

Economics

General instruction

- Work in this book will not be marked.

Section 1

Instruction

- Respond to these questions in the question and response book.

QUESTION 1

Net overseas migration is best defined as

- (A) the number of permanent visas granted in a year.
- (B) the difference between long-term migrant arrivals and long-term migrant departures.
- (C) the number of new international student enrolments in a year.
- (D) the number of births minus the number of deaths.

QUESTION 2

Ceteris paribus, an increase in the cash rate is most likely to cause the Australian dollar to

- (A) appreciate, as higher interest rates attract foreign capital inflows.
- (B) depreciate, as demand for Australian exports falls.
- (C) appreciate, as Australian demand for imports rises.
- (D) depreciate, as foreign investors sell Australian assets.

QUESTION 3

Which of the following is an example of a supply-side policy?

- (A) a cut to the cash rate
- (B) a one-off cost-of-living payment to households
- (C) funding for apprenticeships in construction trades
- (D) a temporary increase in government spending during a recession

QUESTION 4

In one year, real GDP grows by 2.1% and the population grows by 1.4%. Real GDP per capita grows by approximately

- (A) 3.5%.
- (B) 1.4%.
- (C) 0.7%.
- (D) -0.7%.

QUESTION 5

Bracket creep occurs when

- (A) the Reserve Bank of Australia raises the cash rate to reduce inflation.
- (B) the government lowers personal income tax rates for low-income earners.
- (C) company profits rise faster than wages.
- (D) rising nominal incomes move taxpayers into higher tax brackets, increasing their average tax rate.

QUESTION 6

Which of the following is most likely to lower the non-accelerating inflation rate of unemployment (NAIRU)?

- (A) better job-matching services and training for unemployed workers
- (B) an increase in the cash rate
- (C) a larger budget deficit
- (D) an appreciation of the Australian dollar

QUESTION 7

Australia's terms of trade measure

- (A) the value of exports minus the value of imports.
- (B) the value of the Australian dollar against a basket of currencies.
- (C) the current account balance as a percentage of GDP.
- (D) the prices of Australia's exports relative to the prices of its imports.

QUESTION 8

Ceteris paribus, a large increase in migration to Australia is most likely to

- (A) shift aggregate demand to the right only.
- (B) shift aggregate supply to the right only.
- (C) shift both aggregate demand and aggregate supply to the right.
- (D) shift aggregate supply to the left.

QUESTION 9

Assume the economy is near the peak of the economic cycle.

ECONOMIC UPDATE

- Trimmed mean inflation has been above the target range for 12 months.
- Wages growth is steady at 3.2% a year.
- Job vacancies have fallen slightly but remain above pre-pandemic levels.

What should the monetary policy stance be after the updated economic data is taken into account?

- (A) expansionary, because job vacancies are falling
- (B) contractionary, because underlying inflation remains above the target range
- (C) neutral, because wages growth is steady
- (D) expansionary, because wages are rising more slowly than prices

QUESTION 10

Assume this current data represents an economy similar to Australia's economy.

Unemployment rate 3.6%	NAIRU 4.5%	Underlying inflation 4.2%	Real GDP growth 3.4%
Wage Price Index 4.5%	Budget deficit 3% of GDP	Public debt 30% of GDP	Cash rate 2.5%

Ceteris paribus, which are the appropriate economic management decisions?

- (A) monetary policy contractionary and fiscal policy contractionary
- (B) monetary policy expansionary and fiscal policy contractionary
- (C) monetary policy contractionary and fiscal policy expansionary
- (D) monetary policy neutral and fiscal policy neutral

END OF SECTION 1

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