



NSW Education Standards Authority

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Centre Number

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Student Number

2025 HIGHER SCHOOL CERTIFICATE EXAMINATION

Economics

General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Write using black pen
- Calculators approved by NESA may be used
- Write your Centre Number and Student Number at the top of this page

Total marks: 100

Section I – 20 marks (pages 2–9)

- Attempt Questions 1–20
- Allow about 35 minutes for this section

Section II – 40 marks (pages 13–24)

- Attempt Questions 21–24
- Allow about 1 hour and 15 minutes for this section

Section III – 20 marks (pages 25–27)

- Attempt either Question 25 or Question 26
- Allow about 35 minutes for this section

Section IV – 20 marks (page 28)

- Attempt either Question 27 or Question 28
- Allow about 35 minutes for this section

Section I

20 marks

Attempt Questions 1–20

Allow about 35 minutes for this section

Use the multiple-choice answer sheet for Questions 1–20.

1 Country *A* and Country *B* agree to share a common currency.

What is this an example of?

- A. Monetary Union
- B. Free Trade Area
- C. Bilateral trade agreement
- D. Multilateral trade agreement

2 Which of the following is most likely to accelerate globalisation?

- A. Reduced labour mobility
- B. Higher costs of communication
- C. A decrease in the global price of energy
- D. An increase in tariffs by advanced economies

3 The table shows the health and education aspects of different types of economies.

	<i>Developing</i>	<i>Emerging</i>	<i>Advanced</i>
Health	Poor access	Uneven access	<i>Y</i>
Education	<i>X</i>	Uneven access	Higher mean years of schooling

Which row of the following table correctly identifies the indicators *X* and *Y*?

	<i>X</i>	<i>Y</i>
A.	Low literacy rates	Low life expectancy
B.	High literacy rates	High life expectancy
C.	High literacy rates	Low life expectancy
D.	Low literacy rates	High life expectancy

- 4 Which component of the government budget outcome is likely to decrease during an economic downturn?
- A. Interest rates
 - B. Indirect tax revenue
 - C. Unemployment benefits
 - D. Public sector borrowing
- 5 Why is public transport considered a private good?
- A. It is non-excludable and is paid for from taxation.
 - B. It is excludable by price and is rival in consumption.
 - C. It is rival in consumption and is non-excludable by price.
 - D. It is excludable by price and is provided by the government.
- 6 Which of the following is the main rationale for the use of macroeconomic policy?
- A. Improving productivity and efficiency
 - B. Increasing economic growth and aggregate supply
 - C. Managing stabilisation and shifts in aggregate demand
 - D. Achieving environmental sustainability and lower costs
- 7 An initial increase of government spending of \$10 million leads to a final increase in national income of \$50 million.
- What is the value of the marginal propensity to consume (MPC)?
- A. 0.2
 - B. 0.4
 - C. 0.5
 - D. 0.8

- 8 What is a key characteristic of a regional business cycle?
- A. Economic fluctuations that occur in rural areas
 - B. Economic stability between countries across the globe
 - C. Consistent growth rates in all states within an economy
 - D. Integration of economic activity across neighbouring countries
- 9 The table shows selected data for a hypothetical economy.

<i>Component of national income</i>	<i>Dollars (billion)</i>
Government expenditure	80
Exports	60
Savings	10
Taxation	70
Investment	20
Imports	50

- Based on the information in the table, which of the following is correct?
- A. There is a trade deficit.
 - B. There is a government surplus.
 - C. Injections are greater than leakages.
 - D. Leakages are greater than injections.
- 10 How is unconditional foreign aid provided by the Australian government recorded in the Balance of Payments?
- A. A credit in the current account
 - B. A debit in the current account
 - C. A credit in the capital account
 - D. A debit in the capital account

- 11** Which component of the federal budget is directly affected by automatic stabilisers?
- A. Cyclical
 - B. External
 - C. Structural
 - D. Discretionary
- 12** Which of the following policy options could use market forces to reduce negative environmental outcomes?
- A. Implementing an emissions trading scheme
 - B. Introducing a new tax on electric and hybrid cars
 - C. Ceasing the operation of coal-fired power stations
 - D. Imposing fines for harmful emissions from households
- 13** The table shows selected information for the Balance of Payments for an economy with a floating exchange rate.

<i>Category</i>	<i>Dollars (billion)</i>
Export of goods	150
Import of goods	130
Export of services	60
Import of services	50
Net primary income	-50
Net secondary income	10
Capital account	70
Financial account	?

What is the value of the financial account?

- A. -\$80 billion
- B. -\$60 billion
- C. \$10 billion
- D. \$280 billion

14 The table shows selected data for a hypothetical economy.

<i>Year</i>	<i>Headline inflation (%)</i>	<i>Underlying inflation (%)</i>
1	4.5	3.8
2	5	3.4

Which row in the table shows the most likely reasons for changes in inflation rates from Year 1 to Year 2?

	<i>Reason for change in headline inflation</i>	<i>Reason for change in underlying inflation</i>
A.	Drought in food-producing areas	Decrease in freight costs
B.	Increase in import tariffs	Rise in minimum wage
C.	Microeconomic reform	Conflict in oil-producing countries
D.	Temporary discount in fuel excise tax	Increase in textile imports

15 The following table shows selected data for a hypothetical economy.

<i>Year</i>	<i>Nominal GDP (\$ billion)</i>	<i>CPI</i>
1	18	90
2	22	110

What is the rate of real economic growth from Year 1 to Year 2 in this economy?

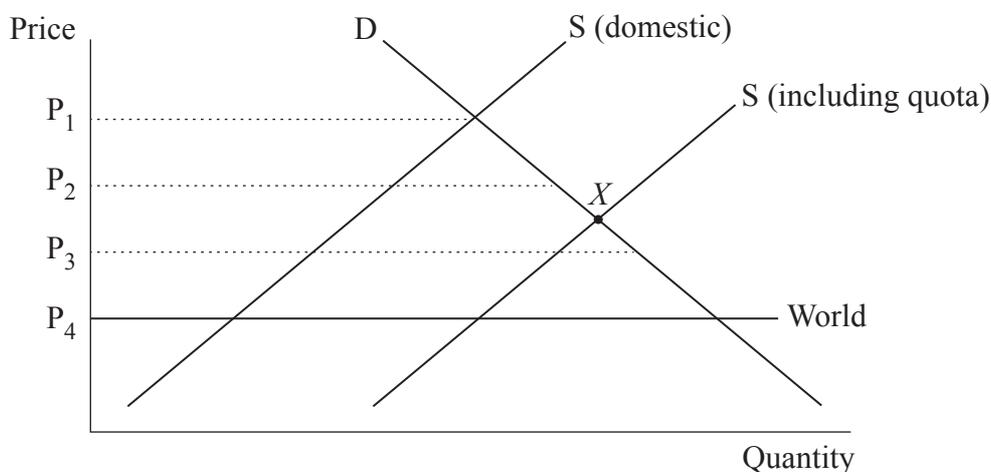
- A. 0%
- B. 4%
- C. 20%
- D. 22%

16 The table shows hypothetical data for country *X*.

<i>Category</i>	<i>Amount (\$)</i>
Assets owned by country <i>X</i> overseas	1.2 million
Assets in country <i>X</i> owned by foreigners	3.0 million
Debts owed by country <i>X</i> to foreign lenders	1.8 million
Debts owed by foreigners to country <i>X</i>	500 000

What is the net foreign liability for this economy?

- A. \$6.5 million
 - B. \$4.8 million
 - C. \$3.1 million
 - D. \$500 000
- 17 The graph shows the effect of a quota on imported machinery in the domestic market, with the initial equilibrium at *X*.

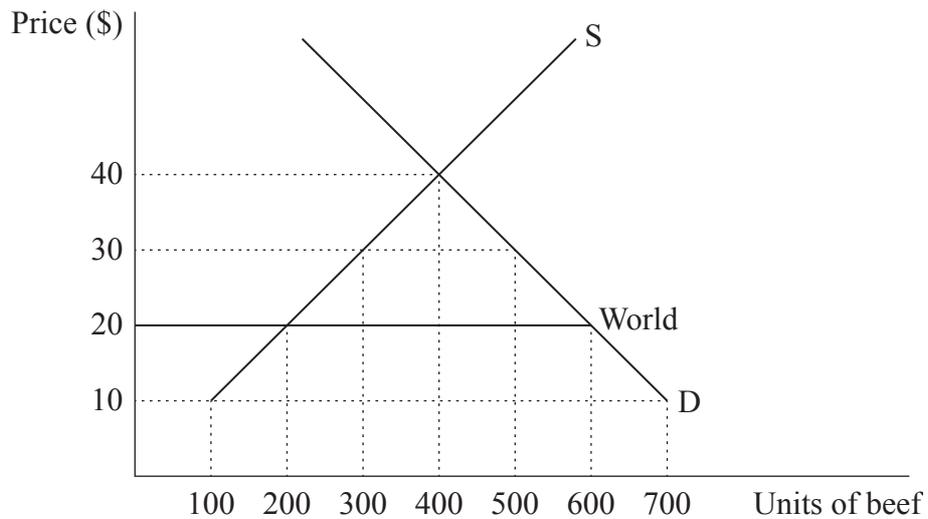


The government chooses to reduce, but not eliminate, the quota.

From the prices shown on the graph, which is the most likely new price of machinery?

- A. P_1
- B. P_2
- C. P_3
- D. P_4

18 The graph shows a recently imposed tariff on imported beef.



Assume that the world price for beef is \$20 and the tariff is \$10 per unit of beef.

By what amount does the revenue of foreign producers of beef decrease as a result of the tariff?

- A. \$2000
- B. \$4000
- C. \$8000
- D. \$16 000

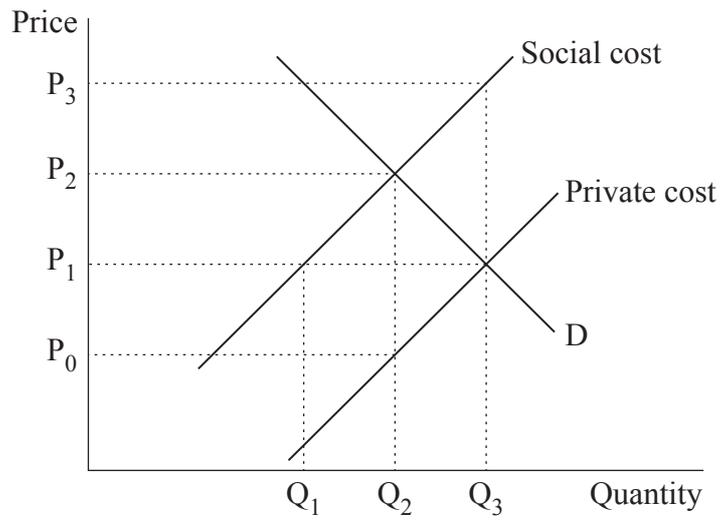
19 The table shows hypothetical data for an economy.

	<i>Terms of trade</i>	<i>Import price index</i>
Year 1	110	100
Year 2	90	110

Which row of the table shows the export price index of this economy in Year 1 and Year 2?

	<i>Export price index in Year 1</i>	<i>Export price index in Year 2</i>
A.	90	110
B.	99	110
C.	110	90
D.	110	99

20 The graph shows market failure as a negative externality of production.



What is the per unit tax required to correct the market failure shown on the graph?

- A. $P_0 - P_1$
- B. $P_2 - P_1$
- C. $P_2 - P_3$
- D. $P_1 - P_3$

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Centre Number

Economics

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Student Number

Section II Answer Booklet

40 marks

Attempt Questions 21–24

Allow about 1 hour and 15 minutes for this section

Instructions

- Write your Centre Number and Student Number at the top of this page
- Answer the questions in the spaces provided. These spaces provide guidance for the expected length of response
- Extra writing space is provided at the back of this booklet. If you use this space, clearly indicate which question you are answering

Please turn over

Question 21 (10 marks)

- (a) Outline ONE role of the Organisation for Economic Co-operation and Development (OECD) in the global economy. In your answer, refer to a specific example. **2**

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- (b) Explain the limitations of using income as a single measure of quality of life. **3**

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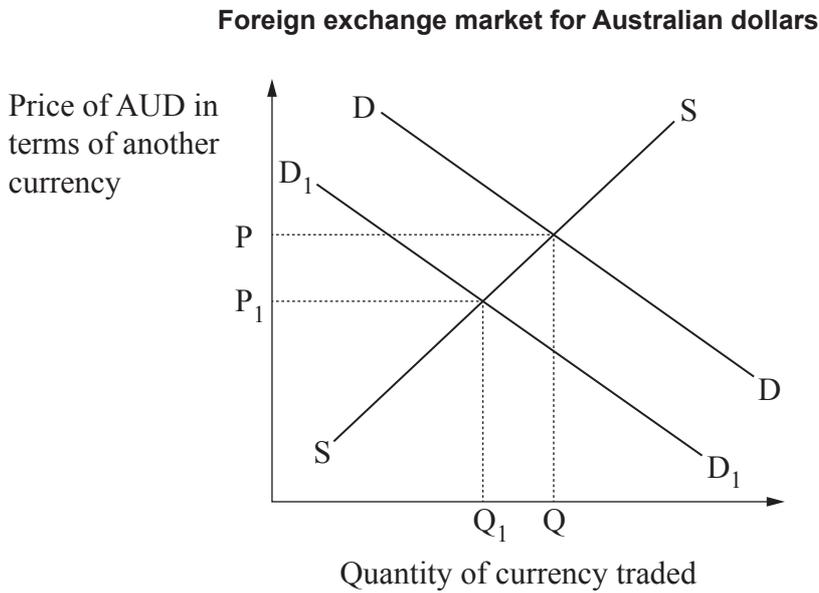
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Question 21 continues on page 15

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Question 22 (10 marks)

Use the following graph to answer parts (a) and (b).



- (a) Outline ONE global factor that could cause the movement from D to D_1 in the graph. **2**

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- (b) Explain how the Reserve Bank could directly influence the value of the Australian currency to move from P_1 to P . **3**

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Question 22 continues on page 17

Question 22 (continued)

(c) Discuss the effects of a depreciation of a currency on domestic businesses. 5

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End of Question 22

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Question 23 (10 marks)

- (a) Outline why ONE specific group may experience higher than average unemployment in Australia. 2

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Use the information to answer parts (b)–(d).

The following information refers to a hypothetical economy which has a Non-Accelerating Inflation Rate of Unemployment (NAIRU) of 5%.

<i>Year</i>	<i>Participation rate</i>	<i>Unemployment rate</i>
Year 1	66%	4.5%
Year 2	62%	5.9%

- (b) Outline ONE factor that may have changed the participation rate in this economy. 2

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Question 23 continues on page 19

Question 23 (continued)

- (c) Using the information provided on the previous page, outline a possible cause of the increase in unemployment present in the economy in Year 2. 2

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- (d) Explain how TWO policy options could be implemented to reduce the NAIRU of this economy. 4

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End of Question 23

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Question 24 (10 marks)

- (a) Outline the purpose of monetary policy in Australia. **2**

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- (b) Explain how the Reserve Bank of Australia (RBA) maintains the cash rate target. **3**

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Question 24 continues on page 21

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Section II extra writing space

If you use this space, clearly indicate which question you are answering.

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Economics

Section III

20 marks

Attempt either Question 25 or Question 26

Allow about 35 minutes for this section

Answer the question in the Sections III and IV Writing Booklet. Extra writing booklets are available.

Your answer will be assessed on how well you:

- demonstrate knowledge and understanding relevant to the question
 - use the information provided
 - apply relevant economic terms, concepts, relationships and theory
 - present a sustained, logical and cohesive response
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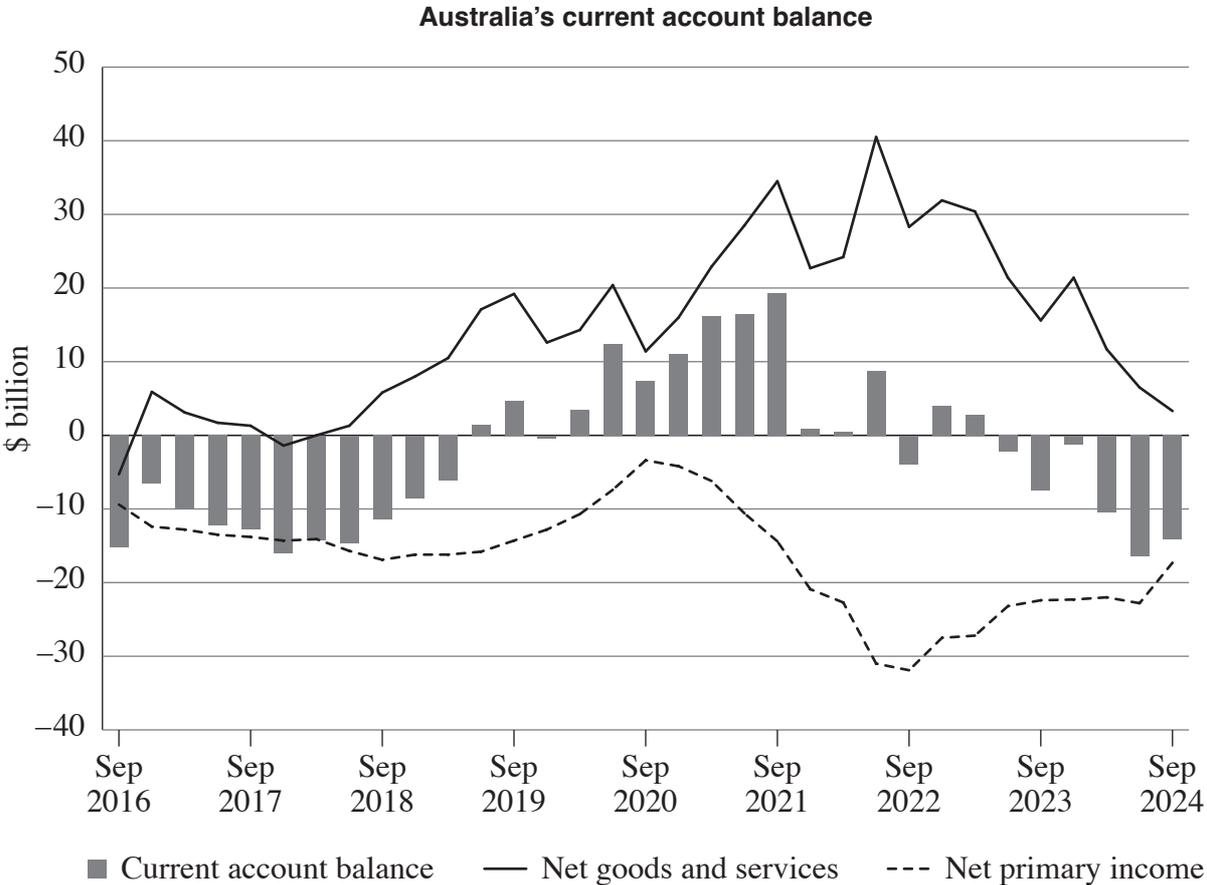
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Question 25 (20 marks)

Explain the reasons for trends since 2016 in the size and composition of Australia’s Balance of Payments. In your answer, refer to the information provided.

The COVID-19 recession and associated international border closures resulted in a sharp decline in education and tourism service exports, but exports of these services have grown strongly in recent years following the re-opening of the border. The composition of Australia’s capital flows has also changed significantly in the past decade or so. Unlike in the past, Australia’s economy since 2017 has generated savings in excess of domestic investment ...

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Australian Bureau of Statistics,
Balance of Payments and International Investment Position, 2024

OR

Question 26 (20 marks)

Explain how the dimensions and trends of income inequality affect the Australian economy. In your answer, refer to the information provided.

Inequality is the uneven distribution of economic resources between individuals or different groups within a society. We care about inequality because income and wealth can be significant contributors to an individual's wellbeing and because inequality can be detrimental to the ongoing advancement of our economy and society.

Australian Government Productivity Commission,
A snapshot of inequality in Australia Research paper, May 2024
Productivity Commission

Median full-time weekly earnings by age and gender, 2024

<i>Age</i>	<i>Male</i>	<i>Female</i>
15–19 years	\$600	\$600
20–24 years	\$900	\$850
25–34 years	\$1250	\$1126.6
35–44 years	\$1500	\$1200
45–54 years	\$1500	\$1200
55–59 years	\$1500	\$1117.3
60–64 years	\$1323.2	\$1080
65 and over	\$1290.2	\$1105.7

Australian Bureau of Statistics,
Characteristics of Employment Survey, Table 2,
August 2024

Please turn over

Section IV

20 marks

Attempt either Question 27 or Question 28

Allow about 35 minutes for this section

Answer the question in the Sections III and IV Writing Booklet. Extra writing booklets are available.

Your answer will be assessed on how well you:

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

Analyse the conflicts for government that may arise in pursuing Australia's economic objectives. In your response, refer to THREE separate objectives.

OR

Question 28 (20 marks)

Analyse how different methods of protection affect firms and government in Australia.

End of paper