MA99 EDUCATION

Household and business sector: Summary

03

NSW ECONOMICS 11-12 SYLLABUS 2025 FOR HSC 2028 AND LATER

Every Australian figure is dated and sourced, as at early October 2026, so you can quote it as written. Figures labelled hypothetical are for practice.

1. The focus area on one page

CONTENT POINT	KEY POINT	EVIDENCE
Role of households	Own the factors, earn factor incomes, consume, save, pay tax	Household consumption 52.0 per cent of GDP in 2025-26 (ABS)
Utility maximising	Buy one more unit only while its marginal benefit is at least its price	Law of diminishing marginal utility: each extra unit adds less
Social and ethical motives	Collective values, culture and social norms change what is bought	Fairtrade, festival spending, reciprocity in Aboriginal and Torres Strait Islander economies (NESA)
MPC and MPS	MPC = $\Delta C \div \Delta Y$; MPS = $\Delta S \div \Delta Y$; MPC + MPS = 1	Households, Jun qtr 2025 to Jun qtr 2026: MPC about 0.83 (from ABS data)
Saving and dissaving	Saving is deferred consumption; dissaving is consumption above income	Saving ratio 23.3 per cent (Jun qtr 2020), 1.8 (Sep qtr 2023), 6.5 (Jun qtr 2026); negative in 2006
Paradox of thrift	All saving more at once cuts spending, output, income and, in the end, saving	Jun qtr 2020: consumption down 12.7 per cent, GDP down 6.8 per cent (ABS)
Consumer sovereignty	Consumer demand decides what is produced, if choice is free and informed	Challenged by marketing and sludges: eHarmony (25 August 2026), digiDirect (21 September 2026)
Income and consumption types	Normal up with income; inferior down; Veblen up with price	Restaurant meals; home brand staples; luxury handbags
Wellbeing	Consumption and income raise living standards, but wellbeing is wider	Measuring What Matters: 5 themes, 50 indicators; real wages fell, year to June qtr 2026
Supply of labour	Wage moves along the curve; non wage factors shift it	Participation 67.1 per cent; women 63.3, men 71.0 (August 2026)
Disincentives	Inflexibility and culture, inadequate leave, cost and availability of care	3 Day Guarantee from 5 January 2026; Parental Leave Pay 26 weeks from 1 July 2026
Role of businesses	Produce, hire, pay incomes, invest, innovate	2,814,778 businesses at 30 June 2026; private business investment 12.1 per cent of GDP, 2025-26
Profit	Economic profit subtracts implicit costs as well	Hypothetical café: accounting profit $60,000, economic loss $19,500
Classification	Public or private enterprise; industry (ANZSIC); sector	Australia Post a Government Business Enterprise; health care 16.2 per cent of jobs
Productivity	Output per unit of input; the source of lasting profit and real wage growth	GDP per hour worked up 1.0 per cent, June 2016 to June 2026 (ABS)
Productivity factors	Technology, capital deepening, skills, internal and external economies, diseconomies	PC: AI likely to add more than $116 billion over a decade (2025)
LRAC	Falls with economies of scale, lowest at the technical optimum, rises with diseconomies	Hypothetical bakery: $12.00 at 1,000 loaves, $6.50 at 5,000, $7.20 at 7,000

CONTENT POINT	KEY POINT	EVIDENCE
Income from labour	Wage and non wage benefits; the minimum wage	NMW $1,004.90 a week, $26.44 an hour from 1 July 2026; awards up 4.75 per cent
Equity of income from work	For: wellbeing, poverty, gender equity, spending. Against: incentives, jobs, costs, flexibility	Gender pay gap 11.5 per cent, November 2025 (ABS via WGEA)
Demand for labour	Derived demand: output, relative cost of labour and capital, AI, profit, policy	JSA: gen AI "more likely to augment jobs than replace them" (14 August 2025)

2. The numbers to quote

Households

Consumption. $1,522.6 billion in 2025-26, 52.0 per cent of GDP of $2,927.1 billion (ABS, current prices). Up 0.4 per cent in the June quarter 2026 and 1.8 per cent over the year (ABS, 2 September 2026).

Saving ratio (net saving ÷ net disposable income, seasonally adjusted). 23.3 per cent in the June quarter 2020, the highest since the series began in 1959. 1.8 per cent in the September quarter 2023. 6.5 per cent in the June quarter 2026. Negative in 18 quarters from December 1998 to September 2007, lowest minus 2.6 per cent in the June quarter 2006.

MPC from ABS data. Net disposable income $391.9 billion to $413.7 billion; consumption $368.6 billion to $386.6 billion; saving $23.3 billion to $27.1 billion (June quarters 2025 and 2026). MPC = 18.0 ÷ 21.8 = 0.83; MPS = 3.8 ÷ 21.8 = 0.17.

Real incomes. WPI up 3.2 per cent, CPI up 3.9 per cent over the year to the June quarter 2026, so real wages fell about 0.7 per cent. CPI 4.0 per cent over the 12 months to August 2026 (ABS, 30 September 2026). Cash rate target 4.85 per cent after the RBA's 3 November 2026 decision.

Labour

August 2026 (ABS, 24 September 2026). Participation 67.1 per cent (women 63.3, men 71.0). Unemployment 4.6 per cent. Underemployment 6.2 per cent. Part-time jobs up 45,800, full-time down 6,300 in the month.

The long view. Women's participation 43.9 per cent in August 1978, 63.3 per cent in August 2026; men's 78.8 to 71.0. The gap narrowed from 34.9 to 7.7 percentage points.

Care and leave. 3 Day Guarantee from 5 January 2026: 72 hours of subsidised care a fortnight for every eligible family, replacing the activity test (Department of Education). Parental Leave Pay 26 weeks (130 days) for children born or adopted from 1 July 2026; super paid on it from 1 July 2025 (Services Australia).

Business and income

Productivity. GDP per hour worked index 70.4 (June 1996), 85.5 (June 2006), 98.7 (June 2016), 99.7 (June 2026): decade growth 21.4, 15.4 and 1.0 per cent. Down 0.2 per cent over the year to the June quarter 2026 (ABS).

Minimum wage. [2026] FWCFB 3500, announced 2 June 2026: national minimum wage $1,004.90 a week, $26.44 an hour from 1 July 2026, up 6.0 per cent from $948.00 because the lowest award level (C13) is being phased out in three stages; modern award rates up 4.75 per cent. 21.1 per cent of employees, almost 2.8 million, are paid award rates.

Non wage benefits. Superannuation guarantee 12 per cent (2025-26 and 2026-27); Payday Super from 1 July 2026 (ATO).

Gender pay gap. 11.5 per cent, November 2025: men $2,147.80, women $1,900.60 a week, full-time ordinary earnings (ABS via WGEA, 26 February 2026).

Industries. Health care and social assistance employed 2.39 million, 16.2 per cent of 14.77 million, February 2026 quarter (ABS).

3. The models and methods

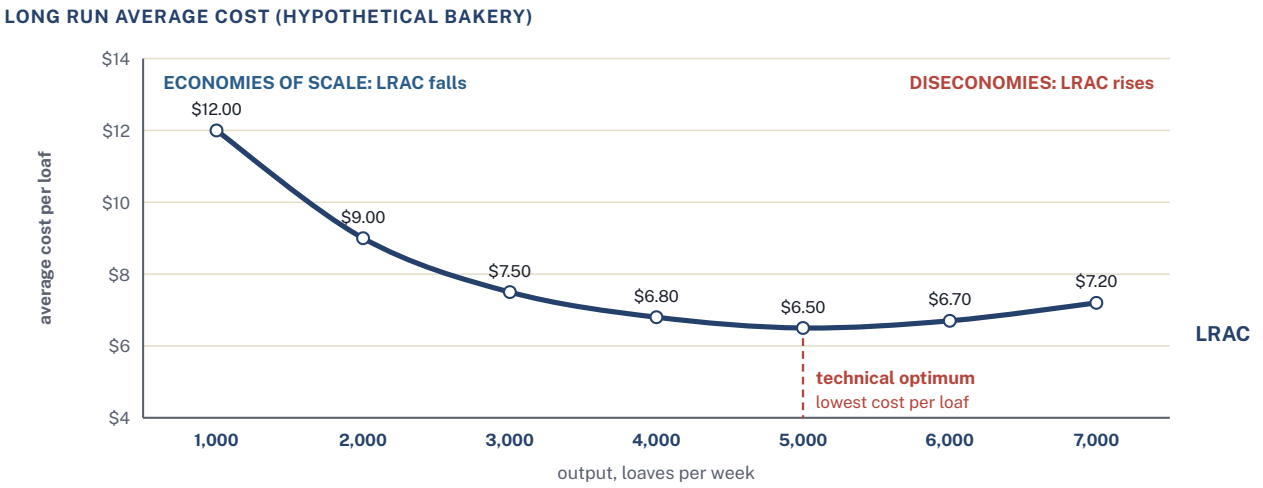


Figure 1 · The long-run average cost curve. The technical optimum is the output with the lowest average cost. Hypothetical bakery.

Method: calculate the MPC and MPS

1. Find the changes: ΔC = new C minus old C; ΔY = new Y minus old Y.
2. MPC = ΔC ÷ ΔY. MPS = 1 minus MPC, or ΔS ÷ ΔY.
3. Check: MPC + MPS = 1. Then say what it means: “of each extra dollar, about 83 cents was spent”.

Method: economic profit

1. Accounting profit = total revenue minus explicit costs.
2. Implicit costs = the owner’s forgone salary + the forgone return on the owner’s own capital (amount × interest rate).
3. Economic profit = accounting profit minus implicit costs. Negative means the resources would earn more elsewhere.

Method: read an LRAC curve

1. Find the lowest point: that output is the technical optimum, and its cost is the lowest average cost.
2. Left of it: economies of scale. Name one internal source (technical, managerial, financial, purchasing).
3. Right of it: diseconomies of scale. Name the cause (coordination, communication, duplication).
4. Calculate a percentage change in average cost if the data allow.

Method: a choice at the margin

Buy one more unit while marginal benefit ≥ price. Stop at the last unit where it still holds. Total utility peaks later, where marginal utility is zero.

Method: movement or shift (labour)

A change in the wage: a movement along the curve (expansion or contraction). A change in anything else: a shift (increase or decrease). Supply shifters: non wage benefits, conditions, population, participation, skills, mobility. Demand shifters: output, relative cost of labour and capital, AI and automation, profitability, government policy.

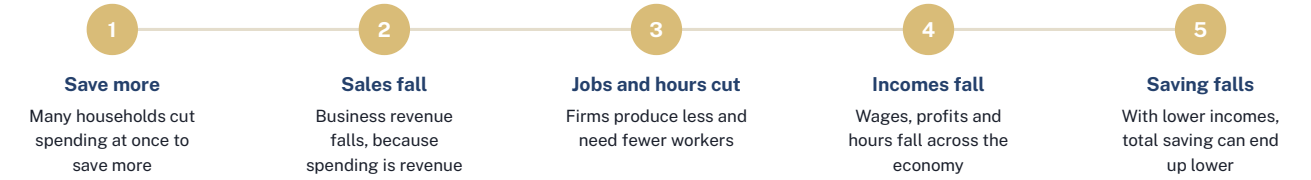


Figure 2 · The paradox of thrift as five links of cause and effect.

4. Common errors

The ten mistakes that cost the most

Saving ratio is not the MPS. The saving ratio is average; the MPS is marginal.

A consumer stops before total utility peaks. The stopping rule is marginal benefit against price.

The paradox of thrift does not say saving is bad. It says everyone saving at once can lower total saving.

A Veblen good is not just an expensive good. Its quantity demanded rises with price.

An inferior good is not a faulty good. It is one bought less as income rises.

Accounting profit is not economic profit. Economic profit counts implicit costs.

The technical optimum is lowest average cost, not most output and not most profit.

Production is not productivity. More workers can raise output while output per hour falls.

Wage changes move along labour curves; everything else shifts them.

The minimum wage and award rates rose by different amounts in 2026: 6.0 against 4.75 per cent.

5. The last check before the assessment

Tick each line only when you can do it on blank paper, without these notes. Every line left at “not yet” is where your next hour of study goes.

CAN I DO THIS WITHOUT NOTES?	YES	NOT YET
Draw the two sector circular flow with money and real flows.		
Draw TU and MU for a good and explain the stopping rule.		
Calculate MPC and MPS from two years of data.		
Explain the paradox of thrift in five links, with 2020 data.		
Define a sludge in NESA’s words and give a 2026 case.		
Draw normal, inferior and Veblen goods on the right axes.		
Name seven supply of labour factors and three disincentives.		
Calculate economic profit, including forgone interest.		
Draw an LRAC curve and mark the technical optimum.		
Quote the minimum wage and award decision of 2 June 2026.		
Argue for and against equitable income from work.		

CAN I DO THIS WITHOUT NOTES?	YES	NOT YET
Explain how AI shifts the demand for labour both ways.		

> If you can only do one thing, learn the four calculations: MPC, economic profit, productivity and the LRAC percentage change.

About this resource

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Scope

NSW Economics, Year 11. Written to the NSW Economics 11-12 Syllabus 2025, Household and business sector, for students sitting the HSC in 2028 and later years. Written to the new syllabus, taught in Year 11 from 2027. Australian data are dated and sourced (ABS, RBA, Treasury and others); figures labelled hypothetical are for practice only.

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