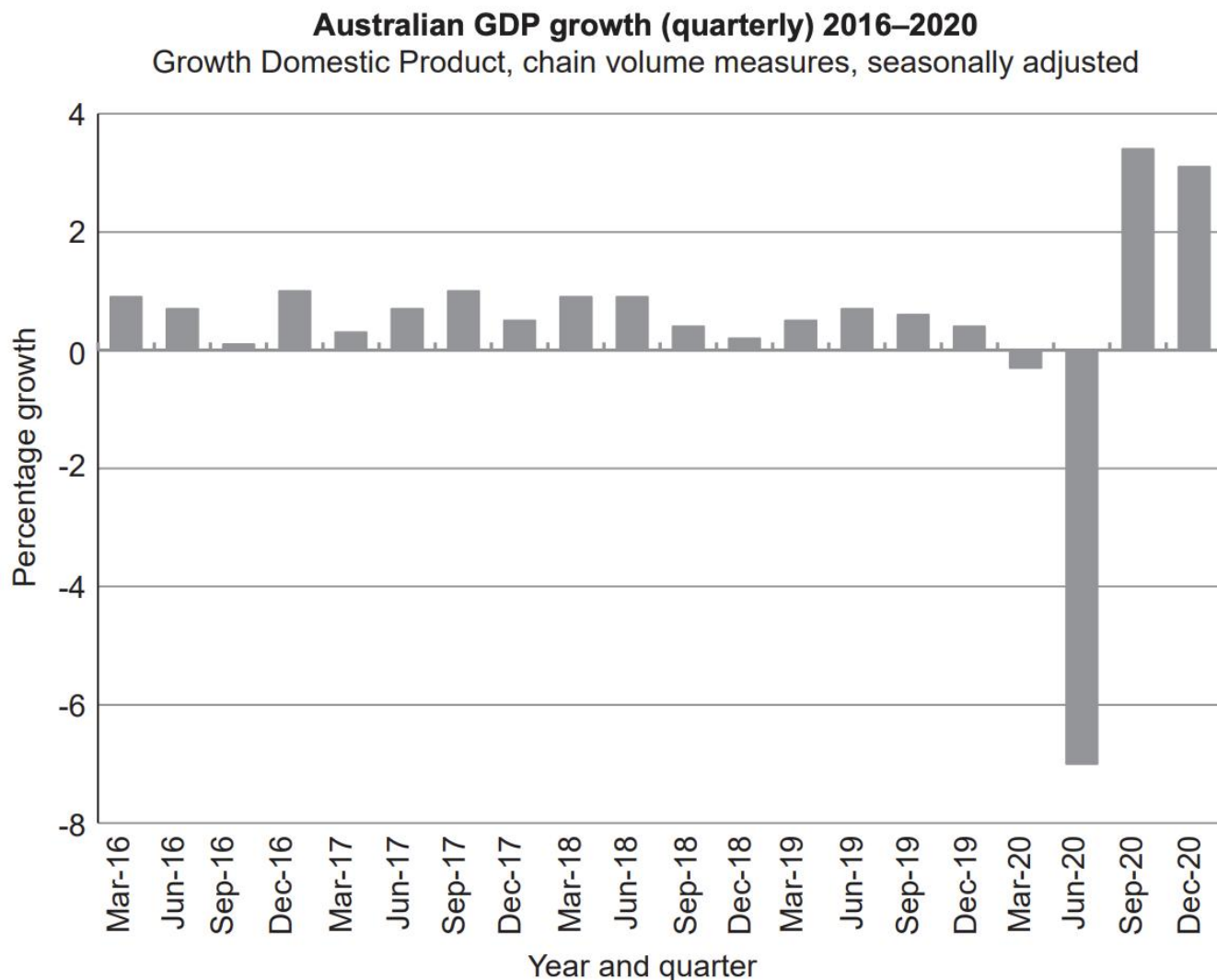
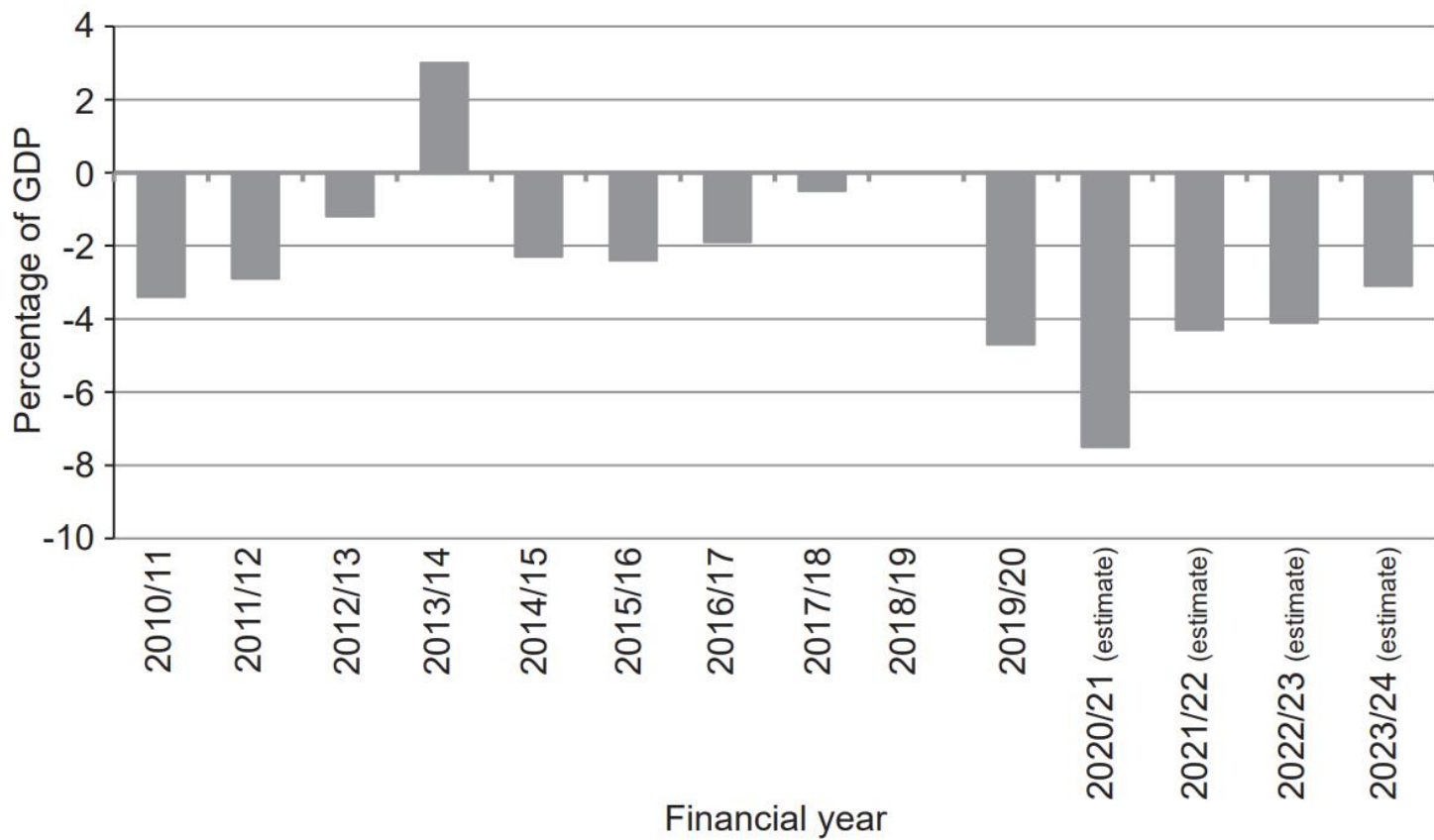


Question 26**(12 marks)**

This question refers to the two graphs below, which show Australia's GDP growth (quarterly) and the Australian Government's budget balance (annual).



Australian Government budget balances 2010/11–2023/24



(a) (i) What was the size of the contraction in GDP in the June quarter of 2020? (1 mark)

(ii) What is the size of the Australian Government's estimated budget deficit in 2020/21? (1 mark)

(b) Using the aggregate demand/aggregate supply (AD/AS) model, demonstrate and outline **two** intended effects of the estimated Australian Government budget deficits from 2020/21 onward. (4 marks)

Model

- (c) Describe **three** reasons why these estimated Australian Government budget deficits may have a limited effect on economic activity. (6 marks)

One: _____

Two: _____

Three: _____
