Plume.

Student Name ____________

Class ____________

Plume Specialist Tuition — HSC Trial Examination

2026 HIGHER SCHOOL CERTIFICATE EXAMINATION

Economics

General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Write using black pen
- A NESA-approved calculator may be used
- Write your Student Name and Class 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

Record your answers on the separate multiple-choice answer sheet.

---

1 Two economies remove tariffs on trade between themselves and apply the same tariff to imports from non-members.
What form of economic integration have they established?

A. A bilateral aid agreement

B. A customs union

C. A free trade area

D. A monetary union

2 Which change is most likely to increase the international integration of production?

A. Higher restrictions on foreign investment

B. Reduced labour mobility between economies

C. Lower costs of digital communication

D. Increased subsidies for import-competing firms

3 Which set of indicators is used directly in the Human Development Index?

	Health	Education	Material standard
A.	Life expectancy	Expected and mean years of schooling	GNI per person
B.	Infant mortality	Literacy rate	Wealth per person
C.	Access to doctors	School completion	GDP growth
D.	Life expectancy	Labour productivity	Income tax revenue

4 Which outcome is most likely to result from an appreciation of the Australian dollar, other things being equal?

A. Australian exports become more price competitive overseas.

B. The Australian-dollar value of foreign debt rises.

C. Net exports immediately increase.

D. Imported capital equipment becomes cheaper for Australian firms.

5 A foreign pension fund purchases newly issued shares in an Australian company. How is this transaction recorded in Australia's Balance of Payments?

A. A current account credit

B. A current account debit

C. A financial account credit

D. A financial account debit

6 An economy's export price index is 126 and its import price index is 105. What is the economy's terms of trade index?

A. 120

B. 105

C. 83.3

D. 132.3

7 The table shows selected current account data for an economy.

Component	Dollars (billion)
Balance on goods and services	+35
Net primary income	−52
Net secondary income	+4

What is the current account balance?

A. A deficit of $91 billion

B. A deficit of $13 billion

C. A surplus of $13 billion

D. A surplus of $39 billion

8 An increase in autonomous investment of $12 billion produces a final increase in national income of $48 billion.
What is the marginal propensity to consume?

A. 0.25

B. 0.50

C. 4.00

D. 0.75

9 The table shows selected data for a hypothetical economy.

Leakage	$bn	Injection	$bn
Saving	45	Investment	55
Taxation	80	Government spending	70
Imports	65	Exports	75

Which statement is correct?

A. Injections exceed leakages by $10 billion.

B. Aggregate income is in equilibrium.

C. Leakages exceed injections by $10 billion.

D. The government budget is in surplus by $20 billion.

10 Which person would be classified as a discouraged job seeker rather than unemployed?

A. A person working one hour per week who wants more hours

B. A person without work who applied for jobs during the week

C. A person who wants work but has stopped searching because no jobs seem available

D. A person who is unavailable to start work for the next six months

11 Which development is most likely to cause demand-pull inflation?

A. A fall in household confidence

B. A sustained rise in aggregate expenditure near full capacity

C. A temporary disruption to imported energy supplies

D. An economy-wide increase in labour productivity

12 During an economic downturn, which change is caused by automatic stabilisers?

A. The central bank reduces the cash rate target.

B. Parliament introduces a new infrastructure program.

C. The structural budget balance moves into surplus.

D. Income tax receipts fall and welfare payments rise.

13 What is the most direct first-round effect of an increase in the cash rate target?

A. The structural budget deficit increases.

B. Labour productivity immediately rises.

C. Commercial banks face higher short-term funding costs.

D. Import tariffs automatically fall.

14 Why is street lighting commonly treated as a public good?

A. It is non-rival and difficult to exclude non-payers from using.

B. It is rival and excludable in consumption.

C. It is supplied only by private firms under contract.

D. Its marginal social cost is always zero.

15 Under a cap-and-trade scheme, the government reduces the number of emissions permits available.
What is the most likely effect?

A. The permit price falls and emissions increase.

B. The private cost of pollution becomes zero.

C. Every firm is required to reduce emissions by the same amount.

D. The permit price rises and firms have a stronger incentive to abate emissions.

16 The table shows labour market data for a hypothetical economy.

Category	People
Employed	7.60 million
Unemployed and actively seeking work	0.40 million
Working-age population	12.50 million

What is the participation rate?

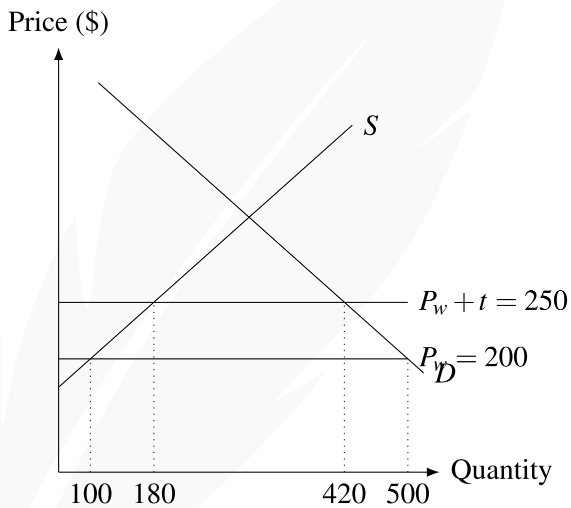
A. 3.2%

B. 64.0%

C. 60.8%

D. 5.0%

17 The diagram shows the domestic market for imported solar panels after a tariff is introduced.



After the tariff, domestic supply is 180 units and domestic demand is 420 units.
How much tariff revenue does the government receive?

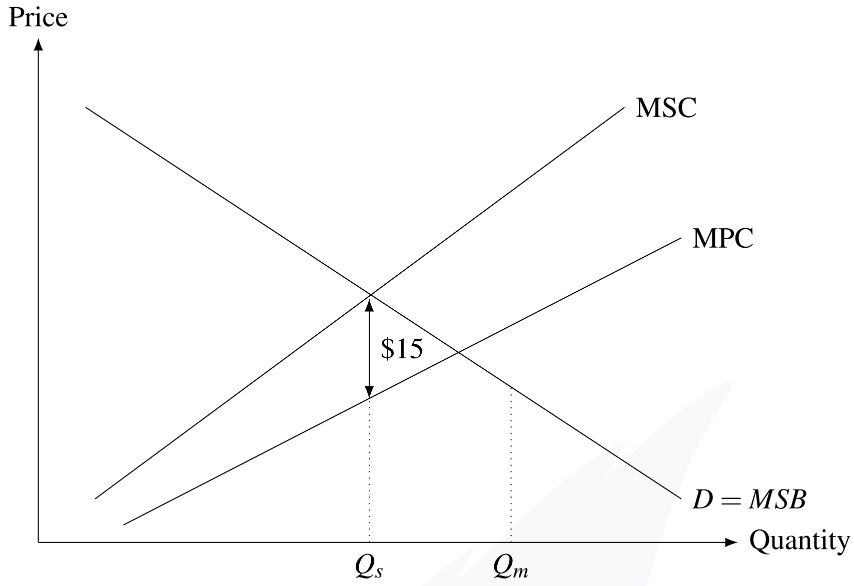
A. $9 000

B. $21 000

C. $12 000

D. $60 000

18 The diagram shows a negative externality of production.



What per-unit tax would internalise the external cost at the socially efficient output?

A. $15

B. $10

C. $28

D. $38

19 An economy's Lorenz curve moves closer to the line of perfect equality.
Which change is most consistent with this movement?

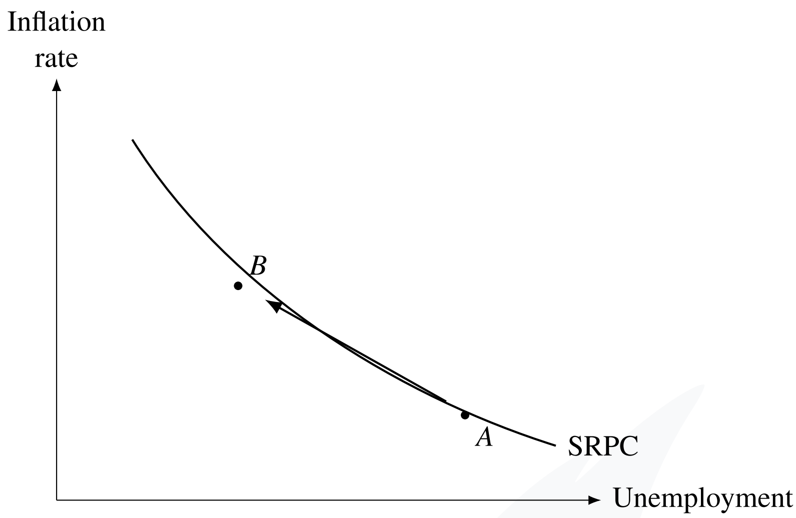
A. A higher Gini coefficient and greater income inequality

B. A lower participation rate and higher inflation

C. A larger absolute poverty line and unchanged inequality

D. A lower Gini coefficient and less income inequality

20 The graph shows a movement along a short-run Phillips curve from point *A* to point *B*.



Which policy change is most likely to cause this movement in the short run?

A. A contractionary fiscal policy that reduces aggregate demand

B. An expansionary demand-management policy near full employment

C. A productivity reform that shifts long-run aggregate supply left

D. A rise in the NAIRU with no change in aggregate demand

BLANK PAGE

Do NOT write in this area.

Student Name ____________________

2026 HIGHER SCHOOL CERTIFICATE EXAMINATION

Class ____________________

Economics

Section II Answer Booklet

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

Instructions

- Write your Student Name and Class 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 way in which a transnational corporation can influence the process of globalisation. In your answer, refer to a specific example. **2**

. . . .

. . . .

. . . .

. . . .

(b) Explain why economic growth may not produce a similar improvement in quality of life for all groups within a developing economy. **3**

. . . .

. . . .

. . . .

. . . .

. . . .

. . . .

. . . .

Question 21 continues on page 15

Do NOT write in this area.

Question 21 (continued)

(c) Analyse the likely effects on a small open economy when major trading partners increase their use of protection. **5**

....

....

....

....

....

....

....

....

....

....

....

....

....

....

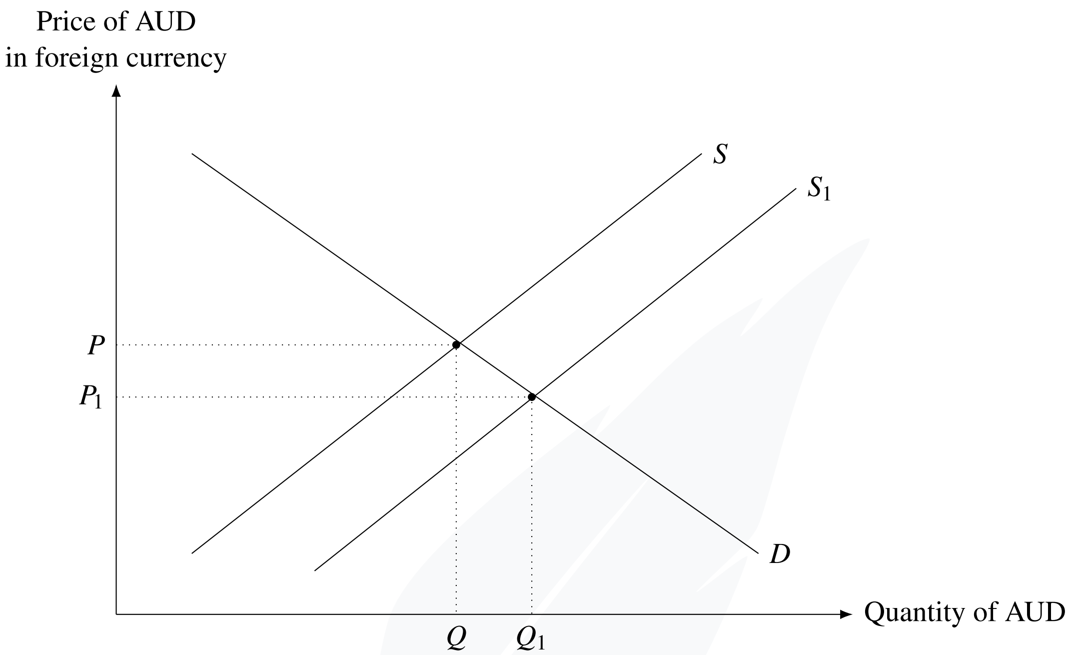
....

End of Question 21

Question 22 (10 marks)

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

Foreign exchange market for Australian dollars



(a) Outline ONE change in global financial conditions that could cause the movement from S to S_1 in the graph. **2**

. . . .

. . . .

. . . .

. . . .

(b) Explain how a change in Australian monetary policy could contribute to a movement in the exchange rate from P_1 towards P. **3**

. . . .

. . . .

. . . .

. . . .

. . . .

. . . .

Question 22 continues on page 17

Do NOT write in this area.

Question 22 (continued)

(c) Assess the effects of a sustained depreciation of the Australian dollar on inflation and economic growth in Australia. **5**

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

End of Question 22

Question 23 (10 marks)

Use the information to answer parts (a)–(d).
The table shows selected labour market data for a hypothetical economy with a working-age population of 15 million.

	Year 1	Year 2
Participation rate	65.5%	66.7%
Unemployment rate	4.0%	4.8%
Nominal wage growth	2.5%	4.2%
Inflation rate	2.8%	3.7%

(a) Calculate the size of the labour force in Year 2. Show all working. **2**

. . . .

. . . .

. . . .

. . . .

(b) Outline how the participation rate and the unemployment rate could both increase between Year 1 and Year 2. **2**

. . . .

. . . .

. . . .

. . . .

Question 23 continues on page 19

Do NOT write in this area.

Question 23 (continued)

(c) Using the data, calculate the approximate change in real wages in Year 2 and outline its likely effect on purchasing power. **2**

. . . .

. . . .

. . . .

. . . .

. . . .

(d) Explain how TWO microeconomic policy measures could reduce structural unemployment in this economy. **4**

. . . .

. . . .

. . . .

. . . .

. . . .

. . . .

. . . .

. . . .

. . . .

. . . .

End of Question 23

Question 24 (10 marks)

(a) Distinguish between headline inflation and underlying inflation. **2**

. . . .

. . . .

. . . .

. . . .

(b) Explain the transmission process through which a higher cash rate target can reduce aggregate demand. **3**

. . . .

. . . .

. . . .

. . . .

. . . .

. . . .

. . . .

Question 24 continues on page 21

Question 24 (continued)

(c) Evaluate the effectiveness of contractionary monetary policy when inflation is caused mainly by a temporary negative aggregate supply shock. **5**

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

End of Question 24

Section II extra writing space

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

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.

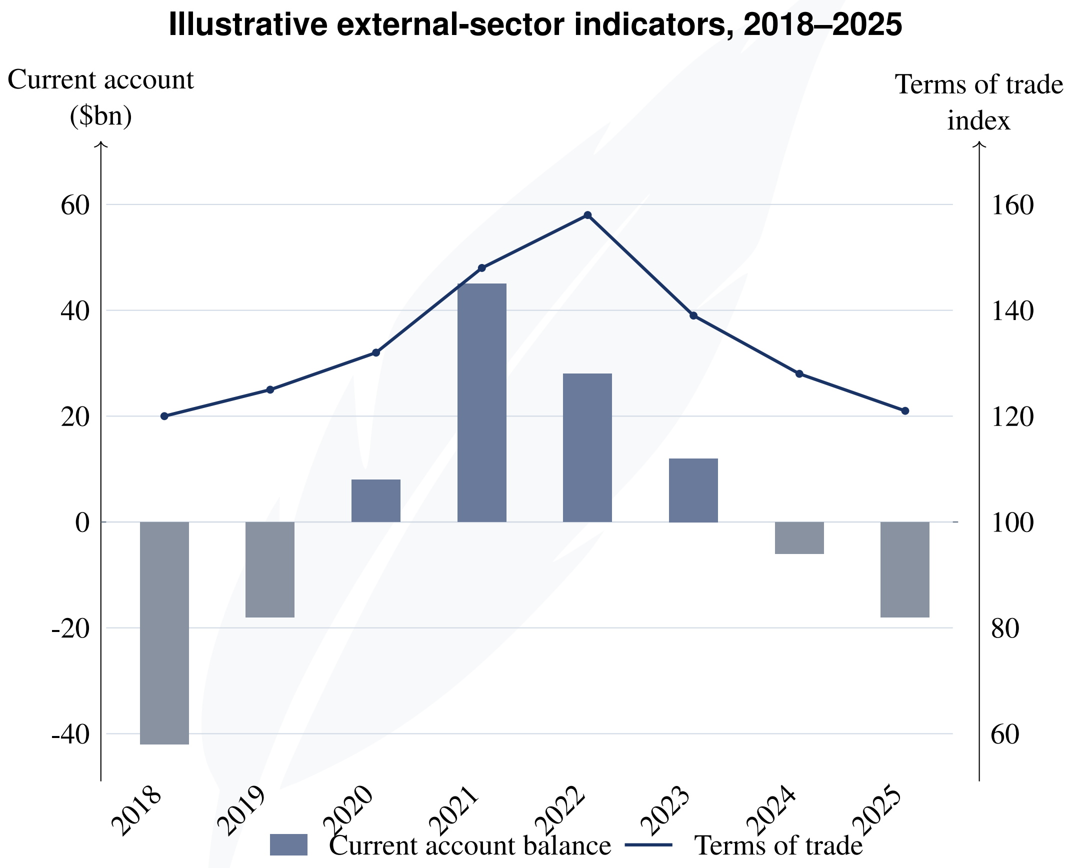
Your answer will be assessed on how well you:
- demonstrate knowledge and understanding relevant to the question
- use the information provided
- apply relevant economic terms, concepts, relationships and theory
- present a sustained, logical and cohesive response

Please turn over

Question 25 (20 marks)

Analyse how movements in the terms of trade and Australia's saving–investment balance can influence the size and composition of Australia's Balance of Payments. In your answer, refer to the information provided.

Australia's trade balance is sensitive to export prices, the exchange rate and changes in global demand. At the same time, the gap between national saving and domestic investment is reflected in the current account and in the direction of net capital flows. A current account surplus therefore does not, by itself, show that every component of the external position has strengthened.



Illustrative data only

OR

Question 26 (20 marks)

Evaluate the effects of government redistribution policies on income inequality and economic efficiency in Australia. In your answer, refer to the information provided.

Redistribution changes the income households can command after taxes and transfer payments. Its effect depends not only on the scale of assistance, but also on policy design: targeting, effective marginal tax rates, access to services and the incentives facing workers and firms can all alter the final economic outcome.

Illustrative measures of Australian household income inequality

Year	Market-income Gini coefficient	Disposable-income Gini coefficient	Relative poverty rate after transfers
2010	0.47	0.33	13.0%
2015	0.48	0.34	13.6%
2020	0.49	0.32	11.8%
2025	0.50	0.35	14.1%

Illustrative data created for Plume Specialist Tuition; not official statistics.

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

Question 27 (20 marks)

Evaluate the policy mix Australia could use to maintain price stability and full employment during a period of weak productivity growth.

OR

Question 28 (20 marks)

Analyse how competition policy and labour market reform can influence productivity, economic growth and the distribution of income in Australia.

End of paper