.8 per cent, above the RBA’s 2–3 per cent band. Explain the chain of cause and effect by which raising the cash rate target works to bring inflation back toward the band, and give one cost of raising it.

Q10. “The Australian Government should increase income-support payments such as JobSeeker.” Give the strongest reason *for* this change and the strongest reason *against* it, then state which consideration you weigh more heavily and why.

Data-based inquiry

Read the data, then answer the questions that follow. All figures are from the Australian Government Budget 2026–27 (Budget Paper No. 1, retrieved 26 August 2026).

Selected receipts, 2026–27 (estimate)	\$b	Selected payments, 2026–27	\$b
Personal income tax	382.4	Revenue assistance to the states	110.4
Company tax	154.0	Support for seniors	68.9
GST	103.2	NDIS	55.1

Q11. (a) Which single source supplies the largest share of receipts, and roughly what share is it? (b) The largest payment program is money passed to the states: explain, using Figure 4, why the Commonwealth sends this money rather than spending it all directly. (c) A reader claims: “Because support for seniors costs \$68.9 billion and JobSeeker only \$18.5 billion, the Budget cares more about older Australians than about people out of work.” Weigh this claim: give one piece of evidence from the table or Figure 12 that supports the claim, and one reason why raw dollar totals are a poor measure of how much a budget “cares”.

Answers

Q1. (a) 2 — maintain competition. (b) 3 — public goods and services. (c) 1 — social and legal framework. (d) 4 — redistribute income. (e) 5 — economic stability.

Q2. (a) fiscal. (b) monetary. (c) fiscal. (d) monetary.

Q3. (i) 0.10 per cent, from November 2020 to May 2022 (about 18 months). (ii) 4.35 per cent. (iii) Six changes: three cuts (to 4.10, 3.85 and 3.60 per cent in 2025) and three rises (back to 4.35 per cent by May 2026).

Q4. $\$716,951\text{m} - (-\$9,990\text{m}) = \$726,941\text{ million}$ (about \$726.9 billion).

Q5. $\$808.70 \div 2 = \$404.35$ per week — matching Figure 12.

Q6. Material: (a), (c), (e). Non-material: (b), (d), (f).

Q7. (a) Without competition rules one firm could control a market and lift prices; e.g. the ACCC reviewing or blocking a large takeover. (b) Private sellers would under-supply goods like defence or street lighting because non-payers cannot be excluded; the government funds them from tax so all benefit.

Q8. $\$4,020 + 0.30 \times \$15,000 = \$8,520$ income tax; Medicare levy $2\% \times \$60,000 = \$1,200$; total \$9,720.

Q9. A higher cash rate lifts interest rates on loans and lifts returns on saving, so households and businesses borrow and spend less; weaker spending slows the rise of prices toward the 2–3 per cent band. A cost: borrowing households pay more interest, and some businesses delay hiring or investing, so unemployment can rise.

Q10. For: at \$404.35 a week, a single person on JobSeeker lives on less than half the minimum wage, and raising the payment lifts the living standards of people at the sharp end of the income spread. Against: higher payments must be funded by higher taxes or more borrowing (2026–27 is already in a \$31.5b deficit), and some argue generous payments weaken the incentive to take a job. Your weighing is yours; marks go to reasoning that states each side in its strongest form.

Q11. (a) Personal income tax, about 48 per cent of receipts (\$382.4b of \$798.1b). (b) In Australia's federation, states deliver most schools, hospitals and transport but raise less revenue than the Commonwealth, so the largest payment is the Commonwealth passing tax revenue to the states to spend on those services. (c) Supporting evidence: seniors' payments are more than three and a half times JobSeeker spending, and Figure 12 shows JobSeeker sits well below the pension. Weighing against the claim: raw totals mostly count *how many* people are in each group and for *how long* — there are far more seniors than JobSeeker recipients, and most people are on JobSeeker for short spells — so per-person rates (Figure 12), not program totals, are the fairer measure of support.

Fully-worked solutions

Q4. Balance = receipts – payments, so payments = receipts – balance. The balance is negative, so subtracting it *adds*: $\$716,951\text{m} - (-\$9,990\text{m}) = \$716,951\text{m} + \$9,990\text{m} = \$726,941\text{m} \approx \$726.9\text{ billion}$. Check against Figure 5: the 2024–25 payments bar sits just above the receipts bar, consistent with a deficit of about \$10.0 billion. ✓

Q8. Step the \$60,000 through the 2026–27 brackets: first \$18,200 at nil; \$18,201–\$45,000 at 15c: $0.15 \times \$26,800 = \$4,020$; \$45,001–\$60,000 at 30c: $0.30 \times \$15,000 = \$4,500$. Income tax = $\$4,020 + \$4,500 = \$8,520$. Medicare levy = $0.02 \times \$60,000 = \$1,200$. Total = \$9,720, about 16c in every dollar. Compare Example 2: earning \$10,000 more raises tax and levy by \$3,200 (32c in the extra dollar — the 30c bracket plus the 2c levy), which is the redistributive structure working as designed.

Q9. Cause and effect, step by step: the Board raises the cash rate target → banks' borrowing costs rise → mortgage, personal loan and business loan rates rise and deposit rates rise → borrowing and big-ticket spending slow, and saving is rewarded → total spending in the economy grows more slowly than the supply of goods and services → sellers can no longer push prices up as fast → the annual inflation rate falls toward the 2–3 per cent band. Cost side: with dearer credit, a household with a mortgage loses spending power, a café may postpone its fit-out and not take on extra staff, and unemployment can edge up — which is itself a drag on living standards. The Board therefore moves the cash rate in small steps and watches the scoreboard (Figure 10), because the same tool that cools prices also cools jobs.

Sources for this section (all retrieved 26 August 2026): VCAA Victorian Curriculum 2.0, Economics and Business Levels 9–10, content description VC2HE10K02 and elaborations .E01–.E04; Reserve Bank of Australia, Statistical Table F1 (data to 25 August 2026) and *About Monetary Policy*; Australian Government Budget 2026–27, Budget Paper No. 1 (Table 1.1, Table 6.2.2, Table 11.1, Statement 3 and Statement 5); ABS Consumer Price Index, June quarter 2026 (published 29 July 2026); ABS Labour Force, Australia, July 2026 (published 20 August 2026); ABS Australian National Accounts, March quarter 2026 (published 3 June 2026); Fair Work Commission, Annual Wage Review 2026 [2026] FWCFB 3500; Services Australia payment rates (from 20 March 2026); Australian Taxation Office, resident tax rates for 2026–27.

Economic indicators: what the numbers say and how they shape decisions

Curriculum link — Victorian Curriculum 2.0, Economics and Business, Levels 9–10

Content description VC2HE10K03

This section draws on the following elaborations:

- VC2HE10E01
- VC2HE10E02
- VC2HE10E03

In Section 1A you started a simple table of economic indicators — official numbers that sum up how the economy is travelling. This section takes each of those indicators further: what each one is, how it is calculated, and what it shows. In Levels 7–8 you looked at how households, businesses and government take part in the economy and how their choices affect each other; here we ask how anyone can tell whether the economy those choices make up is actually doing well — and how the answer changes the decisions those groups make next.

Theory

What is an economic indicator?

Contested term — ‘economic performance’. The Victorian Curriculum 2.0 uses the phrase *economic performance* but does not define it. This section therefore treats it as **how well the economy is doing, measured by indicators such as GDP growth, unemployment, price changes and trade**. Two fair views sit behind that choice. One view says performance is about output and jobs: a good economy produces more goods and services over time and gives work to everyone who wants it. The other view says performance is about how people’s lives are going: the same GDP number can sit alongside long working hours, poor air quality or incomes shared very unevenly, so output alone misses whether anyone is better off. Both views are reasonable, which is why this section never reads one indicator on its own — each one measures a different slice of ‘how well’, and the slices are compared together at the end.

An economic indicator is a number, produced by an official body on a regular timetable, that sums up one part of the economy. Six key indicators do most of the work in this section.

Six key economic indicators at a glance

The six indicators this section looks at, and where each one comes from.

Indicator	What it shows	Who produces it	How often
Gross domestic product (GDP)	Total value of goods and services produced in Australia in a period	ABS	Every quarter
Share market (S&P ASX 200 index)	Value of 200 of Australia's biggest companies whose shares trade on the market	ASX	Every trading day
Unemployment rate	Share of the labour force without a job but looking for one	ABS	Every month
Consumer price index (CPI)	How the prices of a fixed basket of goods and services change over time	ABS	Every quarter
Balance of trade	Value of exports minus value of imports	ABS	Every month and every quarter
Cash rate (key interest rate)	The interest rate the Reserve Bank of Australia sets for very short-term loans between banks	RBA	About 8 times a year

Sources: ABS (National Accounts, Labour Force, Consumer Price Index, International Trade); Reserve Bank of Australia; ASX. Retrieved 26 August 2026.

Table listing the six key economic indicators — GDP, the share market, the unemployment rate, the CPI, the balance of trade and the cash rate — with what each one shows, who produces it and how often it is published.

Figure 1. The six key indicators at a glance. The Australian Bureau of Statistics (ABS) produces five of the six; the Reserve Bank of Australia (RBA) produces the cash rate (sources on the figure).

Three habits make every indicator easier to read. First, always check the **reference period** — the stretch of time the number covers (a month, a quarter or a year). Second, check **how the number is expressed** — a dollar value, an index number, or a rate out of 100. Third, compare: an indicator means more when you line it up against earlier dates or against another place, which is exactly what the regional task at the end of this section asks you to do.

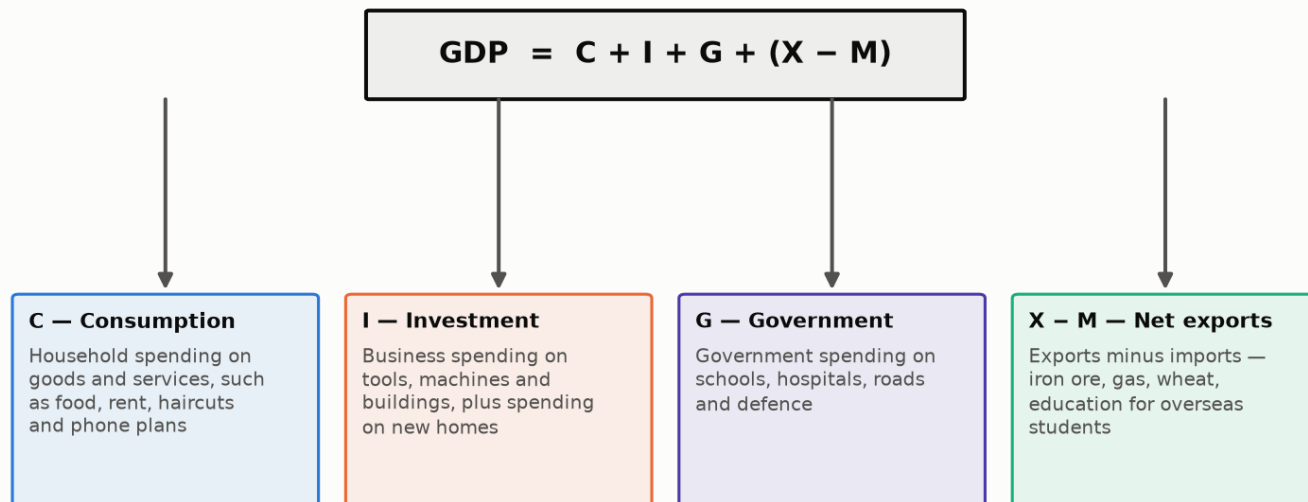
Gross domestic product (GDP)

Gross domestic product (GDP) is the total value of all goods and services produced in Australia in a period, usually a quarter or a year. The ABS publishes it in the National Accounts. The most common way to calculate it is to add up all the spending in the economy:

- **C — Consumption:** household spending on goods and services.
- **I — Investment:** business spending on tools, machines and buildings, plus new homes.
- **G — Government spending:** on schools, hospitals, roads and defence.
- **X – M — Net exports:** exports minus imports.

What makes up GDP: the spending approach

Gross domestic product, measured as total spending.



Australia's real GDP grew 2.5% over the year to the March 2026 quarter (ABS National Accounts).

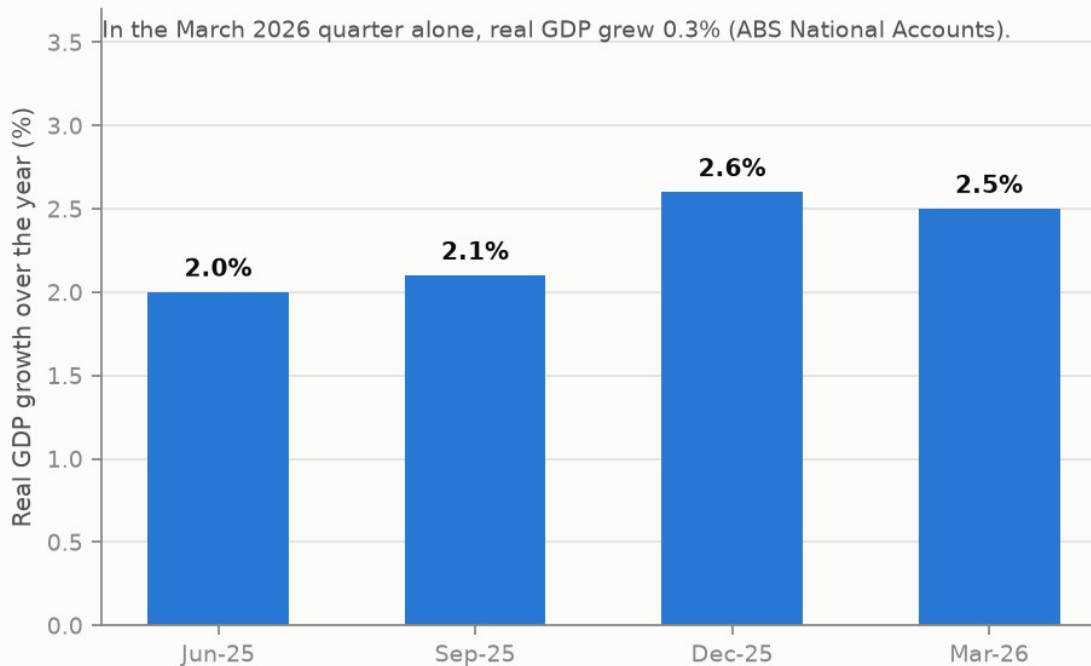
Source: ABS National Accounts, March 2026 quarter (retrieved 26 August 2026).

Diagram showing gross domestic product as the sum of consumption, investment, government spending and net exports, with a plain-language example of each type of spending.

Figure 2. GDP measured as total spending: $C + I + G + (X - M)$ (sources on the figure).

The ABS publishes GDP both in dollar terms and ‘real’, meaning after price rises are stripped out, so that a rise in real GDP means more goods and services were actually produced, not just that prices went up. What GDP shows is the size and the growth of the economy. A growing real GDP usually means more work for businesses and more jobs; a falling real GDP, two quarters in a row, is the common (though debated) test for calling the economy weak — so analysts watch each quarterly release closely.

Real GDP growth, year to each quarter



Source: ABS Australian National Accounts, March 2026 quarter (retrieved 26 August 2026).

Bar chart of real GDP growth over the year to each quarter from June 2025 to March 2026: 2.0, 2.1, 2.6 and 2.5 per cent, with growth of 0.3 per cent in the March 2026 quarter alone.

Figure 3. Real GDP growth, year to each quarter. The economy kept growing, but the speed of growth changed from quarter to quarter (sources on the figure).

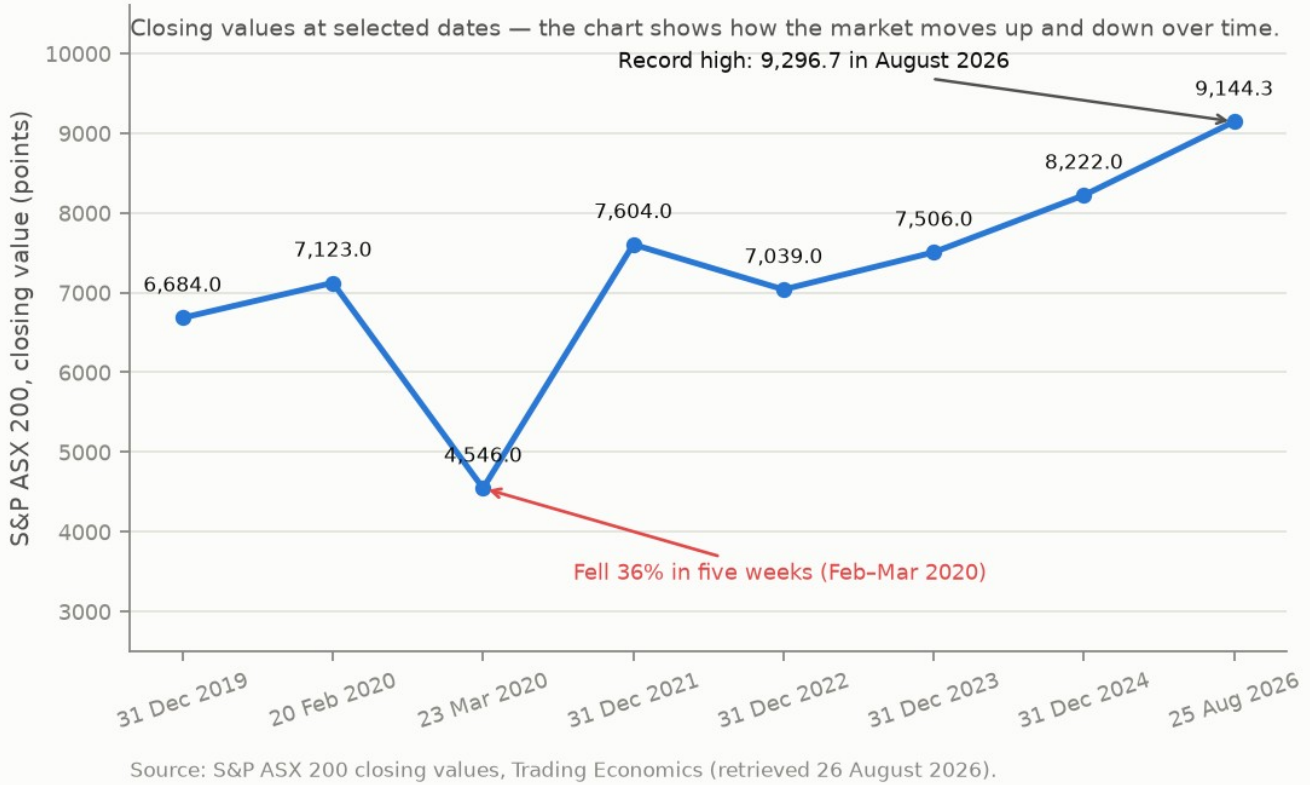
Two views — is GDP a good measure of how Australia is doing? One view says yes, at least as a headline: GDP is one consistent number, calculated the same way in most countries, so it lets us compare Australia with itself over time and with other economies now, and it rises and falls with the business cycle in ways that jobs and profits follow. The other view says GDP was only ever meant to measure production, not wellbeing: it ignores unpaid work such as parenting and volunteering, counts clean-up spending after a bushfire as a plus, says nothing about the environment, leisure time, or how income is shared across households. **Judgement:** both sides are right about their own point. GDP is a strong, comparable measure of production and a good early signal of jobs and income — but it is one indicator, not a report card on the whole country, which is why it is read beside the other five in this section.

Share market fluctuations

The share market is a market where shares — small slices of ownership in companies — are bought and sold. Australia's main market is run by the Australian Securities Exchange (ASX). The S&P ASX 200 index adds up the value of 200 of Australia's biggest companies, so when the index moves, it shows how buyers and sellers are valuing those companies overall. 'Share market fluctuations' simply means the ups and downs in that index, day to day and year to year.

What the fluctuations show is not just what companies earned yesterday but what buyers and sellers *expect* companies to earn tomorrow. That is why the market can swing sharply on news: prices move when expectations move. The five-week fall in early 2020 in Figure 4 shows how fast expectations can change; the climb to a record high by August 2026 shows the other side of the same behaviour.

Share market moves: S&P ASX 200 at selected dates



Line chart of the S&P ASX 200 at selected dates from December 2019 to August 2026, showing a 36 per cent fall between February and March 2020, a climb back past the old level, and a record high of 9,296.7 in August 2026.

Figure 4. Share market fluctuations: the S&P ASX 200 at selected dates. Values are closing values at those dates, so the line between points hides many smaller ups and downs (sources on the figure).

Unemployment rate

The unemployment rate shows the share of the labour force without a job but looking for one. It is calculated each month from the ABS Labour Force survey, a survey of thousands of Australian households. Three definitions come first: **employed** (did any paid work in the survey week, even one hour, or had a job but were away from it), **unemployed** (had no job, could start work, and had been looking), and the **labour force** (the employed plus the unemployed). The rate is then:

$$\text{unemployment rate} = (\text{unemployed} \div \text{labour force}) \times 100$$

Notice the denominator is the labour force, not the whole population — children, retirees and people not looking for work are not counted in the rate at all.

How the unemployment rate is measured

ABS Labour Force survey — three ideas come first.

Employed

Did any paid work in the survey week, even one hour — or had a job but were not at work

Unemployed

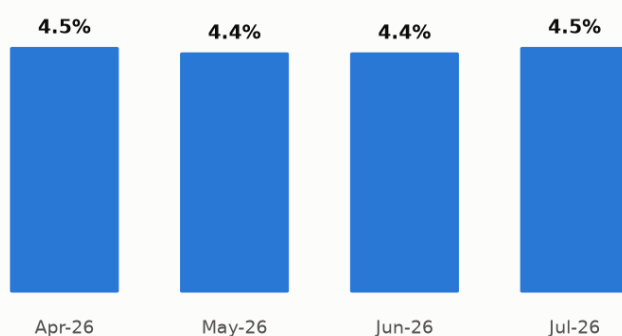
Had no job, could start work, and had looked for work recently

Labour force

The employed plus the unemployed — everyone either working or looking

$$\text{unemployment rate} = (\text{unemployed} \div \text{labour force}) \times 100$$

The unemployment rate, month by month, 2026



What do the numbers mean?

For comparison: the rate reached 7.5% in July 2020 (a recent high) and 3.4% in late 2022 (a recent low).

In July 2026, about 14,807,200 Australians were employed (ABS Labour Force).

Source: ABS Labour Force, July 2026 (retrieved 26 August 2026). Definitions follow the ABS measure.

Diagram defining employed, unemployed and labour force, showing the unemployment rate formula and a small bar chart of the rate from April to July 2026, sitting between 4.4 and 4.5 per cent.

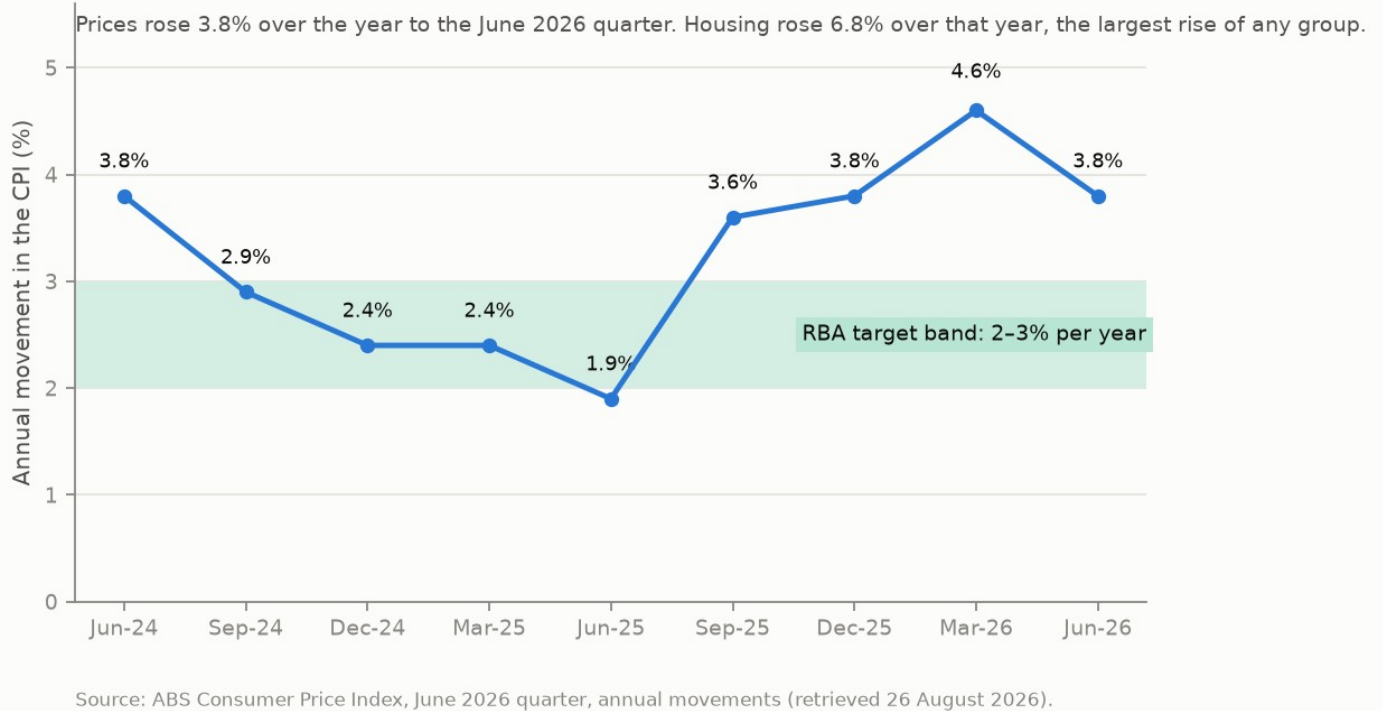
Figure 5. How the unemployment rate is measured, and the rate in the first months of 2026. For comparison, the rate reached 7.5% in July 2020 and a low of 3.4% in late 2022 (sources on the figure).

What the rate shows is how much spare capacity there is in the labour market. A low rate means most people who want work have it, which usually supports wages and spending; a rising rate means businesses are cutting hours and jobs. Because the rate is published every month, it is one of the quickest readings of how the economy is travelling.

Consumer price index (CPI)

The consumer price index (CPI) tracks how the prices of a fixed basket of goods and services change over time. The basket stands for what Australian households typically buy — housing costs, food, transport, health care, recreation and more. The ABS prices the basket each quarter and expresses the result as an index number: the basket's cost in the September 2025 quarter is set to 100.0, and later quarters are compared with it. For example, an index of 102.03 in the June 2026 quarter means the basket cost 2.03% more than it did three quarters earlier. The headline number everyone quotes is the **annual movement** — how much the index rose over the year to that quarter. That yearly percentage rise is what is usually called **inflation**: the rate at which prices are rising.

Inflation as measured by the CPI, June 2024 to June 2026 quarters



Line chart of the annual movement in the CPI each quarter from June 2024 to June 2026, with a shaded band between 2 and 3 per cent marking the Reserve Bank's target; the line falls below the band in mid-2025 and rises to 4.6 per cent by March 2026 before easing to 3.8 per cent.

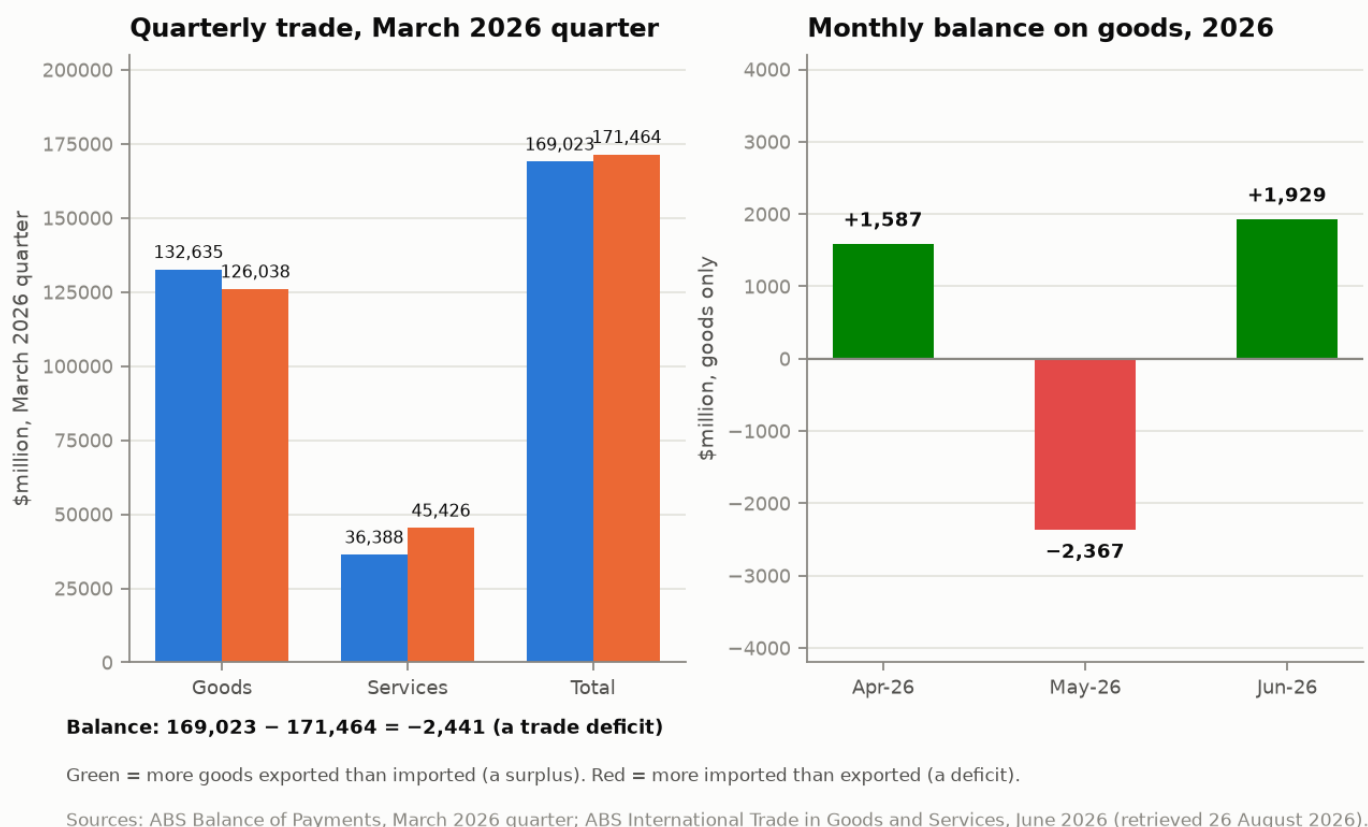
Figure 6. Inflation as measured by the CPI, quarter by quarter. The RBA aims to keep the annual movement inside the 2–3% band on average over time (sources on the figure).

What the CPI shows is whether the cost of living is rising, and how fast. The RBA watches it more closely than any other indicator, because the RBA's job is to keep inflation between 2% and 3% on average over time: low enough that households can plan, high enough to avoid prices falling (falling prices can be as harmful as fast-rising ones, because people put off buying and businesses cut prices and jobs). In the June 2026 quarter, housing costs were the fastest-rising group, up 6.8% over the year.

Balance of trade

The balance of trade is the value of Australia's exports minus the value of its imports, in goods and services. The ABS calculates it every month and every quarter from records of what crosses the border. A positive balance is called a **surplus** (we sold the world more than we bought); a negative balance is called a **deficit** (we bought more than we sold).

Australia's trade: exports, imports and the balance



Two bar charts. Left: Australia's exports and imports of goods and services in the March 2026 quarter — exports of 169,023 million dollars against imports of 171,464 million dollars, a trade deficit of 2,441 million dollars. Right: the monthly balance on goods for April, May and June 2026, positive in April and June and negative in May.

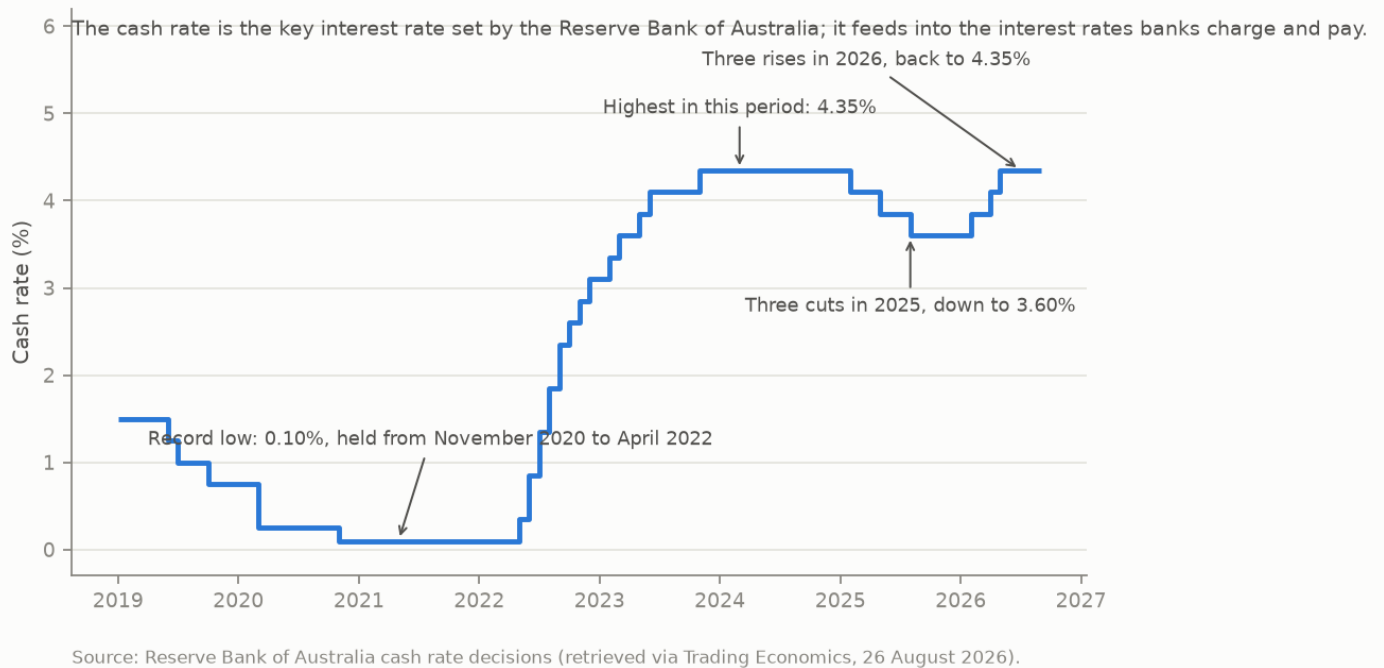
Figure 7. Australia's trade in the March 2026 quarter, and the goods balance month by month. Goods ran a surplus (we export iron ore, gas and wheat); services ran a larger deficit (we import more services than we sell) (sources on the figure).

What the balance shows is whether Australia is, on the whole, a net seller or net buyer to the rest of the world, and which of our industries are competitive. It swings with the prices we get for exports such as iron ore and gas. Two views are worth holding at once: a surplus adds to GDP and supports jobs in exporting industries, so many people cheer it; yet a deficit is not automatically bad either — if a country imports machines that make its businesses more productive, buying more than it sells for a while can be sensible, just as a household deficit (borrowing to buy a home) can be. Economists therefore ask *why* there is a surplus or deficit and for how long, rather than labelling one good and the other bad.

Interest rates

Of all interest rates in the economy, the most important is the **cash rate** — the key interest rate the Reserve Bank of Australia sets, at roughly eight board meetings a year, for very short-term loans between banks. Because banks borrow and lend around that rate, it feeds into the interest rates households and businesses actually face: on home loans, business loans and savings accounts. When the RBA raises the cash rate, borrowing costs more and saving earns more; when it cuts, the reverse.

The cash rate, January 2019 to August 2026



Step chart of the cash rate from January 2019 to August 2026: falling from 1.50 per cent to a record low of 0.10 per cent from November 2020, rising through 2022 and 2023 to 4.35 per cent, cut three times in 2025 to 3.60 per cent, then raised three times in 2026 back to 4.35 per cent.

Figure 8. The cash rate, January 2019 to August 2026. The RBA raised the rate through 2022–23 to slow price rises, cut in 2025 as inflation eased, and raised again in 2026 as inflation picked back up (sources on the figure).

What the cash rate shows is the RBA's read of the economy: raising it is a signal that inflation is the bigger worry; cutting it is a signal that weak growth and rising unemployment are the bigger worry. Rate rises also split opinion in ways you would expect, and both sides have a real case. Households with a loan feel a rise as pain — repayments go up — while savers finally earn something on deposits; and the RBA's stated reason for raising is to keep inflation inside the 2–3% band, which protects households who hold no debt at all. When you read an indicator like the cash rate, part of reading it well is noticing *whose* decisions it is trying to change.

How indicators influence economic decision-making

No indicator tells anyone what to do by itself; it changes the *odds*. Decision-makers watch several indicators together, and watch how each one is trending, before they act.

Who watches what: indicators and decisions

Four decision-makers and the indicators they pay attention to.

Households

Indicators watched: CPI, average weekly earnings, cash rate, unemployment rate

Decisions affected: how much to spend, save or borrow — and how secure a job feels

Businesses

Indicators watched: GDP, CPI, cash rate, share market

Decisions affected: whether to hire, invest and expand, and what prices to set

Australian Government

Indicators watched: GDP, unemployment rate, CPI, balance of trade

Decisions affected: how much to raise in taxes and how much to spend on services

Reserve Bank of Australia

Indicators watched: CPI, unemployment rate, GDP

Decision affected: whether to raise, cut or hold the cash rate

One indicator rarely decides anything on its own — decision-makers look at several together, and at how each changes over time.

Four cards showing, for households, businesses, the Australian Government and the RBA, which indicators each watches and which decisions those indicators feed into.

Figure 9. Who watches what. The same CPI number, for example, feeds a household's pay claim, a business's price decision, the government's budget planning and the RBA's next cash-rate call (sources on the figure).

Reading live data from the ABS (elaboration E02)

The five indicators in the next figure are exactly the ones elaboration E02 asks you to find on the ABS website. The values below were correct when this section was written; the ABS updates each of them through the year, which is the point of the exercise — your numbers should be newer than these.

Snapshot: five indicators from the ABS website

What each value was when this section was written.

Indicator	Value	Reference period	ABS release date
Population of Australia	27,801,023	at 31 December 2025	18 June 2026
CPI (annual price change)	3.8%	June 2026 quarter	29 July 2026
GDP (real growth, over the year)	+2.5%	March 2026 quarter	3 June 2026
Average weekly earnings, full-time adults	\$2,083.70	May 2026	13 August 2026
Unemployment rate	4.5%	July 2026	20 August 2026

All values from the ABS website (abs.gov.au), retrieved 26 August 2026. Check the site for the latest release of each indicator.

Table of five indicators from the ABS website — population of Australia, the CPI, GDP, average weekly earnings, unemployment — each with its value, its reference period and the ABS release date.

Figure 10. Snapshot of the five E02 indicators from abs.gov.au (sources on the figure).

To repeat the task yourself: go to **abs.gov.au**, type the indicator's name into the site's search box (for example 'population', 'consumer price index', 'gross domestic product', 'average weekly earnings', 'labour force'), open the latest release, and copy the headline number together with its reference period and release date into a table like the one above. Recording the date you looked is part of the task — indicators change, and an undated number is a number you cannot check.

Comparing regions (elaboration E03)

The ABS 'data by region' pages let you compare the same indicator across local government areas (LGAs — the areas councils govern) and across states. Figure 11 does this for two states, Victoria and Western Australia, on five indicators.

Comparing two states: Victoria and Western Australia

Five indicators side by side.

Indicator	Reference period	Victoria	Western Australia
Population	at 31 December 2025	7,121,900	3,076,500
Median personal income	2022–23 financial year	\$57,907	\$62,207
Number of employed people	July 2026	3,817,400	1,668,400
Unemployment rate	July 2026	5.1%	4.4%
New businesses, net change	year to June 2026	+19,581	+12,248

Sources: ABS population estimates, personal income by local area, Labour Force by state, and Counts of Australian Businesses — all from the ABS website (retrieved 26 August 2026).

Table comparing Victoria and Western Australia on five indicators: population at 31 December 2025, median personal income in 2022–23, number of employed people in July 2026, the unemployment rate in July 2026, and the net change in businesses in the year to June 2026.

Figure 11. Two states side by side on five indicators (sources on the figure).

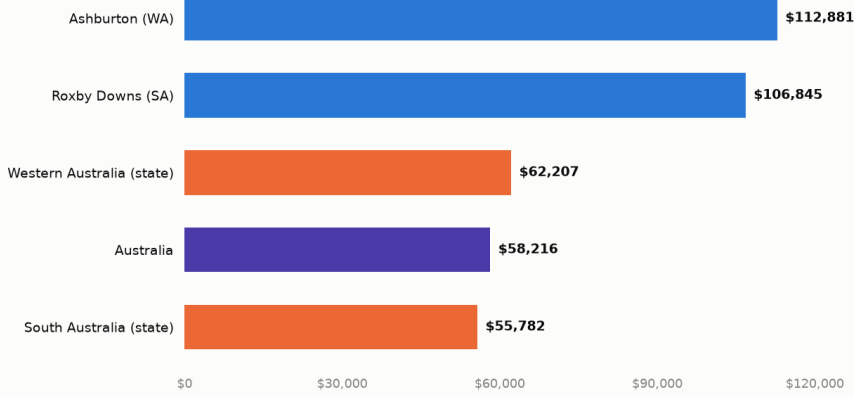
Five conclusions drawn from that table, each one stating the comparison *and* the number behind it — this is the model your own five conclusions should follow:

1. **Victoria is the bigger state by population:** 7,121,900 people against 3,076,500 — about 2.3 times as many.
2. **The typical person in WA earned more:** median personal income of \$62,207 in 2022–23 against Victoria's \$57,907, even though WA's population is far smaller.
3. **Victoria had more employed people** (3,817,400 against 1,668,400) — roughly in line with its larger population, since the share of each state's people in work was close (about 54% in each).
4. **WA's labour market was tighter in July 2026:** an unemployment rate of 4.4% against Victoria's 5.1%.
5. **WA was adding businesses faster relative to its size:** about 4.0 new businesses per 1,000 residents (12,248 ÷ 3,076.5 thousand) against Victoria's 2.8 (19,581 ÷ 7,121.9 thousand).

Figure 12 makes the same kind of comparison at LGA level, using median personal income. Ashburton (WA) and Roxby Downs (SA) had the two highest median incomes of any LGA in Australia in 2022–23 — both far above their own state's median, which invites the (checkable) observation that both are mining-centred areas where wages run high.

Median personal income by area, 2022-23 financial year

Ashburton and Roxby Downs are the two local government areas with the highest median personal income in Australia; both are shown against their state and national medians.



Source: ABS Personal Income by Small Areas, 2022-23 financial year (retrieved 26 August 2026).

Bar chart of median personal income in the 2022–23 financial year: Ashburton (WA) at \$112,881 and Roxby Downs (SA) at \$106,845, each nearly double the Western Australian median of \$62,207, the Australian median of \$58,216 and the South Australian median of \$55,782.

Figure 12. The two highest-income LGAs compared with their states and with Australia. A median is the middle value when all values are put in order, so half of each area's taxpayers earned more than the figure shown (sources on the figure).

Glossary

Key terms in this section

A quick reference card.

GDP

Gross domestic product — the total value of goods and services produced in a period

CPI

Consumer price index — tracks how the prices of a fixed basket of goods and services change

Unemployment rate

The share of the labour force without a job but looking for one, as a percent

Labour force

Everyone employed plus everyone unemployed — all people either working or looking

Cash rate

The key interest rate set by the Reserve Bank of Australia

Balance of trade

The value of exports minus the value of imports

Share market

A market where shares in companies are bought and sold

Median

The middle value when all values are put in order

Full definitions appear in the glossary at the end of the theory in this section.

Eight cards giving one-line definitions of GDP, CPI, unemployment rate, labour force, cash rate, balance of trade, share market and median.

Figure 13. Key terms in this section (sources on the figure).

Worked examples

Worked example 1 — reading the trade and price indicators

Use these ABS figures for the March 2026 quarter: exports of goods and services \$169,023 million; imports of goods and services \$171,464 million. The CPI index number was 100.0 in the September 2025 quarter and 102.03 in the June 2026 quarter.

- (a) Calculate Australia's balance of trade for the March 2026 quarter and name it.
- (b) Using the two index numbers, calculate how much the CPI basket's cost changed from the September 2025 quarter to the June 2026 quarter.

Reasoning	Comment
(a) Balance of trade = exports – imports $= 169,023 - 171,464 = -2,441$ So the balance is $-\$2,441$ million: a deficit of \$2,441 million.	The definition from the theory: what we sold minus what we bought. A negative result means imports won. 'Deficit' is the name for a negative balance; a positive one is a 'surplus'.
(b) Change = $(102.03 - 100.0) \div 100.0 \times 100 = 2.03\%$ The basket cost 2.03% more in June 2026 than three quarters earlier.	An index number is read as a percentage change from its base of 100. This is a three-quarter change; the <i>annual</i> movement quoted in the news (3.8%) compares June 2026 with June 2025 instead.

Worked example 2 — drawing conclusions from a regional table

A conclusion is a comparison plus the number that proves it. Using Figure 11, write two conclusions: one comparing the size of the two states, and one comparing how fast each state was adding businesses *relative to its population*.

Reasoning	Comment
Size: $7,121,900 \div 3,076,500 \approx 2.3$ Conclusion 1: <i>Victoria's population was about 2.3 times WA's at 31 December 2025.</i> Businesses per 1,000 residents: VIC $19,581 \div 7,121.9 \approx 2.8$; WA $12,248 \div 3,076.5 \approx 4.0$ Conclusion 2: <i>Relative to population, WA added businesses faster than Victoria (about 4.0 per 1,000 residents against 2.8).</i>	Divide the bigger by the smaller to say 'how many times'. The conclusion states the comparison and carries its number. Raw totals would mislead here — Victoria's bigger total just reflects its bigger population. Dividing by population is what makes the two states comparable.

Practice questions

Scaffolded

Q1. Sort each of these purchases into the GDP categories C, I, G or X – M: (i) a family buys a weekly shop; (ii) a bakery buys a new oven; (iii) a Victorian school pays a teacher's wage; (iv) a student in India pays fees to an Australian university; (v) you buy a phone made overseas. *Scaffold: use the four boxes in Figure 2; for (iv), think about who the spending comes from.*

Q2. Figure 3 shows real GDP growth over the year to each quarter. (a) Which quarter showed the fastest year-on-year growth, and what was it? (b) By how much did real GDP grow in the March 2026 quarter alone? *Scaffold: read the bar labels; part (b) is in the figure's subtitle.*

Q3. Figure 6 shows the annual movement in the CPI with the RBA's 2–3% band shaded. (a) Name one quarter in which the CPI sat inside the band and one quarter in which it sat above it. (b) Which group of prices rose fastest over the year to June 2026, and by how much? *Scaffold: inside means between 2% and 3%.*

Q4. A hypothetical town (not a real place) has a labour force of 2,000 people, of whom 100 have no job, could start work and have been looking for one. Calculate the town's unemployment rate. *Scaffold: use the formula in Figure 5 — and note that the 2,000 is the labour force already, so no one else is counted.*

Q5. Using Figure 8: (a) what was the cash rate from November 2020 to April 2022? (b) how many times did the RBA cut the rate in 2025? (c) which way did the rate move overall in 2026? *Scaffold: count the downward steps in 2025 and the upward steps in 2026.*

Q6. The S&P ASX 200 closed at 7,123 on 20 February 2020 and at 4,546 on 23 March 2020. Calculate the percentage fall, to the nearest whole percent. *Scaffold: $\text{fall} \div \text{starting value} \times 100$.*

Unscaffolded

Q7. A friend reads Figure 5 and says, 'The unemployment rate is 4.5%, so 4.5% of all Australians have no job.' Explain precisely why that reading is wrong.

Q8. Using the monthly goods balances in Figure 7 (+\$1,587 million in April, −\$2,367 million in May, +\$1,929 million in June), calculate the combined goods balance for those three months and say whether goods trade was in surplus or deficit over that stretch.

Q9. Over the year to May 2026, average weekly earnings for full-time adults rose 3.7%, while prices rose 3.8% over the year to June 2026. What does comparing those two indicators suggest happened to what a typical full-time worker's pay could buy?

Q10. Figure 12 shows Ashburton (WA) with a median personal income of \$112,881 against the WA median of \$62,207. (a) About how many times the state median is Ashburton's median? (b) Give one plausible reason an LGA's median income can sit far above its state's, and one reason a single year's median might not tell the whole story of an area.

Inquiry task — your own ABS data check (E02 and E03)

1. Visit **abs.gov.au** and find, and record in a table, today's values for five indicators: population, the CPI (annual movement), GDP (growth over the year), average weekly earnings, and the unemployment rate. For each, record the value, the reference period, the release date, and the date you looked.
 2. On the ABS **data by region** pages, choose **two local government areas and two states** (you may keep Victoria and WA from Figure 11 or pick your own). Present, in one table, at least four indicators for each place — for example population, median income, jobs and businesses.
 3. Beneath the table, write **five conclusions** drawn from the data, each in the form of the numbered conclusions under Figure 11: a stated comparison plus the number behind it. At least one conclusion must compare per-person or per-1,000-resident figures rather than raw totals.
-

Answers

Q1. (i) C (ii) I (iii) G (iv) X — an export of services (v) M — an import of goods.

Q2. (a) The December 2025 quarter, 2.6%. (b) 0.3%.

Q3. (a) Any correct pair, e.g. inside: September 2024 (2.9%); above: March 2026 (4.6%). (b) Housing, up 6.8% over the year.

Q4. $(100 \div 2,000) \times 100 = 5\%$.

Q5. (a) 0.10%. (b) Three cuts (to 4.10%, 3.85%, then 3.60%). (c) Up — three rises, back to 4.35%.

Q6. $(7,123 - 4,546) \div 7,123 \times 100 \approx 36\%$ fall.

Q7–Q10. See fully-worked solutions.

Fully-worked solutions

Q1. (i) The weekly shop is household spending on goods — **C**. (ii) The oven is business spending on a machine that helps the bakery produce — **I**. (iii) A teacher's wage is government spending on a service — **G**. (iv) The fees are spending by an overseas resident on an Australian service (education) — an **export, X**. (v) The phone is an imported good — **M**; it enters the formula with a minus sign, which is why imports are subtracted: the phone was bought by a household (C) but not produced in Australia, so $X - M$ removes it from Australian production.

Q2. (a) The December 2025 quarter, at 2.6% over the year. (b) Real GDP grew 0.3% in the March 2026 quarter alone.

Q3. (a) Inside the band: for example the September 2024 quarter (2.9%) or the December 2024 and March 2025 quarters (2.4%); above the band: for example the March 2026 quarter (4.6%) or the June 2026 quarter (3.8%). (b) Housing, rising 6.8% over the year to the June 2026 quarter — the largest rise of any group.

Q4. unemployment rate = $(\text{unemployed} \div \text{labour force}) \times 100 = (100 \div 2,000) \times 100 = 5\%$. The trap the question removes: the 2,000 is already the labour force, so children, retirees and people not looking for work play no part.

Q5. (a) 0.10% — the record low, held from November 2020 to April 2022. (b) Three cuts in 2025: February (to 4.10%), May (to 3.85%) and August (to 3.60%). (c) Up: three rises in 2026 (February, April, May) returned the rate to 4.35%.

Q6. Fall = $7,123 - 4,546 = 2,577$ points. $2,577 \div 7,123 \times 100 = 36.2\%$, i.e. about a **36% fall** in those five weeks — as labelled on Figure 4.

Q7. The rate's denominator is the labour force — people with a job plus people without one but looking — not the whole population. Australia's labour force in mid-2026 was about 15.5 million people, while the population was 27.8 million; the roughly 12 million Australians outside the labour force (children, retirees, people not looking for work) are never counted in the rate. So 4.5% means 4.5% of the labour force had no job but was looking — a much smaller share of all Australians.

Q8. $+1,587 + (-2,367) + 1,929 = +1,149$ million dollars, a **surplus** on goods over those three months: despite May's deficit, goods exported outweighed goods imported across the stretch as a whole. (The quarterly figure in Figure 7's left panel also includes services, which ran a deficit.)

Q9. Pay rose 3.7% while prices rose 3.8%, so a typical full-time worker's pay was buying very slightly *less* than a year earlier — real wages fell a touch. The comparison is the point of having both indicators: earnings alone would say the worker is better off; earnings beside the CPI says they are, at best, standing still.

Q10. (a) $112,881 \div 62,207 \approx 1.8$ — about **1.8 times** the state median (Roxby Downs, at $106,845 \div 55,782 \approx 1.9$, is similar against SA). (b) A plausible reason: an LGA built around high-wage industries such as mining employs a large share of its residents at those wages, lifting the middle of the distribution. A reason one year's median is not the whole story: a median says nothing about how incomes are spread inside the area, and mining-centred areas' incomes can swing with commodity prices and shift with fly-in workforces, so a different year could look quite different.

Inquiry task. No single answer is expected; check your work against the model conclusions under Figure 11. A strong response records dated values for all five E02 indicators; presents one clean table covering two LGAs and two states on at least four indicators; and states five conclusions that each name the places compared, the direction of the difference, and the number behind it — with at least one conclusion using per-person or per-1,000-resident figures so that big and small places are compared on equal terms.

All ABS figures in this section were retrieved from abs.gov.au on 26 August 2026 (National Accounts, Consumer Price Index, Labour Force, Balance of Payments and International Trade, population estimates, personal income by local area, and Counts of Australian Businesses); the cash rate and S&P ASX 200 values were retrieved via Trading Economics, which draws on RBA and ASX data, on the same date. When you repeat the ABS tasks yourself, record your own retrieval date beside each value.

Australia's trade with the world: patterns, gains and costs of globalisation

Victorian Curriculum 2.0, Levels 9–10 Economics and Business — content descriptor **VC2HE10K04**. Elaborations **.E01, .E02, .E03, .E04**.

Theory

Trade between countries. When an Australian business sells something to a buyer overseas, that sale is an **export**; when an Australian buyer buys something from overseas, that purchase is an **import**. Traded items are either **goods** (things you can touch — iron ore, beef, cars, computers) or **services** (things done for someone — education, travel, freight, advice). In the financial year 2024–25 Australia exported A\$646.6 billion and imported A\$629.9 billion of goods and services. The **balance of trade** is exports minus imports. In 2024–25 that balance was positive by about A\$16.7 billion, a **trade surplus**; a **trade deficit** is the opposite case, when imports are worth more than exports. Total two-way trade (exports plus imports) was about A\$1,276 billion — a large share of Australia's yearly income. (These totals come from the Australian Government's Department of Foreign Affairs and Trade, DFAT, retrieved 26 August 2026.)

Globalisation. The Victorian Curriculum 2.0 uses the term *globalisation* but does not define it. This section therefore treats it as the growing web of economic links between countries — more trade in goods and services, more money invested across borders, more movement of people and ideas — and every question here is answerable on that reading alone. Other definitions exist and are not always interchangeable with this one.

The exchange rate. Currencies trade at a price, the **exchange rate**: the amount of one currency that buys one unit of another. This section quotes the AUD/USD rate, the US dollars one Australian dollar buys. The Australian dollar has floated (its rate set by buyers and sellers, not fixed by government) since 1983, so the rate moves every trading day.

The Australian dollar against the US dollar, January 1999 to August 2026



Source: RBA Statistical Table F11.1 (FXRUSD), monthly averages computed by ClassBasics; retrieved 26 August 2026.

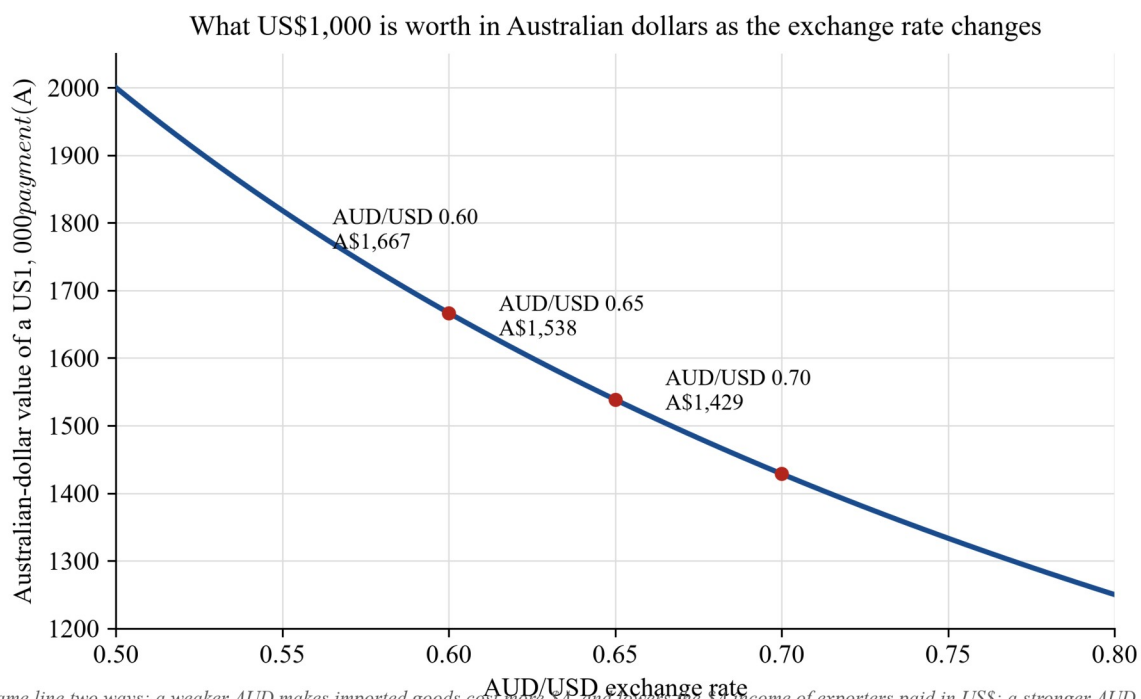
Line graph of the AUD/USD monthly average from January 1999 to August 2026, marking the low of US\$0.50 in April 2001, the high of US\$1.08 in July 2011, the sharp 2008–09 global financial crisis fall, the March 2020 pandemic dip, and the parity line at US\$1.00.

Figure 1. The Australian dollar against the US dollar, monthly averages.

Figure 1 shows how much the rate can move. The monthly average ran from a low of US\$0.50 (April 2001) to a high of US\$1.08 (July 2011, above **parity**, the one-for-one rate). During the 2008–09 **global financial crisis** (GFC) it fell from US\$0.96 (July 2008) to US\$0.65 (February 2009) in seven months. When the rate rises the Australian dollar is **stronger** (each A\$ buys more US\$); when it falls the dollar is **weaker**.

What a change in the rate does. Suppose an Australian business must pay, or is paid, in US dollars. Converting at a weaker rate gives fewer Australian dollars per US dollar, so:

- a **weaker** AUD makes imports cost more in Australian dollars, and makes Australian exports cheaper for foreign buyers;
- a **stronger** AUD makes imports cheaper in Australian dollars, and lowers the Australian-dollar income of exporters paid in foreign money.



Read the same line two ways: a weaker AUD makes imported goods cost more \$A, and lowers the \$A income of exporters paid in US\$; a stronger AUD does the opposite.

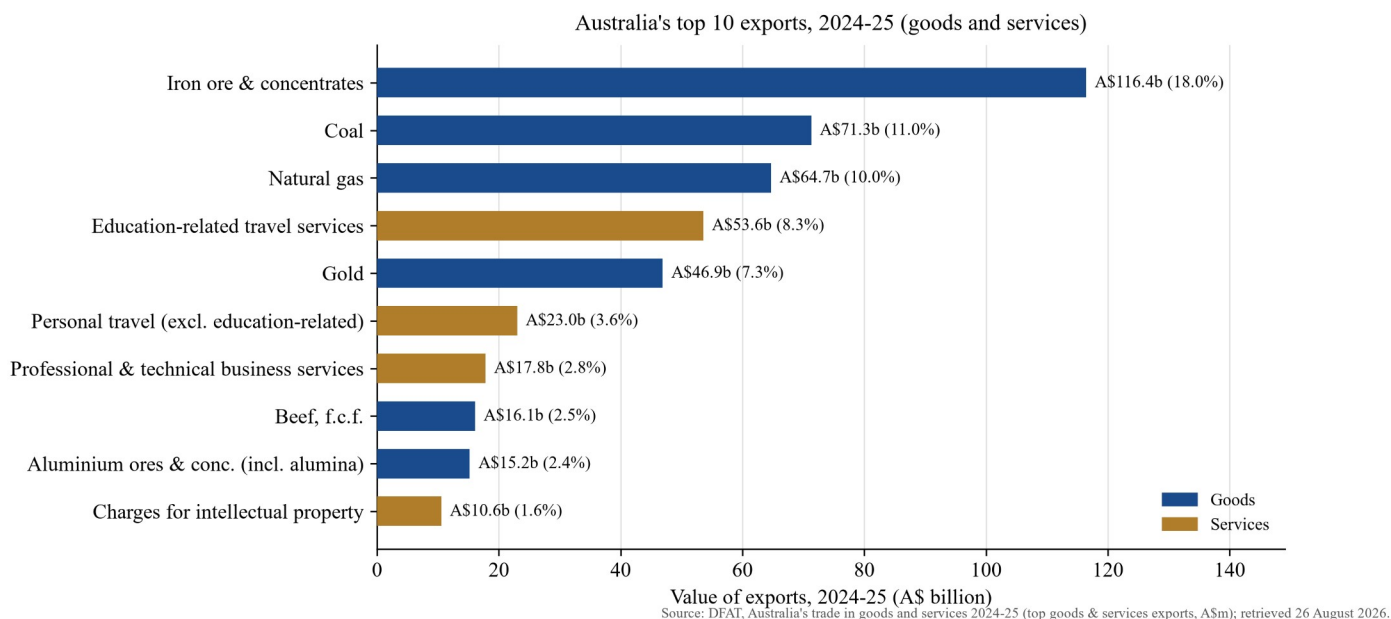
Line graph showing that the Australian-dollar value of a US\$1,000 payment falls as the AUD/USD rate rises, with points marked at rates 0.60, 0.65 and 0.70.

Figure 2. The Australian-dollar value of US\$1,000 at different exchange rates.

Figure 2 shows the same payment read two ways. US\$1,000 is worth A\$1,667 when the rate is 0.60 but only A\$1,429 when the rate is 0.70 — so a buyer of imported goods priced in US dollars pays less at 0.70, while an Australian exporter receiving US dollars earns less at 0.70. One rate change is a gain for one side and a cost for the other.

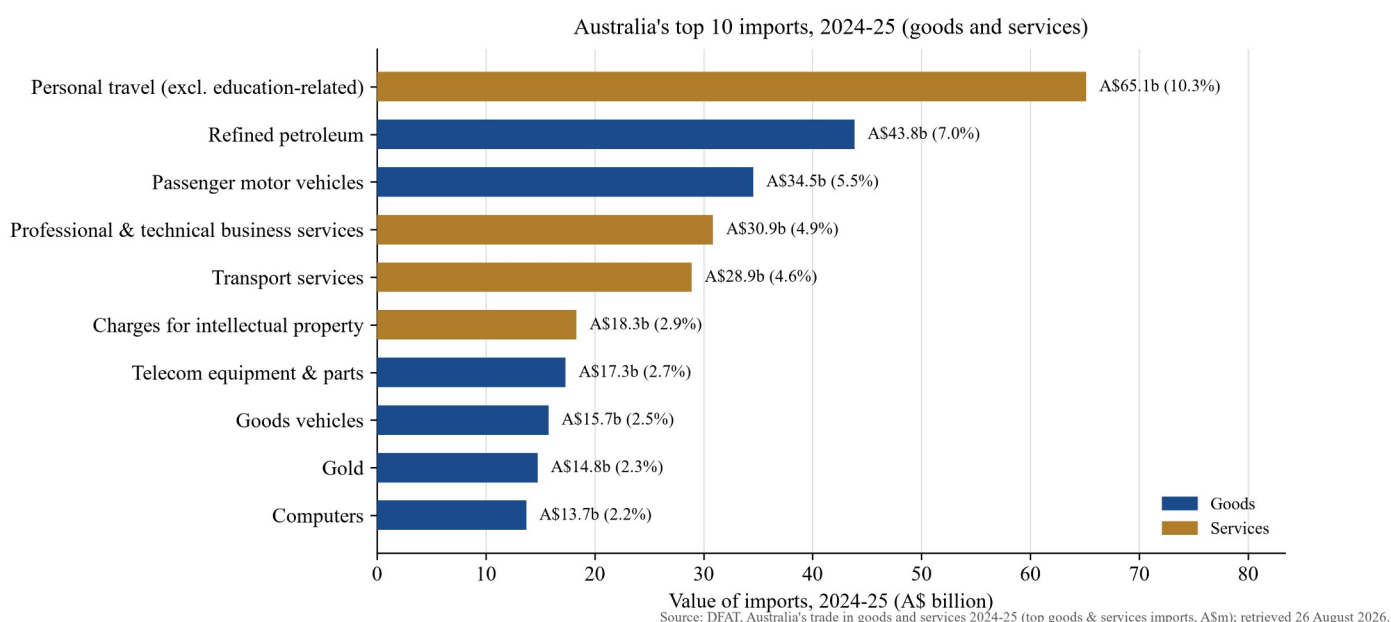
One country's conditions reach others. Because trade links economies, economic conditions inside one country affect other nations. China's long growth boom pulled in Australian resources: as Figure 7 below shows, Australia's goods exports to China rose from A\$22.8 billion in 2006–07 to A\$170.4 billion in 2024–25, and Chinese demand conditions help set Australian export incomes. In 2024–25 the value of Australia's iron ore exports fell 15.5% and coal exports fell 22.0%, mostly as world prices for these goods softened — a change driven overseas, felt in Australia. The GFC worked the same way in reverse: financial trouble that began in the United States cut trade and growth around the world and pushed the Australian dollar down (Figure 1).

What Australia sells and buys. The **composition** of trade is what kinds of items make it up.



Horizontal bar chart of Australia's ten largest exports in 2024–25, coloured by goods or services: iron ore A\$116.4 billion, coal A\$71.3 billion, natural gas A\$64.7 billion, education-related travel A\$53.6 billion, gold A\$46.9 billion, then personal travel, professional services, beef, aluminium ores and intellectual property charges.

Figure 3. Australia's top ten exports, 2024–25.

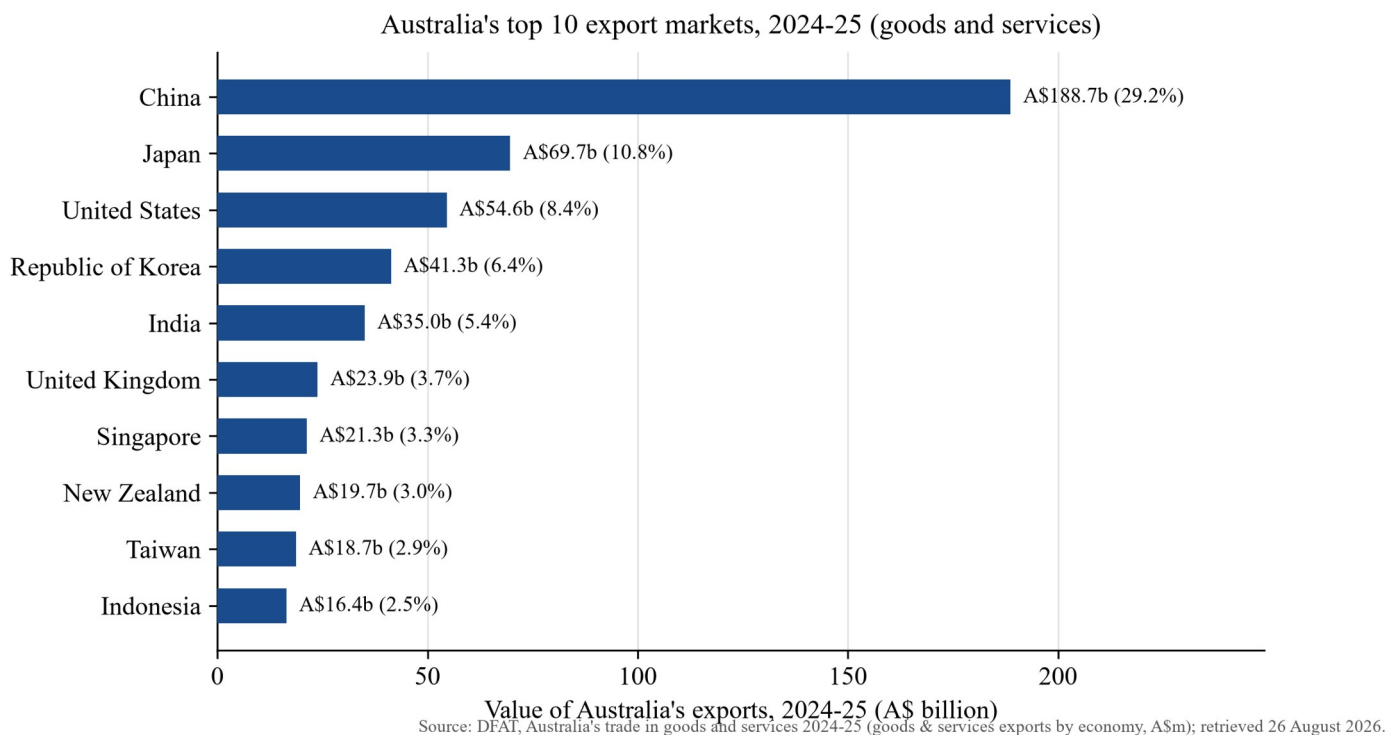


Horizontal bar chart of Australia's ten largest imports in 2024–25, coloured by goods or services: personal travel A\$65.1 billion, refined petroleum A\$43.8 billion, passenger motor vehicles A\$34.5 billion, professional services A\$30.9 billion, transport services A\$28.9 billion, then intellectual property charges, phone and internet equipment, goods vehicles, gold and computers.

Figure 4. Australia's top ten imports, 2024–25.

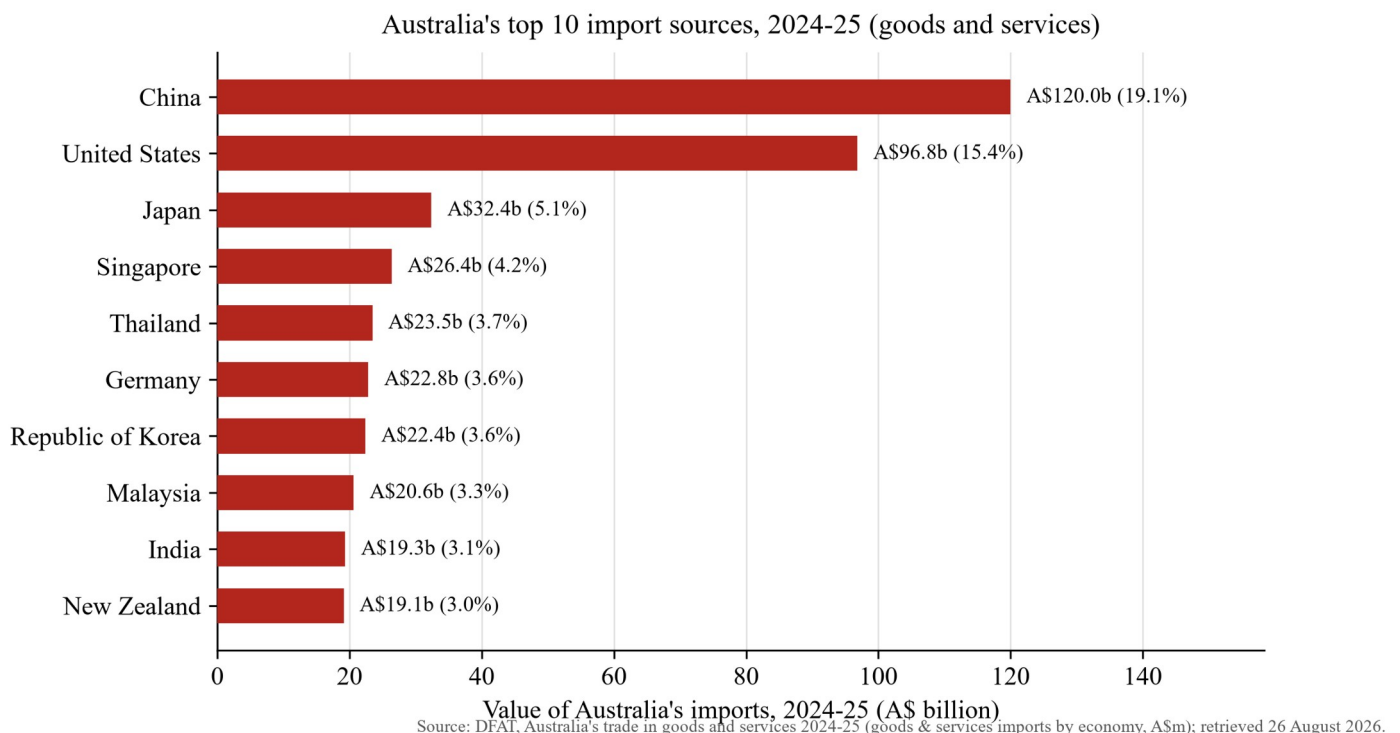
On the export side (Figure 3), resources lead: iron ore, coal and natural gas are the top three. The fourth-largest export is a service — **education-related travel**, the money international students spend in Australia, which counts as an Australian service export. On the import side (Figure 4), Australia buys what it no longer makes itself: passenger motor vehicles have been entirely imported since the last Australian car factory closed in 2017, and **refined petroleum** (petrol and diesel) is a top import even though Australia exports crude oil and gas.

Where trade goes. The **direction** of trade is which countries and regions it flows to and from.



Horizontal bar chart of Australia's ten largest export markets in 2024–25: China A\$188.7 billion (29.2% of total), Japan A\$69.7 billion, United States A\$54.6 billion, Republic of Korea A\$41.3 billion, India A\$35.0 billion, United Kingdom, Singapore, New Zealand, Taiwan and Indonesia.

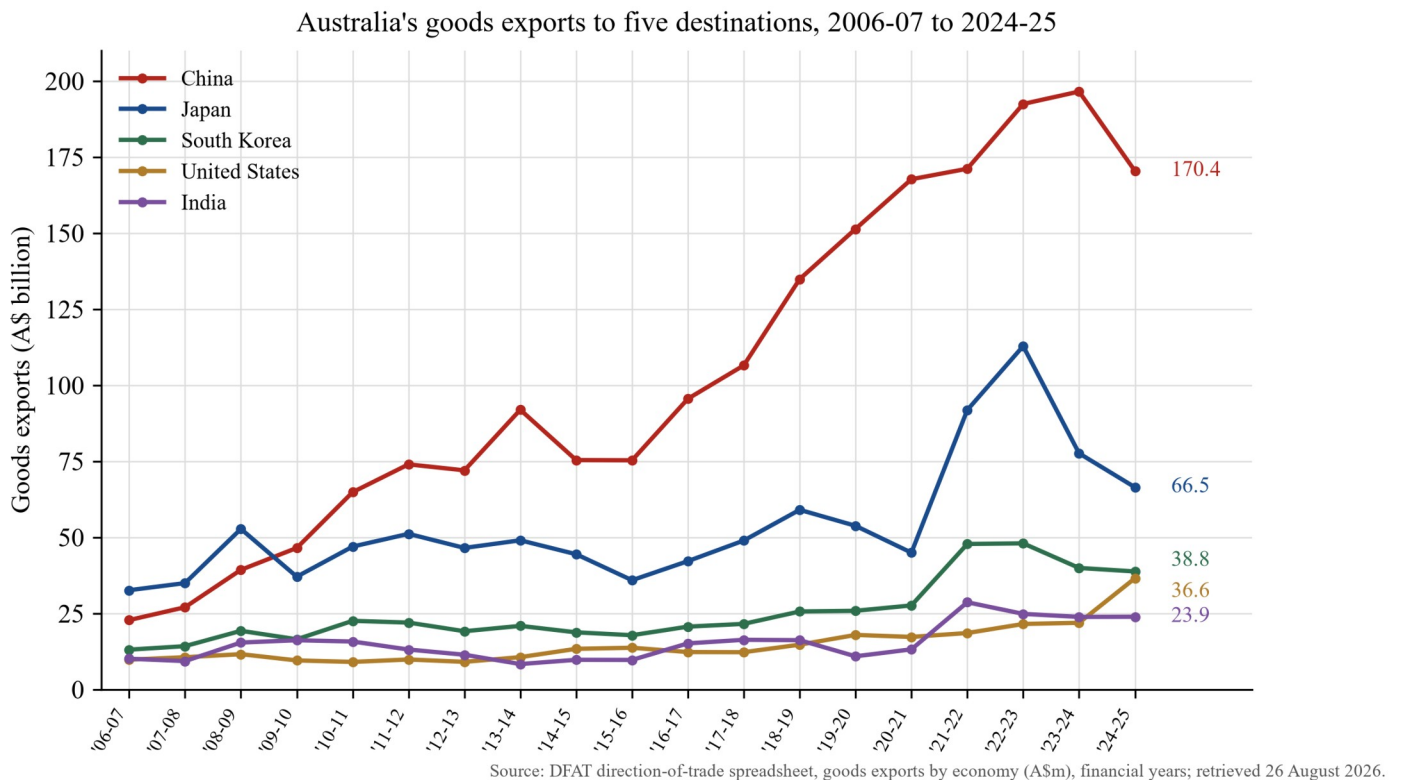
Figure 5. Australia's top ten export markets, 2024–25.



Horizontal bar chart of Australia's ten largest import sources in 2024–25: China A\$120.0 billion (19.1% of total), United States A\$96.8 billion, Japan A\$32.4 billion, Singapore, Thailand, Germany, Republic of Korea, Malaysia, India and New Zealand.

Figure 6. Australia's top ten import sources, 2024–25.

Seven of the ten export markets in Figure 5 are in Asia, as are seven of the ten import sources in Figure 6. Asia's share of Australia's total two-way trade rose from 54.5% in 2006–07 to a peak of 69.7% in 2021–22, before easing to 64.0% in 2024–25 (Figure 8) — in that year, two-way trade with Asia was worth A\$817.6 billion.



Line graph of Australia's goods exports to China, Japan, South Korea, the United States and India from 2006–07 to 2024–25, showing China growing from A\$22.8 billion to A\$170.4 billion and overtaking Japan, which grew more slowly from A\$32.6 billion to A\$66.5 billion.

Figure 7. Australia's goods exports to five destinations, 2006–07 to 2024–25.

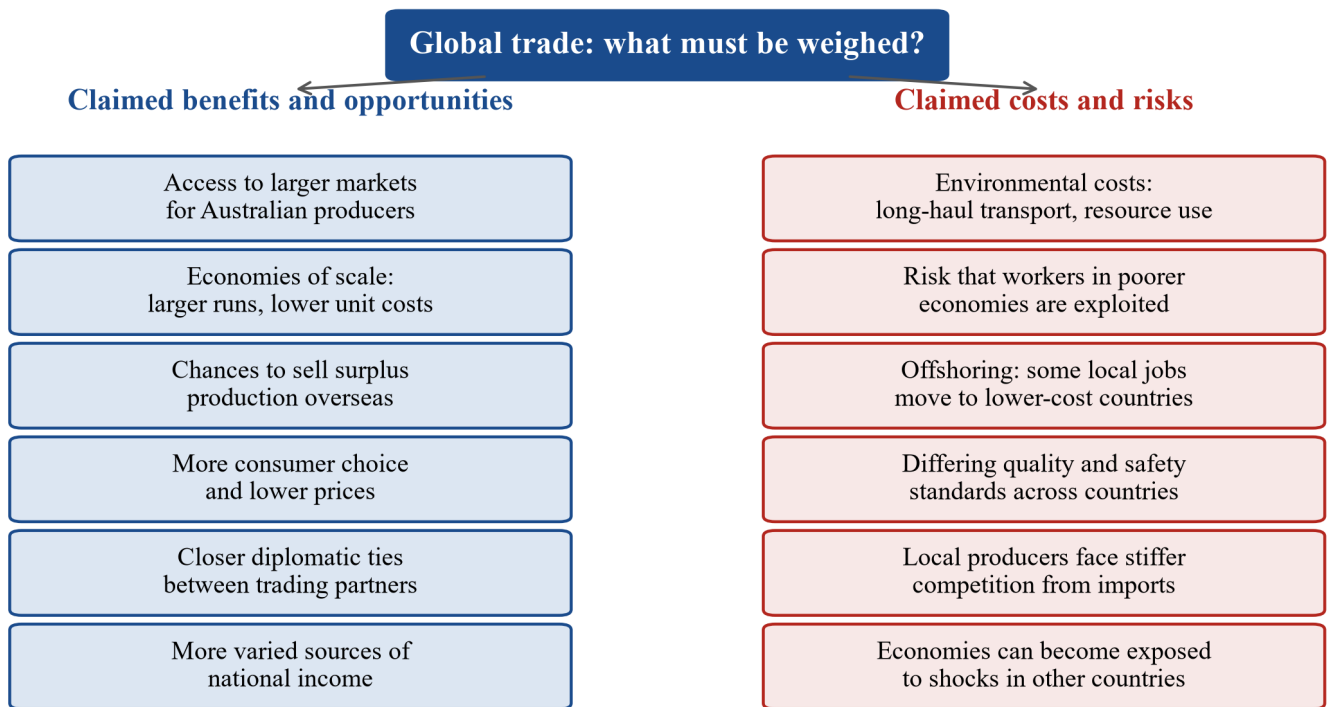


Combined chart for 2006–07 to 2024–25: pale bars show two-way trade with Asia growing from about A\$250 billion to about A\$818 billion, and a line shows Asia's share of Australia's total two-way trade rising from 54.5% to a peak of 69.7% in 2021–22, then easing to 64.0%.

Figure 8. Australia's trade with Asia: value and share.

Figure 7 shows the direction of trade *changing*, not just lying in one place. In 2006–07 Japan was Australia's largest goods market; China's faster growth made it the largest by 2009–10, and by 2024–25 goods exports to China were about two and a half times Japan's. Trade with the United States also grew quickly in the most recent years. Part of the explanation for all this growth is rules as well as demand: Australia currently has 19 trade agreements in force, including long-standing ones with New Zealand and the United States and large regional agreements such as the CPTPP and RCEP, which cut tariffs and other barriers between member countries (DFAT list of agreements in force, retrieved 26 August 2026).

Costs and benefits of globalisation. Reasonable, well-informed people disagree about the balance sheet of global trade, so the honest first step is to state each side at its strongest.



Reasonable arguments exist on both sides; economists measure each claim case by case rather than settling the question once and for all.

Two-column organiser titled “Global trade: what must be weighed?” with six claimed benefits on the left (access to larger markets, economies of scale, chances to sell surplus output, more consumer choice and lower prices, closer diplomatic ties, more varied sources of national income) and six claimed costs and risks on the right (environmental costs of transport and resource use, risk that workers in poorer economies are exploited, offshoring of some local jobs, differing quality and safety standards, stiffer competition for local producers, exposure to shocks from other countries).

Figure 9. Global trade: claimed benefits against claimed costs and risks.

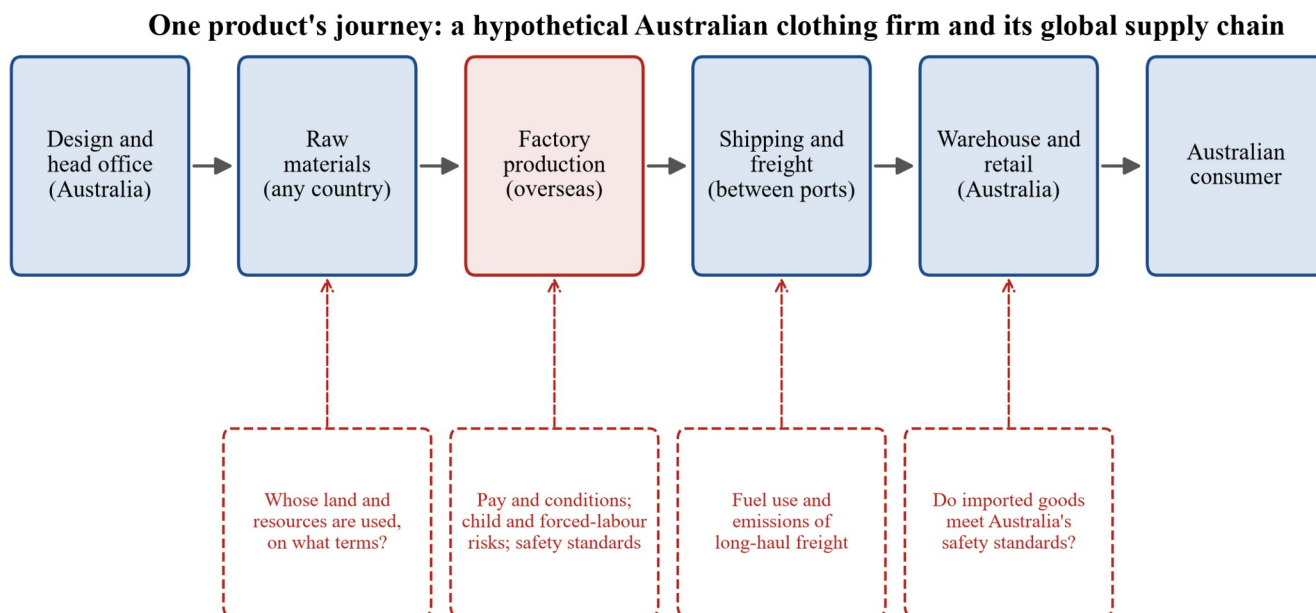
The case **for** trade, at its strongest: access to larger markets lets producers sell beyond a home market of about 27 million people; large output brings **economies of scale** (lower cost per unit when production runs are bigger); surplus output that Australia cannot use finds buyers overseas; competition and scale give consumers more choice and lower prices; trading partners have a reason to keep good **diplomatic** (government-to- government) relationships; and income drawn from many countries diversifies national income, so one weak market does not sink the whole economy.

The case **against**, at its strongest: shipping goods around the world burns fuel and adds to pollution and resource use; in some poorer economies, export factory and farm work has paid very low wages in unsafe conditions, and trade can reward that **exploitation; offshoring** — a business moving part of its operations, and the jobs with it, to a lower-cost country — can cost Australian workers their jobs even when it lowers prices; countries set different quality and safety

standards, so goods and work practices legal somewhere else may not meet Australian expectations; local producers face sharper competition from imports; and linked economies can import each other's shocks, as the GFC showed.

This book does not take a side in that argument: the questions are live ones, and economists measure each claim case by case. What is not in doubt is that the claims on both sides describe real mechanisms, and citizens end up weighing them at the ballot box and the checkout.

Ethical questions in the supply chain. A **supply chain** is the full journey of a product, from raw material to buyer. When the chain crosses borders, the ethical questions travel with it.



Hypothetical example. Dashed boxes mark the points in the chain where ethical and standards questions can arise.

Flow diagram of a hypothetical Australian clothing firm's supply chain — design and head office in Australia, raw materials from any country, factory production overseas, shipping between ports, warehouse and retail in Australia, Australian consumer — with dashed boxes under four stages asking: whose land and resources are used and on what terms; pay, conditions, child- and forced-labour risks and safety standards at the factory; fuel use and emissions of long-haul freight; and whether imported goods meet Australia's safety standards.

Figure 10. One product's journey: where the ethical questions sit (hypothetical example).

Figure 10 marks where the ethical questions sit. **Offshoring** production to a lower-cost country may lower prices and build incomes in a poorer economy, yet the same decision can expose workers to pay and conditions Australians would reject, and can end Australian jobs at home — both effects are part of an honest assessment. Different quality and safety standards are a second question: within Australia, imported consumer goods must meet mandatory product-safety rules enforced under the Australian Consumer Law by the Australian Competition and Consumer Commission (ACCC), but the conditions under which goods were made overseas are not always visible at the checkout. A third question is environmental: long-haul freight uses fuel and adds emissions that a locally-made good may avoid. Buyers, businesses and governments each answer these questions differently, and part of studying economics is understanding the trade-offs each answer involves.

Worked examples

Example 1 — scaffolded

A hypothetical Melbourne bike shop imports parts priced at US\$5,000. Use the RBA monthly-average AUD/USD rate for March 2020 (US\$0.62) and for August 2026 (US\$0.71) to find the Australian-dollar cost of the parts at each date, and the change between them.

Working	Comment
Cost in A\$ = US\$5,000 ÷ 0.62 = A\$8,064.52	Divide the US\$ price by the AUD/USD rate to convert to A. $Cost\ in\ A = US\$5,000 \div 0.71 = A\$7,042.25$
Change: 8,064.52 – 7,042.25 = A\$1,022.27 cheaper	The stronger AUD of August 2026 cut the shop's cost.

The shop is an importer, so a stronger Australian dollar works in its favour.

Example 2 — scaffolded

A hypothetical Australian wheat exporter sells a shipment for US\$250,000, paid in US dollars. Find the Australian-dollar income at the March 2020 rate (US\$0.62) and the August 2026 rate (US\$0.71), and describe the effect of the stronger dollar.

Working	Comment
Income in A\$ = US\$250,000 ÷ 0.62 = A\$403,225.81	The exporter earns A\$ by converting the US\$ receipt.
Income in A\$ = US\$250,000 ÷ 0.71 = A\$352,112.68	Same US\$ price, stronger AUD.
Change: 403,225.81 – 352,112.68 = A\$51,113.13 less	The stronger AUD cut the exporter's A\$ income.

The same rate change that helped the importer in Example 1 hurt this exporter: one movement, opposite effects on the two sides of trade.

Example 3 — unscaffolded

Read Figure 1. State the lowest and highest monthly-average AUD/USD rates shown, and say which of (i) an Australian importer of US goods and (ii) an Australian exporter paid in US\$ would have preferred April 2001.

The lowest monthly average shown is US\$0.50 (April 2001) and the highest is US\$1.08 (July 2011). At US\$0.50 the AUD was very weak, so US\$1,000 of imports cost A\$2,000 — the importer would not have preferred it. The exporter, converting US\$ income at 0.50, received A\$2 for every US\$1 — the exporter would have preferred April 2001.

Example 4 — unscaffolded

Using DFAT's totals for 2024–25 (goods and services exports A\$646,580 million; imports A\$629,886 million), calculate Australia's balance of trade and say whether it is a surplus or a deficit.

Balance of trade = exports – imports = 646,580 – 629,886 = A\$16,694 million, about A\$16.7 billion. Exports exceed imports, so 2024–25 was a trade **surplus**.

Practice questions

Scaffolded

Q1. Use Figure 3. (a) Name Australia's three largest exports in 2024–25 and state whether each is a good or a service. (b) Which service appears fourth on the list, and what is its value? (c) Add the three largest shares shown and state what percentage of total exports the top three items made up.

Q2. Use Figures 5 and 6. (a) State Australia's largest export market and its share of total exports. (b) Count how many of the ten export markets are in Asia. (c) State Australia's largest import source and its share of total imports.

Q3. Use Figure 1. (a) State the exchange rate shown for April 2001 and for July 2011. (b) At which of those two dates was the Australian dollar stronger? (c) Define *parity* as used with the figure.

Q4. An Australian student's family buys a laptop priced at US\$2,600. If the AUD/USD rate is 0.65, what is the cost in Australian dollars?

Q5. Use Figure 9. (a) List two claimed benefits of global trade. (b) List two claimed costs or risks. (c) Which claimed cost names the risk to people rather than to prices or the environment?

Q6. Use Figure 10. (a) Define *offshoring*. (b) Name two of the ethical questions the figure attaches to the factory stage of the chain.

Unscaffolded

Q7. Explain, with one numerical example of your own choosing, why a stronger Australian dollar is good news for importers and bad news for exporters paid in US dollars.

Q8. Use Figure 7 to describe two ways the direction of Australia's goods exports changed between 2006–07 and 2024–25.

Q9. “Global trade makes Australians better off.” Give the strongest argument you can for this claim and the strongest argument against it, then say which single fact from this section supports each side.

Q10. “When one country's economy booms or slumps, its trading partners feel it.” Explain this using Australia's iron ore trade and one of its Asian customers.

Q11. Inquiry and argument. The table below shows the value of Australia's goods and services exports to four markets in 2023–24 and 2024–25 (DFAT, retrieved 26 August 2026).

Market	2023–24 (A m)	2024–25 (A m)
China	212,420	188,702
United States	37,882	54,561
United Kingdom	15,147	23,874
India	34,297	35,027

- (a) Total Australian exports were A\$659,863 million in 2023–24 and A\$646,580 million in 2024–25. Calculate China's share of the total in each year (to one decimal place).
- (b) Describe what happened to exports to each of the four markets between the two years. (c) Evaluate the claim: “Australia's exports are becoming less concentrated in one market.” Use your figures from (a) and (b) as evidence, and give one reason a critic could still disagree with the claim.

Answers

Q1. (a) Iron ore (good), coal (good), natural gas (good). (b) Education-related travel services, A\$53.6 billion (A\$53,571 million). (c) $18.0 + 11.0 + 10.0 = 39.0\%$. **Q2.** (a) China, 29.2%. (b) Seven (China, Japan, Republic of Korea, India, Singapore, Taiwan, Indonesia). (c) China, 19.1%. **Q3.** (a) US\$0.50 (April 2001); US\$1.08 (July 2011). (b) July 2011. (c) Parity is the one-for-one rate, US\$1.00 per A\$1. **Q4.** $2,600 \div 0.65 = \text{A\$}4,000$. **Q5.** (a) Any two of: access to larger markets; economies of scale; selling surplus output; more choice and lower prices; closer diplomatic ties; diversified national income. (b) Any two of: environmental costs; exploitation of workers in poorer economies; offshoring of local jobs; differing standards; import competition; exposure to overseas shocks. (c) The exploitation of workers in poorer economies. **Q6.** (a) Offshoring is a business moving part of its operations, and the jobs with it, to another (usually lower-cost) country. (b) Any two of: pay and conditions; child- and forced-labour risks; safety standards at the factory. **Q7.** Any correct pair of conversions. Example: at 0.60, US\$1,000 is A\$1,666.67; at 0.70, A\$1,428.57 — imports cheaper, export income lower. **Q8.** Any two of: China passed Japan as the largest market (Japan led in 2006–07); goods exports to China grew to about seven times their 2006–07 value (A\$22.8b to A\$170.4b); the United States grew from A\$9.8b to A\$36.6b, passing India and closing on Korea by 2024–25; every listed destination grew in value even as shares shifted. **Q9.** For: e.g. larger markets and lower prices — supported by Figures 3–5 (export income and cheap imports). Against: e.g. exposure to overseas shocks or worker exploitation — supported by the 2008–09 fall in Figure 1 or the ethical questions in Figure 10. Answers will vary; both sides must be stated at full strength. **Q10.** Strong Chinese demand for steel lifts Australian iron ore export income and jobs; a slowdown in Chinese construction (as in 2024–25, when iron ore export value fell 15.5%) cuts that income — conditions inside China change incomes in Australia. **Q11.** (a) 2023–24: $212,420 \div 659,863 = 32.2\%$; 2024–25: $188,702 \div 646,580 = 29.2\%$. (b) China fell 11.2%; the United States rose 44.0%; the United Kingdom rose 57.6%; India rose 2.1%. (c) The share of the largest market fell from 32.2% to 29.2% while other markets grew fast, so concentration eased — but a critic notes China still took 29.2%, nearly three times the next-largest market, so dependence remains large.

Fully-worked solutions

Q1. (a) Reading the top three bars of Figure 3: iron ore, coal and natural gas, all goods. (b) The fourth bar is education-related travel services, A\$53,571 million $\approx$ A\$53.6 billion — the spending of international students in Australia, counted as a service export. (c) Shares shown: $18.0\% + 11.0\% + 10.0\% = 39.0\%$, so the top three exports made up 39.0% of total exports.

Q2. (a) Figure 5: China, at A\$188.7 billion, 29.2% of total exports. (b) Asia: China, Japan, Republic of Korea, India, Singapore, Taiwan, Indonesia — seven of ten. (c) Figure 6: China, at A\$120.0 billion, 19.1% of total imports.

Q3. (a) April 2001: US\$0.50; July 2011: US\$1.08. (b) July 2011 — US\$1.08 per A\$1 is a stronger Australian dollar than US\$0.50. (c) Parity is the one-for-one rate, US\$1.00 = A\$1.00; above it the A\$ buys more than one US dollar.

Q4. Cost in A\$ = $\text{US\$}2,600 \div 0.65 = \text{A\$}4,000.00$.

Q5. (a)–(b) as in Answers. (c) The exploitation of workers in poorer economies is the claim about harm to people; the environmental claim is about the planet and the offshoring claim also touches Australian workers, but the figure's developing-economy worker risk is the one named in the elaboration.

Q6. (a) Offshoring: moving part of a business's operations, and the jobs with it, to another, usually lower-cost, country. (b) The factory box in Figure 10 lists pay and conditions, child- and forced-labour risks, and safety standards; any two.

Q7. Choose any US\$ amount and two rates. Take US\$1,000: at AUD/USD 0.60 it converts to $1,000 \div 0.60 = \text{A\$}1,666.67$; at 0.70, $1,000 \div 0.70 = \text{A\$}1,428.57$. The importer who pays US\$1,000 hands over fewer Australian dollars at the stronger rate (a saving of A\$238.10), while the exporter who receives US\$1,000 banks fewer Australian dollars at the stronger rate (A\$238.10 less). One movement, opposite effects.

Q8. First change: in 2006–07 Japan (A\$32.6 billion) was ahead of China (A\$22.8 billion); China passed Japan by 2009–10 and by 2024–25 (A\$170.4 billion) was about two and a half times Japan's (A\$66.5 billion). Second change:

the United States grew from A\$9.8 billion to A\$36.6 billion, passing India and sitting close behind South Korea by 2024–25 — the market mix widened at the top even while Asia’s overall share stayed high.

Q9. Strongest *for*: trade gives Australian producers markets far larger than the home market and gives consumers choice and lower prices; Figure 3 shows export lines — iron ore, education, gas — that could never earn what they do selling to Australia alone. Strongest *against*: linked economies import each other’s troubles, and Figure 1 shows the AUD losing a third of its value in months during the GFC, while Figure 10’s factory box shows real workers bearing the cost of cheap production. Both arguments describe real mechanisms; the section’s data supports each.

Q10. Iron ore is Australia’s largest export and much of it feeds Asian steelmaking. When a customer economy such as China builds heavily, its demand keeps ore prices and Australian export incomes high (the climb in Figures 7 and 8); when that same economy slows — as in 2024–25, when Australia’s iron ore export value fell 15.5% — Australian incomes fall without anything changing inside Australia. Conditions inside one country moved incomes in another: that is the link the elaboration names.

Q11. (a) 2023–24: $212,420 \div 659,863 \times 100 = 32.2\%$. 2024–25: $188,702 \div 646,580 \times 100 = 29.2\%$. (b) China: fell from A\$212,420m to A\$188,702m (–11.2%). United States: rose from A\$37,882m to A\$54,561m (+44.0%). United Kingdom: rose from A\$15,147m to A\$23,874m (+57.6%). India: rose from A\$34,297m to A\$35,027m (+2.1%). (c) Evaluation: the largest market’s share fell 3.0 percentage points while the United States, United Kingdom and India all grew, so the export mix became somewhat less concentrated — evidence for the claim. A critic could still disagree: at 29.2%, China remained nearly three times larger than the next market (Japan, 10.8%), and a fall in China’s share driven by lower resource prices does not remove the dependence — one sharp downturn in China would still cut Australian export income sharply.