

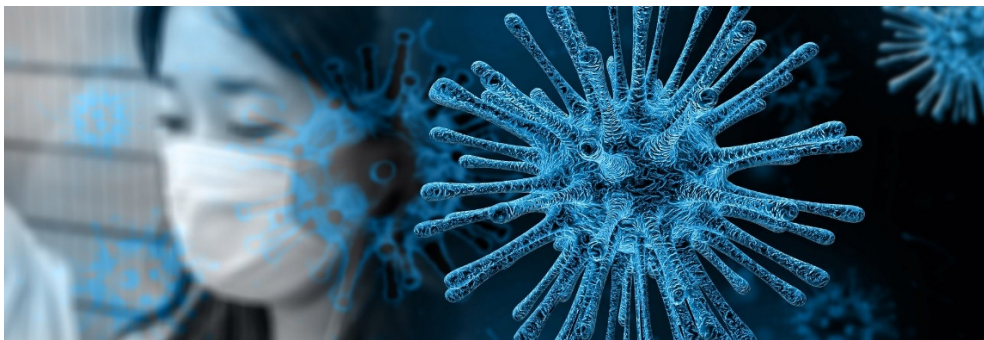


The economic impact of the Coronavirus

The recent coronavirus (COVID-19) outbreak in China is described by the World Health Organisation (WHO) as a 'public health emergency of international concern'. The WHO describes it as an extraordinary event that constitutes a public health risk to other countries through the international spread of disease and will potentially require a co-ordinated international response.

The COVID-19 outbreak occurred during Lunar New Year when many Chinese residents normally travel (either domestically or overseas) to meet family members to celebrate.

The virus has impacted significantly on Australian economy - showing a negative effect of the increasing dependence on China (our major trading partner).



Source: Pixabay

Use an appropriate note-taking framework to record relevant information about the economic impact of the COVID-19 outbreak on the Australian economy.

1. Listen to the first half of this ABC Radio program - *The Economists* - where Peter Martin and Gigi Foster investigate how coronavirus is damaging the Australian economy:
<https://www.abc.net.au/radionational/programs/the-economists/how-coronavirus-is-damaging-the-dollar-and-the-truth-about-wag/12007178>
2. Coronavirus is said to be 'scaring' the economy. One response has been for Central banks to cut interest rates to 'combat the fallout'. In Australia, the RBA cut interest rates to a record low of just 0.5%. Read the following *ABC News* item about the interest rate cut.
<https://www.abc.net.au/news/2020-03-03/reserve-bank-slashes-interest-rates-over-coronavirus/12020950>
3. Read the following item published on *ABC News* where Michael Janda explains why he believes that this monetary policy action won't work.
<http://www.abc.net.au/news/2020-03-04/interest-rate-cuts-wont-help-coronavirus-hit-firms-economies/12020208>





Finding out

- Use the information collected from the sources above to create a flow diagram demonstrating the impact of the COVID-19 outbreak on the Australian economy.
- Identify which economic policy objectives are most likely to be affected by this event. Justify your selection.
- Discuss as a class:
 - Would the impacts on aggregate demand (AD) and on aggregate supply (AS) compound each other or offset each other? [Unit 4 Year 12 only]
 - How significant will the COVID-19 outbreak be for the Australian economy?
- Explain, using the AD/AS model, the macroeconomic impact of the COVID-19 outbreak on the Australian economy. [Unit 4 Year 12 only]





Teacher notes

Purpose

This 'bite' aims to investigate how the COVID-19 outbreak is impacting on the Australian economy. Investigating a current real world event that has been so widely reported 'leverages relevance' to engage students and shows them the importance of Economics knowledge and skills.

Note: This 'bite' is intended for use during Unit 4. However, it is also possible to use it late in Unit 2 or early in Year 12 to discuss impacts that a major event can have on macroeconomic performance.

Prior knowledge

Students need to have been exposed to the following syllabus content before undertaking this 'bite':

- the aggregate demand (AD) curve and factors that can cause... shifts of the AD curve
- the aggregate supply (AS) curve and factors that can cause... shifts of the AS curve
- demonstrate the impact of changes in aggregate demand and aggregate supply on the equilibrium level of income/output using the AD/AS model
- the concepts of expansionary, contractionary and neutral fiscal policy stances

They also need to be familiar with the following skills:

- identify and organise relevant information within sources
- select and use appropriate terminology
- use macroeconomic models to analyse Australia's policy stance, including... the aggregate demand and aggregate supply model
- use economic models to convey economic theory and reasoning about Australia's policy mix
- apply economic reasoning to Australia's economic position and policy mix
- use evidence found in economic information and data to justify a conclusion.

Follow-up

A comparison could be made to the economic impact of the bushfires in Australia during summer 2019/20.

