INTUITION EDUCATION

HSC 2026 · PREDICTED PRACTICE PAPER

2026 HSC Economics

Original practice material — not a NESA paper

Total marks: 100

GENERAL INSTRUCTIONS

- Reading time — 5 minutes
- Working time — 3 hours
- Write using black pen
- Calculators approved by NESA may be used
- Section I — 20 marks. Attempt Questions 1–20. Allow about 35 minutes for this section
- Section II — 40 marks. Attempt Questions 21–24. Allow about 1 hour and 15 minutes for this section
- Section III — 20 marks. Attempt either Question 25 or Question 26. Allow about 35 minutes for this section
- Section IV — 20 marks. Attempt either Question 27 or Question 28. Allow about 35 minutes for this section

HOW THIS PAPER WAS BUILT

This full-length practice paper was built from the consensus of a six-model AI panel (fable, opus, gpt-5.6-sol, gemini-3.1-pro, grok, deepseek), each of which independently predicted the 2026 examination from the 2019–2025 papers and NESA marking feedback. The 145 question-level predictions were clustered; every cluster with consensus probability ≥ 0.55 is realised in this paper, the remainder is drawn from the panel's watch list, and distribution of income and wealth is deliberately light in line with the panel's rested call. Each question is tagged in the provenance table with the consensus cluster it realises and the probability that a question of that kind appears in 2026. Every question is original — none is copied from a past paper.

Answers and marking notes are published as a separate PDF — sit the paper first, then download the solutions from intuitioneducation.com.au/hsc-2026/economics.

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Section I

20 marks — Attempt Questions 1–20 — Allow about 35 minutes for this section

Use the multiple-choice answer sheet for Questions 1–20.

Question 1

An economy experiencing a sudden currency crisis is unable to meet its short-term foreign debt obligations.

Which organisation is most likely to provide emergency financial assistance to this economy?

A. The World Bank

B. The International Monetary Fund

C. The World Trade Organisation

D. The Organisation for Economic Co-operation and Development

Question 2

The table shows selected indicators for Country Z.

Indicator	Value
GNI per capita (US$)	58 400
Human Development Index	0.94
Services share of output	78%

How is Country Z best classified?

A. Advanced economy

B. Emerging economy

C. Developing economy

D. Transition economy

Question 3

Two economies agree to remove tariffs and quotas on each other's goods and services. The agreement has no other members.

What is this an example of?

A. A multilateral trade agreement

B. A bilateral trade agreement

C. A customs union

D. A monetary union

Question 4

Which of the following describes how the Reserve Bank of Australia keeps the cash rate close to its target under its current operating system?

A. It buys and sells Commonwealth Government Securities each morning to eliminate any surplus of exchange settlement funds

B. It sets the interest rate that commercial banks must charge on housing loans

C. It supplies ample exchange settlement balances and pays interest on them at a rate slightly below the cash rate target

D. It imposes a legal minimum reserve ratio on commercial bank deposits

Question 5

Which of the following would shift an economy's aggregate demand curve to the right?

A. An increase in consumer confidence

B. A fall in the costs of production

C. An increase in domestic interest rates

D. A government subsidy for worker training programs

Question 6

The table shows national income and consumption for an economy over two years.

Year	National income ($m)\|Consumption($m)
1	800
2	900

Planned investment then rises by $30 million.

What is the new equilibrium level of national income?

A. $930 million

B. $937.5 million

C. $1050 million

D. $150 million

Question 7

The table shows nominal GDP and the consumer price index for an economy.

Year	Nominal GDP ($b)	CPI
1	2000	110.0
2	2120	113.3

What is the approximate rate of real economic growth between Year 1 and Year 2?

A. 2.9%

B. 2.0%

C. 6.0%

D. 9.0%

Question 8

In one quarter, a cyclone sharply reduces fruit supply, and at the same time wages grow strongly across most industries.

Which row correctly identifies the measure of inflation mainly affected by each event?

	Cyclone-driven fruit price rise	**Broad-based wage growth**
A.	Headline	Underlying
B.	Underlying	Headline
C.	Headline	Headline
D.	Underlying	Underlying

Question 9

The table shows labour market data for an economy.

	Millions of persons
Working-age population	20.0
Employed	13.3
Unemployed	0.7

What is the unemployment rate?

A. 3.5%

B. 5.0%

C. 5.3%

D. 70.0%

Question 10

Which of the following would cause a fall in the participation rate?

A. Discouraged jobseekers stop actively looking for work

B. Part-time workers move into full-time employment

C. Unemployed people find jobs

D. A childcare subsidy draws parents into the workforce

Question 11

The table shows leakages and injections for an economy ($ billion).

Savings	Taxation	Imports	Investment	Government spending	Exports
40	60	50	45	65	30

Which row correctly describes this economy?

	National income	Trade in goods and services
A.	Rising	Surplus
B.	Rising	Deficit
C.	Falling	Deficit
D.	Falling	Surplus

Question 12

A government's budget outcome changes from a deficit of $40 billion to a deficit of $15 billion, with no change in the economy's cyclical position.

What does this change represent?

A. An expansionary stance, because the budget remains in deficit

B. An expansionary stance, because the outcome is still negative

C. A contractionary stance, because the deficit has become smaller

D. A neutral stance, because the outcome has not changed sign

Question 13

The table shows balance of payments data for an economy with a floating exchange rate ($ billion).

Item	Balance
Balance on goods and services	+25
Net primary income	−60
Net secondary income	−5
Capital account	+2
Financial account	?

What is the balance on the financial account?

A. +$38 billion

B. +$40 billion

C. −$38 billion

D. +$42 billion

Question 14

A migrant working in Australia regularly sends money to family members overseas.

How is this transaction recorded in Australia's balance of payments?

A. A debit in net primary income

B. A debit in net secondary income

C. A debit in the capital account

D. A debit in the financial account

Question 15

The table shows an economy's international investment position ($ billion).

	Value
Foreign debt owed by residents	1200
Debt owed to residents by non-residents	400
Domestic assets owned by non-residents	1100
Foreign assets owned by residents	900

What is the economy's level of net foreign liabilities?

A. $1000 billion

B. $800 billion

C. $200 billion

D. $2300 billion

Question 16

An economy's export price index is 110 and its import price index is 125.

What is its terms of trade index?

A. 88.0

B. 113.6

C. 15.0

D. 235.0

Question 17

The table shows the currency weights in an economy's Trade Weighted Index.

Currency	Weight (%)
Chinese renminbi	31
Japanese yen	13
European euro	9
US dollar	8

Which pair of equal-percentage movements would cause the TWI to fall?

A. Appreciation against the renminbi and depreciation against the US dollar

B. Depreciation against the renminbi and appreciation against the US dollar

C. Appreciation against the renminbi and depreciation against the euro

D. Appreciation against both the renminbi and the US dollar

Question 18

The Reserve Bank of Australia lowers the cash rate target.

Which row identifies the most likely effects?

	Asset prices	Australian dollar
A.	Rise	Appreciates
B.	Rise	Depreciates
C.	Fall	Depreciates
D.	Fall	Appreciates

Use the following information to answer Questions 19 and 20.

DATA PROVIDED IN THE EXAM

domestic demand and supply diagram for a good with a world price of $4 per unit. With a $2 per-unit tariff (domestic price $6): domestic demand 65 million units, domestic supply 50 million units. The tariff is then reduced to $1 per unit (domestic price $5): domestic demand 80 million units, domestic supply 40 million units.

Question 19

What is the government's tariff revenue after the tariff is reduced?

A. $15 million

B. $40 million

C. $30 million

D. $80 million

Question 20

What is the change in the revenue received by foreign producers as a result of the tariff reduction?

A. An increase of $100 million

B. An increase of $110 million

C. An increase of $160 million

D. An increase of $40 million

Section II

40 marks — Attempt Questions 21–24 — Allow about 1 hour and 15 minutes for this section

Answer the questions in the spaces provided.

Question 21 (10 marks) — Topic 1: The Global Economy *(10 marks)*

(a) Distinguish between economic growth and economic development. **(2 marks)**

(b) Country X, a major destination for Australian exports, raises its average tariff on imported goods from 5% to 20%.

> **TO BE FINALISED BEFORE PUBLICATION — PENDING HUMAN VERIFICATION**
> *frame against the United States tariff round current at publication — as at August 2026 that is a 10% baseline tariff on most Australian goods, 50% on steel and aluminium (raised from 25% in June 2025), and the 6 April 2026 Section 232 change assessing the tariff on the full customs value rather than metal content. Direct exposure is small: the US takes about 6% of Australia's gross exports, roughly 1.5% of GDP. Verify scope and rates at publication.*

Explain how increased protection by Australia's trading partners could affect the components of Australia's current account. **(3 marks)**

(c) Examine TWO reasons for differences in living standards and economic development between nations. **(5 marks)**

Question 22 (10 marks) — Topic 2: Australia's Place in the Global Economy *(10 marks)*

The table shows hypothetical balance of payments data for Australia ($ billion).

Item	Balance
Balance on goods and services	+18
Net primary income	−52
Net secondary income	−4
Capital account	+1
Financial account	+37

(a) Using the table, calculate the balance on Australia's current account. Show your working. **(2 marks)**

(b) Explain how the Australian dollar can appreciate against the US dollar while depreciating against the Trade Weighted Index. **(3 marks)**

(c) With reference to the table, explain how sustained surpluses on the capital and financial account can lead to growing net primary income debits over time. **(5 marks)**

Question 23 (10 marks) — Topic 3: Economic Issues — Environmental sustainability *(10 marks)*

DATA PROVIDED IN THE EXAM

diagram of the market for electricity generated from fossil fuels, showing the demand curve and the private cost (supply) curve, with equilibrium at quantity Qm. Space is provided on the diagram for an additional curve.

(a) On the diagram, draw and label the social cost curve for this market. **(1 mark)**

(b) Explain why the market equilibrium quantity exceeds the socially optimal quantity in this market. **(2 marks)**

(c) Explain how a per-unit tax on producers can internalise a negative externality. **(3 marks)**

(d) Assess the effectiveness of ONE market-based environmental policy used in Australia compared with direct regulation. **(4 marks)**

Question 24 (10 marks) — Topic 4: Economic Policies and Management *(10 marks)*

The table shows hypothetical data for the Australian economy.

	Year 1	**Year 2**
Budget outcome ($ billion)	−35	−12
Unemployment rate (%)	6.0	4.6
Real GDP growth (%)	1.2	3.1

(a) With reference to the table, outline how automatic stabilisers have contributed to the change in the budget outcome. **(2 marks)**

(b) Explain ONE consequence of financing a budget deficit by issuing bonds to the private sector. **(3 marks)**

(c) Explain how ONE microeconomic or labour market policy could increase productivity and reduce cost inflation in Australia. In your answer, refer to a specific product market or labour market. **(5 marks)**

Section III

20 marks — Attempt either Question 25 or Question 26 — Allow about 35 minutes for this section

Answer the question in a writing booklet.

Your answer will be assessed on how well you:

- demonstrate knowledge and understanding relevant to the question
- use the information provided
- apply relevant economic terms, concepts, relationships and theory
- present a sustained, logical and cohesive response

Question 25 *(20 marks)*

Evaluate the effectiveness of fiscal policy in achieving economic growth and external stability in Australia. In your answer, refer to the information provided.

TO BE FINALISED BEFORE PUBLICATION — PENDING HUMAN VERIFICATION
short excerpt from a recent Australian Government Budget Paper on the return of the budget to deficit after the 2022–23 and 2023–24 surpluses — insert a verified excerpt at publication.

TO BE FINALISED BEFORE PUBLICATION — PENDING HUMAN VERIFICATION
chart of the Australian Government underlying cash balance as a percentage of GDP, 2016–17 to 2025–26, showing widening deficits through the pandemic, back-to-back surpluses in 2022–23 and 2023–24, and a return to deficit thereafter. Final Budget Outcome figures: 2022–23 surplus +$22.1 billion (0.9% of GDP); 2023–24 surplus +$15.8 billion (0.6%); 2024–25 deficit −$27.9 billion (1.0%). Confirm the 2025–26 outcome at publication.

OR

Question 26 *(20 marks)*

Assess the impact of movements in the terms of trade and the exchange rate on Australia's external stability. In your answer, refer to the information provided.

TO BE FINALISED BEFORE PUBLICATION — PENDING HUMAN VERIFICATION
short excerpt from RBA or Treasury commentary on movements in the terms of trade and their implications for the current account — insert a verified excerpt at publication. As at August 2026 the terms of trade sit well below their 2021–22 peak but rose 1.1% to 96.4 in the March quarter 2026, so frame this as movement in both directions rather than a one-way decline.

TO BE FINALISED BEFORE PUBLICATION — PENDING HUMAN VERIFICATION
dual-series chart of Australia's current account balance as a percentage of GDP and net foreign liabilities as a percentage of GDP, 2016 to 2026, showing the current account moving from the 2019–23 surplus era back into deficit while net foreign liabilities decline then stabilise. The deficit widened to $27.1 billion in the March quarter 2026, and the balance on goods and services fell into deficit that quarter for the first time since the December quarter 2017 — verify against the ABS balance of payments release current at publication.

Section IV

20 marks — Attempt either Question 27 or Question 28 — Allow about 35 minutes for this section

Answer the question in a writing booklet.

Your answer will be assessed on how well you:

- demonstrate knowledge and understanding relevant to the question

- apply relevant economic terms, concepts, relationships and theory
- present a sustained, logical and cohesive response

Question 27 *(20 marks)*

Evaluate the impact of globalisation on economic growth and economic development in an economy other than Australia.

OR

Question 28 *(20 marks)*

Analyse the causes of inflation in Australia and its effects on individuals, firms and the government.

Built by a six-model AI panel and backtested against the hidden 2025 papers before publication — method at intuitioneducation.com.au/hsc-2026/how-we-did-it. Scored publicly in November 2026. Independent Intuition Education material from publicly available NESA documents; not affiliated with or endorsed by NESA.