**Year 12 Assessment 3 (Pattern of Trade and Balance of Payments) MARKING KEY**

Section 1: MCQ

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| 1. B | 2. B | 3. A | 4. B | 5. C | 6. B |

Section 2: Short answer/Data interpretation

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|  | Description | Marks allocated |
| 7a. | $373104m  (need to have $m) | 1 |
| b. | $51 259m  (need to have $m) | 1 |

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|  | Description | Marks allocated |
| 8 | Any 2 factors briefly outlined, e.g.   * Depreciation of AUD * Increased commodity prices * Increased global growth * Decreased Australian economic growth | 1-2 |

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|  | Description | Marks allocated |
| 9 | Outline Australia’s trade direction: Top trading partners are China and East Asian countries  Explanation: Any valid explanation, e.g.:   * Geographical location * Comparative advantage (for manufactured goods and commodities)   Relevance to trade intensity: Any valid discussion linked to trade direction, e.g.:   * Australia has a relatively low trade intensity * Growth in East Asian countries is likely to increase trade intensity | 1  1  1-2 |

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|  | Description | Marks allocated |
| 10 | Identification of structural reason: S-I gap  Use of data (primary income deficit)  Explanation of relationship between S-I gap and CAD  Should include:   * S-I gap creates reliance on foreign investment * This requires income repayments which are recorded on primary income account as debits * Creates persistent CAD | 1  1  1-2 |

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|  | Description | Marks allocated |
| 11 | Answer must refer to Australia, e.g. S-I gap due to relatively small savings pool.  Must discuss one argument for and one argument against having a CAD.  Must have an evaluation/judgement.  Answer can include:   * Expenditure-Production gap * Poor export performance * Debt trap * Unsustainable * Inflow of foreign investment * Foreign investment is used to expand economy * Sustainable * Largely private debt   Any other reasonable argument.  Mark dependant on depth of evaluation. | 1-6 |