



Student Economic Forum

August 2021

Student Activity

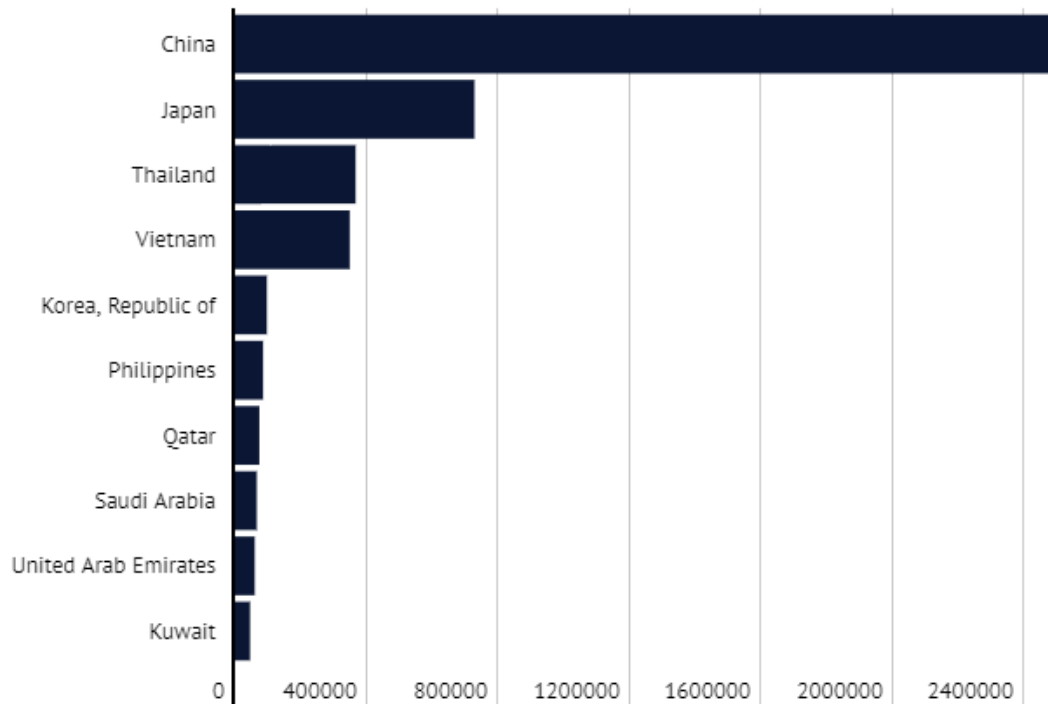
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Question A – Trade Disputes

Top 10 markets for Australian barley

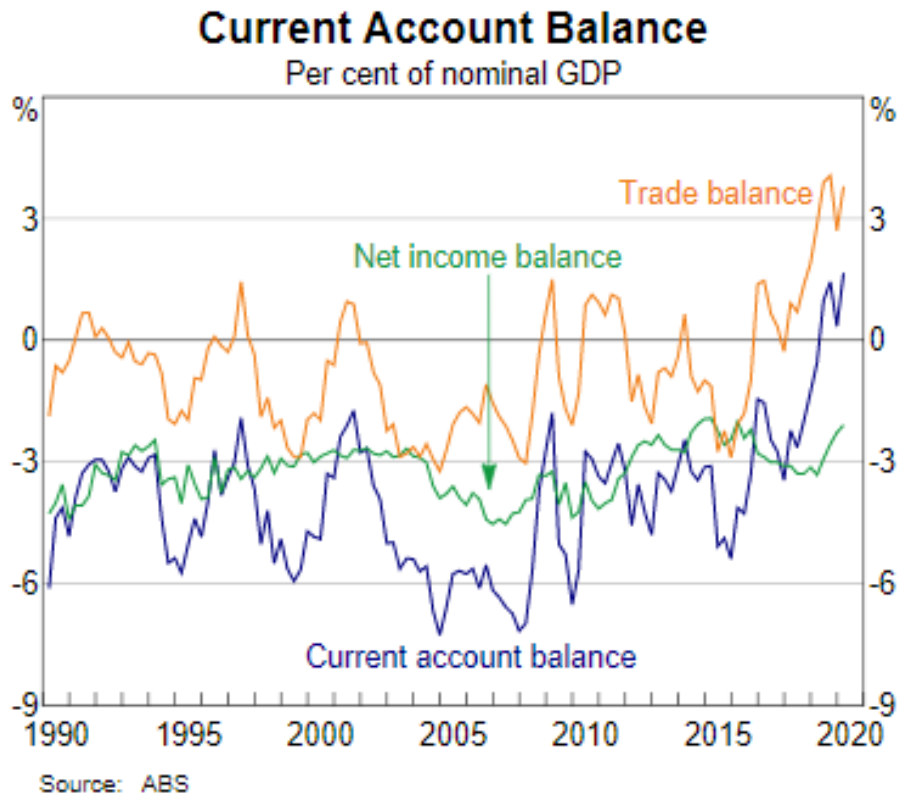


Source: Australian Export Grains Innovation Centre

Last year, China imposed tariffs worth 80 per cent on all barley grain imported from Australia. This decision has effectively blocked Australian farmers from exporting barley to China, which previously was their biggest market.

1. Identify the main reasons why countries trade with each other.
2. Explain the differences between a subsidy and a tariff? Using the article given below, explain the impact of imposition of tariffs by China on both producers and consumers in Australia and China. <https://www.smh.com.au/national/carefully-laid-trap-why-is-china-imposing-tariffs-on-our-barley-and-what-s-a-tariff-20200519-p54uf7.html>

Question B – Balance of Payments and Foreign Liabilities



Examine the graph above and answer the following questions:

1. Distinguish between the cyclical and structural factors affecting Australia's current account balance.
2. Identify and discuss the reasons for the change in Australia's current account balance over the past three years.
3. Define foreign debt. Explain the relationship between Australia's current account outcome and its level of foreign debt.

Question C – Exchange Rates

AUD/USD Exchange Rate



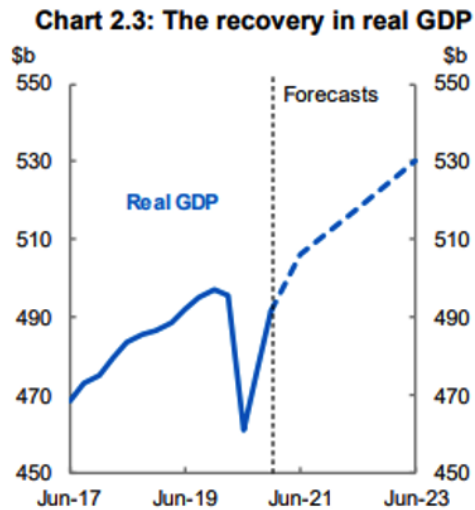
Source: CCIWA

Examine the graph above and answer the following questions:

1. Explain how the floating exchange rate system operates and discuss the advantages of a floating exchange rate system?
2. Discuss, using examples, whether a high exchange rate or a low exchange rate is beneficial for Australia?
3. Identify and discuss the key factors driving the fluctuations of the Australian dollar throughout 2020.

Question D – Current State of the Australian Economy

Source 1: Australian GDP Growth



Source: ABS Australian National Accounts:

Source 2: Residential property prices

Residential property prices	Dec Qtr 20 to Mar Qtr 21	Mar Qtr 20 to Mar Qtr 21
% change	% change	
Weighted average of eight capital cities	5.4	7.5
Sydney	6.1	8.0
Melbourne	5.1	5.9
Brisbane	4.0	7.5
Adelaide	4.0	7.5
Perth	5.2	9.0
Hobart	6.1	10.2
Darwin	4.7	6.4
Canberra	5.6	10.9

Source: Australian Bureau of Statistics, Residential Property Price Indexes: Eight Capital Cities March 2021

Examine the graph above and answer the following questions:

1. Use Source 1 to calculate the change in Australia's GDP in 2021. Outline the key factors that determine Australia's economic growth and discuss any three factors affecting Australia's GDP growth in 2020-21.
2. With reference to Source 2, account for the change in residential property prices since 2020. Explain the likely impact of the change in housing prices on Australia's GDP.
3. In response to the economic damage associated with the COVID-19 pandemic, the Australian Government committed significant levels of stimulus (>10% of GDP) to support the national economy. Explain, using examples, how these measures have influenced the level of economic activity.

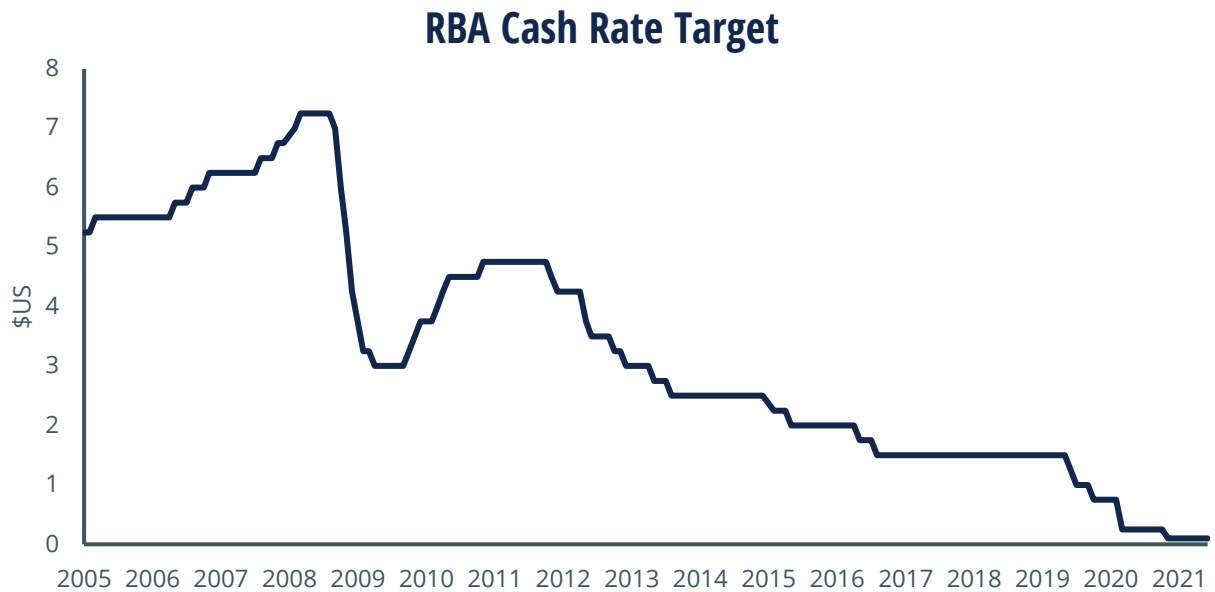
Question E – Fiscal Policy

The following data relates to the Australian economy.

	2019-20 (actual)	2020-21 (forecast)	2021-22 (forecast)
Underlying cash balance (\$bn)	- 85.3	- \$161	-106.6
Real GDP (%)	0.2	1 ¼	4 ¼
Unemployment rate (%)	6.9	5 ½	5

1. With reference to the data given, explain how the rate of economic growth impacts the budget outcome.
2. Discuss different methods of financing a budget deficit
3. Assess the strengths and weaknesses of the current fiscal policy stance.

Question F - Monetary Policy

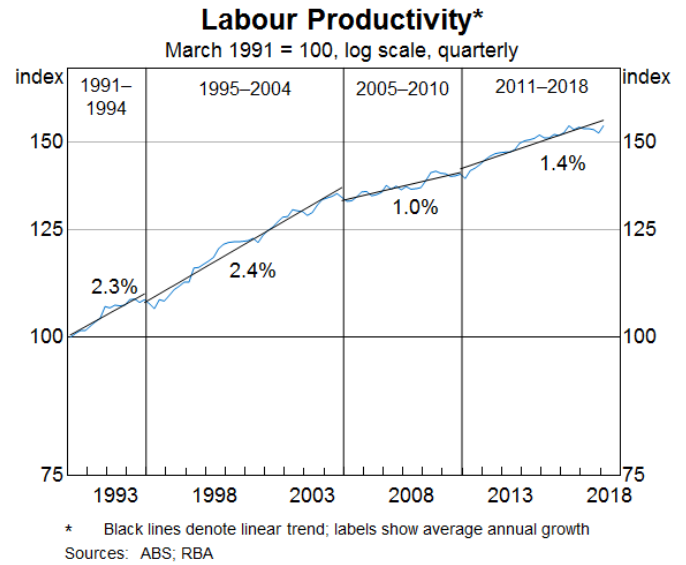
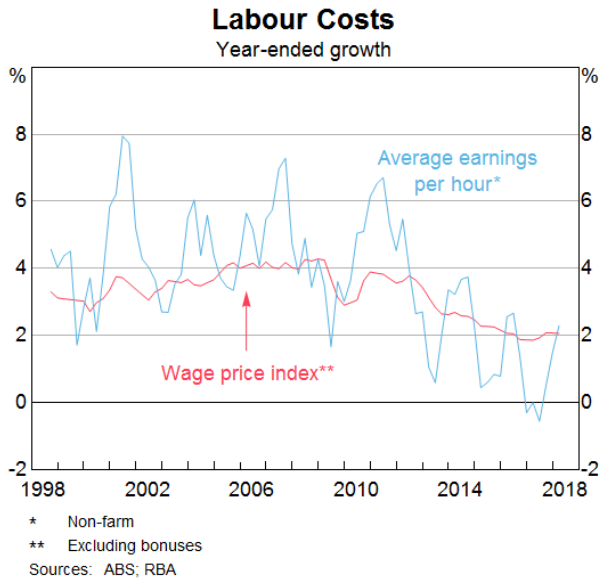


Source: CCIWA

Examine the graph above and answer the following questions:

1. Identify the main objectives of Reserve Bank of Australia's monetary policy. With reference to the current cash rate identify the RBA's current monetary policy stance.
2. Explain how the current monetary policy stance is likely to impact the level of economic activity? In your response, make sure to refer to the transmission mechanism.
3. Discuss the strengths and weaknesses of the current monetary policy stance?

Question G – Wages and Productivity



The charts above were presented during a speech titled 'Productivity, Wages and Prosperity' by Dr Philip Lowe, Governor of the Reserve Bank of Australia, on 13 June 2018.

1. Define labour productivity. Outline the trend in labour productivity in Australia since 2013 and suggest a reason for the trend.
2. Explain two factors that can improve labour productivity.
3. Explain how a substantial increase in wages growth without growth in productivity can be a potential threat to the Australian economy?