

Economics marking guide and response

External assessment 2025

Combination response (61 marks)

Assessment objectives

This assessment instrument is used to determine student achievement in the following objectives:

1. comprehend economic concepts, principles and models of economic management
3. analyse an economic issue that involves economic management
4. evaluate an economic outcome relevant to economic management.

Note: Objectives 2 and 5 are not assessed in this instrument.

Purpose

This document consists of a marking guide and a sample response.

The marking guide:

- provides a tool for calibrating external assessment markers to ensure reliability of results
- indicates the correlation, for each question, between mark allocation and qualities at each level of the mark range
- informs schools and students about how marks are matched to qualities in student responses.

The sample response:

- demonstrates the qualities of a high-level response
- has been annotated using the marking guide.

Mark allocation

Where a response does not meet any of the descriptors for a question or a criterion, a mark of '0' will be recorded.

Glossary of notations

Notation	Meaning
↑	Increase or higher
↓	Decrease or lower
%	Percentage
D	Demand
S	Supply
GDP	Gross domestic product
MER	Microeconomic reform
NAIRU	Non-accelerating inflation rate of unemployment
RBA	Reserve Bank of Australia
UE	Unemployment

Marking guide

Multiple choice

Question	Response
1	B
2	D
3	A
4	C
5	A
6	D
7	C
8	A
9	D
10	B

Short response

Question 11 (4 marks)

Sample response	The response:
<p>At a very low cash rate level of 0.25%, any further decrease, e.g. to 0.1%, may not be sufficient to encourage investment, that is, to change business behaviour with the aim of increasing aggregate demand. This would also be a problem for groups who rely on interest/savings as their income, because it would reduce their standard of living.</p>	<ul style="list-style-type: none"> describes the significance of very low cash rates [1 mark]
	<ul style="list-style-type: none"> explains the significance of very low cash rates [1 mark]
	<ul style="list-style-type: none"> describes another issue [1 mark]
	<ul style="list-style-type: none"> explains the other issue [1 mark]

Question 12 (4 marks)

Sample response	The response:
<p>Microeconomic reforms aim to improve the productivity and efficiency of the economy, which means more goods and services can be produced with the same or less resources. The economy must grow at a higher rate than the population each year, so that GDP per capita increases. An example of a MER is the removal of competition entry barriers so that businesses have more impetus to increase production efficiency.</p>	<ul style="list-style-type: none"> identifies the aim of MER is to improve efficiency [1 mark]
	<ul style="list-style-type: none"> demonstrates an understanding of the link between GDP and productivity [1 mark]
	<ul style="list-style-type: none"> explains why the economy needs to grow at a rate greater than the population growth [1 mark]
	<ul style="list-style-type: none"> provides an example of how MER improves efficiency or productivity [1 mark]

Question 13 (7 marks)

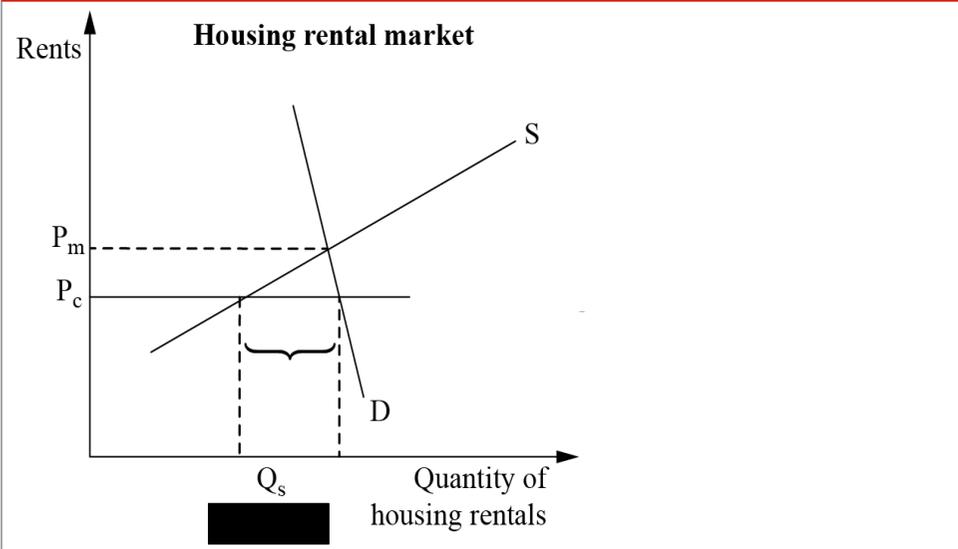
Sample response	The response:
<p>The scenario is a supply-side shock resulting in cost-push inflation. Here, a range of forces (e.g. natural disasters) are acting to reduce AS in the economy, impacting the supply chain. These forces increase the costs faced by businesses who react by increasing prices to maintain their profit margins where they can, leading to more supply-side inflation. Notably, labour costs (a demand factor) are not significantly impacting inflation.</p> <p>In cost-push inflation, cash rate increases raise prices further as interest rates are another cost to business. This inflation would reduce household demand, which is falling due to both less disposable income and reduced buying power. Therefore, the RBA cannot be as effective at managing cost-push inflation compared to demand-pull inflation.</p>	<p>Analysis (4 marks)</p> <ul style="list-style-type: none"> • identifies the scenario as cost-push inflation [1 mark] • describes the disasters and disruptions as reducing aggregate supply [1 mark] • identifies that businesses pass on rising costs as higher prices [1 mark] • identifies that wages are not a major contributor to inflation [1 mark] <p>Conclusion (3 marks)</p> <ul style="list-style-type: none"> • explains that cash rate rises add to inflation pressures [1 mark] • explains that D pressures are absent [1 mark] • describes that the RBA is not as effective at managing cost-push inflation [1 mark]

Question 14 (10 marks)

Sample response	The response:
<p>The data shows the national unemployment rate was approximately 5% in 2023, which was close to its lowest rate of 4% during 2006. In 2023, inflation of 2.5% was within the target range of the Reserve Bank, so it appears the UE rate was not yet at the non-accelerating inflation rate of unemployment. This indicates cyclical unemployment may not be a problem, and as the unemployment has persisted over time, there may be high structural unemployment.</p> <p>Unemployment rates are not uniform across Australia. While some regions have very low unemployment, other regions have high unemployment rates of 14% in 2023. This UE rate appears to be entrenched at 14%, as it has not fallen in line with the national rate over the last 2 years.</p> <p>Policy levers in 2023 could have targeted locations that have higher employment barriers, e.g. education support to improve the employability of underutilised labour in regional areas. This would improve the equity of employment opportunities for the households in these locations, e.g. by improving their skill levels so they can compete more effectively in the labour market.</p>	<p>Analysis (6 marks)</p> <ul style="list-style-type: none"> • describes the trend in national UE using data and a date [1 mark] • describes the trend in inflation using data and a date [1 mark] • interprets the UE and inflation data [1 mark] • interprets regional UE data [1 mark] • identifies a stationary period of UE data [1 mark] • interprets a stationary trend in UE [1 mark] <p>Evaluation (4 marks)</p> <ul style="list-style-type: none"> • identifies a valid reason for targeting regional UE [1 mark] • decides on a valid employment policy [1 mark] • uses equity as the economic criterion for the decision [1 mark] • uses economic reasoning to support the policy identified [1 mark]

Extended response — Question 15 (26 marks)

Question 15a) (4 marks)

Sample response	The response:
 <p>Housing rental market</p> <p>Rents</p> <p>P_m</p> <p>P_c</p> <p>Q_s</p> <p>Quantity of housing rentals</p> <p>S</p> <p>D</p>	<ul style="list-style-type: none">• identifies an informative title [1 mark]• draws a D and S diagram accurately [1 mark]• labels the D and S lines, and axes appropriately [1 mark]• identifies the shortage created by the price ceiling [1 mark]

Question 15b) (22 marks)

Criterion: Analysing (9 marks)

The response:	The response:	M	The response:	M
Problem (3 marks) (s1, 2, 3)	Rental data (s1)		Housing occupancy (s6)	
<ul style="list-style-type: none"> describes the economic problem as rental price ↑ in Australia (s1 and s2) [1 mark] describes that the problem mostly affects either the 25–44 or 65+ age group (s3) [1 mark] calculates a number to enhance meaning [1 mark] 	<ul style="list-style-type: none"> describes the trend of ↓ vacancies using dates and data describes the ↑ in rental prices using dates and data explains that the ↓ vacancies are causing rents to ↑ 	3	<ul style="list-style-type: none"> describes the renting pattern in the lowest wealth quintile/s in Australia, using data interprets one pattern described makes a comparison to the highest quintile, with data 	3
	<ul style="list-style-type: none"> describes ↓ vacancies and ↑ rents with one data point identifies a connection between vacancies and rents 	2	<ul style="list-style-type: none"> describes the renting pattern in the lowest wealth quintile/s interprets one pattern or makes a comparison 	2
	<ul style="list-style-type: none"> describes the trend of ↓ vacancies and ↑ rents 	1	<ul style="list-style-type: none"> identifies that renting is most common in the lowest wealth quintile 	1
	<ul style="list-style-type: none"> does not satisfy any of the descriptors above. 	0	<ul style="list-style-type: none"> does not satisfy any of the descriptors above. 	0

Criterion: Evaluating (13 marks)

The response:	The response:	M	The response:	M	The response:	M
Economic ideas (2 marks)	Option 1: housing rent control (s5 and s7)		Option 2: limit holiday accommodation nights (s4 and s8)		Evaluation	
<ul style="list-style-type: none"> uses the diagram to describe the price ceiling and shortage and links to market failure [1 mark] uses accurate language of shift or movement [1 mark] 	<ul style="list-style-type: none"> describes option 1, identifying an example from each stimulus explains the price ceiling effect could impact landlords' incentive to supply housing rentals explains likely flow-on effects of housing rent control, with data 	4	<ul style="list-style-type: none"> describes option 2, identifying an example from each stimulus explains how more housing rental supply might be created, with data identifies that not all holiday accommodation rentals might be impacted explains likely flow-on effects of limiting holiday accommodation nights 	4	<ul style="list-style-type: none"> makes a valid decision about which option should improve living standards considers two different perspectives provides economic reasoning to support the decision 	3
	<ul style="list-style-type: none"> describes option 1, identifying an example from either stimulus describes that landlords may provide less housing rentals explains a likely flow-on effect of option 1, with data 	3	<ul style="list-style-type: none"> describes option 2, identifying an example from either stimulus explains how more housing rental supply might be created, with data identifies a likely flow-on effect of option 2 	3	<ul style="list-style-type: none"> makes a valid decision about which option should improve living standards provides economic reasoning to support the decision 	2
	<ul style="list-style-type: none"> describes that landlords may provide less housing rentals describes another likely effect of option 1 	2	<ul style="list-style-type: none"> describes that holiday accommodation could move into housing rentals describes another likely effect of option 2 	2	<ul style="list-style-type: none"> makes a decision about which option should improve living standards 	1
	<ul style="list-style-type: none"> describes option 1 with a relevant detail or likely effect 	1	<ul style="list-style-type: none"> describes option 2 with a relevant detail or likely effect 	1	<ul style="list-style-type: none"> does not satisfy any of the descriptors above. 	0
	<ul style="list-style-type: none"> does not satisfy any of the descriptors above. 	0	<ul style="list-style-type: none"> does not satisfy any of the descriptors above. 	0		

References

Stimulus 3

Data from Reserve Bank of Australia 2023, 'Renters, Rent Inflation and Renter Stress', *Bulletin*, March 2023, ISSN 1837–7211.

<https://www.rba.gov.au/publications/bulletin/2023/mar/renters-rent-inflation-and-renter-stress.html> CC BY 4.0



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