

MACROECONOMICS AT WORK EXERCISE

THE AUSTRALIAN ECONOMY

REFERENCE: 'Slower growth will keep rates on hold', *BusinessWeek*, June 20, 2005, p. 22.

CHAPTERS RELEVANT TO THIS EXERCISE: 6, 11 and 14.

CONTEXT

Here's something unusual: a general comment on Australian macroeconomic conditions in a US publication. With the publication's index referring to the Australian economy 'cooling off', the article itself is interesting because, within the few words devoted to the subject, it identifies what are considered to be the salient aspects of economic circumstances and trends.

QUESTIONS

1. Why does the article pick up on what is happening in the Australian *housing market*? What trends does it note?
2. What *indicators* of a slowing in economic activity does the article refer to?
3. Why does the article highlight the implications of events for *interest rates*? What does it predict in this respect?
4. Comment on the reference to China.
5. What is the significance of the reference to the drought?
6. On what basis is it suggested that 'a severe slump is unlikely'?