

MACROECONOMICS AT WORK EXERCISE

AN ECONOMIC STOCKTAKE

REFERENCE: ‘A late, but great, performance by the Australian economy’ (by David Bassanese), *The Weekend Australian Financial Review*, December 23-28, 2003, p. 23.

CHAPTERS RELEVANT TO THIS EXERCISE: Chapters 5, 6.

OVERVIEW

This short article, written as a sort of end-of-year (2003) overview of the economy as a whole, together with the supporting graphical data, touches on (although it doesn't analyse in any great depth) a wide range of macroeconomic concepts and indicators. The general conclusion is that the Australian economy experienced a satisfactory rate of economic growth in 2003, thereby conferring benefits on its people, and was well positioned for growth to continue in 2004. Students should read the text and the graphic data to assess how well they understand the concepts and their significance.

QUESTIONS

1. Explain the following concepts and statements (used both in the text and in the captions to the graphs), and their relevance to the discussion:
 - (i) ‘external woes dominated the first half [of the year]...’
 - (ii) ‘the “re-normalisation” of interest rates...’
 - (iii) ‘rebounding corporate profits [pushed] equity prices higher...’
 - (iv) ‘super-charged consumers...’
 - (v) ‘abating export weakness...’
 - (vi) ‘housing is looking vulnerable...’
 - (vii) ‘... and business toppy...’
 - (viii) ‘better times mean higher interest rates’...

2. What was meant by the reference to the year being (in economic terms) ‘one of two halves’?

3. Explain the reference to 'unbalanced growth'.
4. Why did the year see a sharp increase in the value of the \$A?
5. What is meant by the (somewhat informal) references at the beginning of the article to Australia 'having dodged a few more bullets' and the Australian economy being 'nicely poised' for 2004?