

Question 27**(12 marks)**

The economic indicators in the table below refer to a hypothetical economy.

	2020	2021	2022
Change in real GDP	1.2%	1.4%	1.8%
Consumer price index	3%	4%	1.9%
Unemployment rate	7.5%	5.5%	5.1%
Balance on goods and services	\$60bn	\$80bn	\$120bn
Net income balance	\$20bn	−\$25bn	−\$30bn
Cash rate	0.5%	0.25%	0.25%

- (a) (i) Identify the phase of the business cycle the economy experienced between 2020 and 2022. (1 mark)

- (ii) Calculate the current account balance for 2022. (1 mark)

- (b) Describe **two** possible causes of the phase of the business cycle identified in part (a)(i) above. (4 marks)

One:

Two:

Assume that the economic indicators for 2022 shown in the table on page 14 applied to the Australian economy.

- (c) Using the aggregate expenditure (AE) model, demonstrate the likely stance the Reserve Bank of Australia would adopt in order to influence economic activity, and explain the impact of this stance. (6 marks)

[illegible][illegible]