MA99 EDUCATION

Financial sector: Summary 04

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

Every figure is dated and sourced so you can quote it as written. Read it the week before an assessment, then do the check at the end on blank paper.

1. The focus area on one page

NESA CONTENT POINT	KEY POINT	EVIDENCE
Role of the financial sector, including facilitating savings and investment	It channels savings (a leakage) from surplus units to deficit units as investment (an injection)	Credit outstanding $4,247.9 billion, August 2026 (RBA D2)
Types of financial intermediaries: banks, insurers, fund managers, the central bank	Each pools savers' money and passes it to borrowers; the RBA is the central bank and influences interest rates	Banks: about 90.7 per cent of intermediated loans (RBA D2)
Superannuation as a source of savings and investment	Compulsory saving (12 per cent SG), invested long-term in shares, bonds, property, infrastructure	Assets $4,767.2 billion, 30 June 2026; contributions $236.3 billion in 2025-26 (APRA)
Characteristics of equity markets	Ownership; dividends and capital gains; no repayment; paid last; higher risk	1,890 ASX companies, market cap $3,403.2 billion, August 2026
Primary and secondary share markets	Primary: new shares, money to the company. Secondary: existing shares, liquidity and prices	GYG float: $200 million new shares, $135.1 million sold by owners (June 2024)
Characteristics of debt markets	Fixed claim, interest, maturity, often security, paid before shareholders; bonds are one of many	3-month bank bill 4.51 per cent, August 2026 (RBA F1.1)
Primary and secondary bond markets	Primary: new bonds fund issuers. Secondary: trading sets yields; price and yield move oppositely	Gross debt $928.6 billion (June 2025) to $1,051.0 billion (June 2027 estimate)
Role of interest rates	Price of money, cost of credit, return on savings, indicator of risk	Term deposit 4.95, credit card 20.99 per cent (August 2026); average owner-occupier home loan 6.2 per cent (July 2026, RBA)
Demand for funds	Consumer and business confidence, investment opportunities, government policies	2026-27 deficit $31.5 billion (Budget Paper No. 1)
Supply of funds	Domestic savings, alternative investments, foreign investment, government policies	Saving ratio 6.5 per cent, June quarter 2026 (ABS)
Loanable funds graph	Real interest rate set where D meets S; shifts change r and Q	Crowding out: D right, real rate up, private investment down
Interest rates and housing affordability	Repayments, borrowing capacity, prices, supply	Cash rate 3.60 to 4.85 per cent in 2026, the latest decision effective 4 November 2026 (RBA A2)

2. The facts to quote

Interest rates in 2025 and 2026

Cash rate target. Cut to 4.10 (February 2025), 3.85 (May 2025), 3.60 (August 2025); raised to 3.85 (4 February 2026), 4.10 (18 March 2026), 4.35 (6 May 2026), 4.60 (30 September 2026) (RBA A2). The RBA on 29 September 2026: inflation "remains elevated"; "housing prices have fallen in most capital cities and new housing loans have declined noticeably".

Lending and saving rates, August 2026 (a year earlier in brackets). Banks' discounted variable owner-occupier rate 6.80 (6.05); 3-year fixed 6.74 (5.52); small business variable 9.00 (8.25); standard credit card 20.99 (20.99); 1-year term deposit 4.95 (3.60); transaction account 0.00 (RBA F4, F5).

Bond yields, 30 September 2026. 3 year 4.92; 10 year 5.34; 10-year indexed (real) 2.94 per cent (RBA F2).

Inflation. CPI 4.0 per cent, trimmed mean 3.6 per cent, 12 months to August 2026 (ABS, 30 September 2026).

Institutions and markets

RBA. Australia's central bank; "derives its functions and powers from the Reserve Bank Act 1959". Issues banknotes, banks for the government, sets the cash rate target.

Super. SG 12 per cent from 1 July 2025; Payday Super from 1 July 2026 (paid with wages, in the fund within 7 business days). Assets $4,767.2 billion at 30 June 2026, up 9.5 per cent; employer contributions $164.4 billion, member $71.9 billion, benefits paid $148.2 billion in 2025-26 (APRA, 31 August 2026). Return 8.6 per cent in 2025-26, funds with more than six members (APRA).

ASX. 1,890 companies, 2,042 entities, $3,403.2 billion at the end of August 2026. S&P/ASX 200: 9,198.6 (February) to 8,481.8 (March 2026), down 7.8 per cent; 9,076.0 in August.

Credit, August 2026. Housing $2,627.5 billion (61.9 per cent), business $1,452.4 billion (34.2 per cent), other personal $167.9 billion; business credit up 10.9 per cent in a year (RBA D1, D2).

Demand and supply evidence

Demand. Middle East conflict: "a sharp drop in consumer sentiment and business confidence" (RBA, May 2026). Business investment "remained elevated" with new data centre construction (ABS, June quarter 2026). Budget deficit $31.5 billion in 2026-27. Negative gearing limited to new builds from 1 July 2027 (announced 12 May 2026).

Supply. Household saving ratio 6.5 per cent, June quarter 2026 (ABS). Net foreign debt liability $1,486.0 billion at 30 June 2026, the latest release (ABS). Compulsory super contributions.

Housing. New owner-occupier loan commitments down 3.3 per cent, investor down 8.6 per cent in the June quarter 2026 (latest release); average new owner-occupier loan $731,000 (ABS, 14 August 2026).

3. Models and formulas

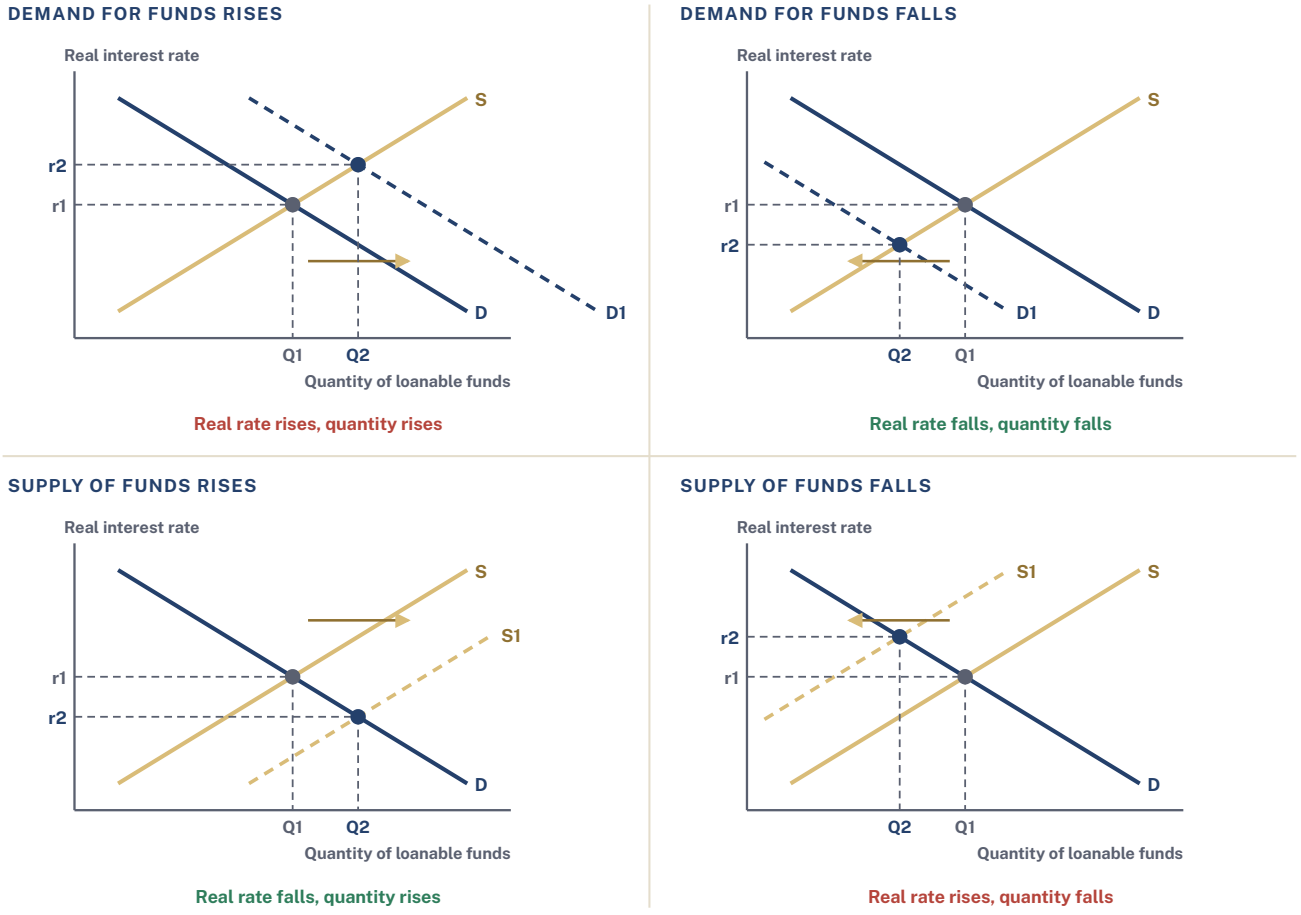


Figure 1 · The four shifts on a loanable funds graph. The vertical axis is always the real interest rate. Model, not data.

FORMULA	EXAMPLE
Equilibrium in the circular flow: S + T + M = I + G + X	If S rises and I does not, leakages exceed injections and income falls
Real interest rate ≈ nominal rate less inf ation	Cash rate 4.60 less CPI 4.0 ≈ 0.6 per cent real
One year bond price = (face value + coupon) ÷ (1 + market yield)	$104 ÷ 1.05 = $99.05 when yields rise to 5 per cent
Dividend yield = annual dividend ÷ share price × 100	$1.60 ÷ $40.00 × 100 = 4.0 per cent
Percentage change = (new less old) ÷ old × 100	ASX 200: (8,481.8 less 9,198.6) ÷ 9,198.6 = minus 7.8 per cent
Share of a total = part ÷ total × 100	Housing credit 2,627.5 ÷ 4,247.9 = 61.9 per cent
One month's interest = loan × annual rate ÷ 12	$600,000 × 0.068 ÷ 12 = $3,400
Opportunity cost of holding cash = amount × rate forgone	$10,000 × 4.95 per cent = $495 a year

4. How to answer the question

Draw and explain a loanable funds shift

1. Axes: “real interest rate” up the side, “quantity of loanable funds” along the bottom.
2. D slopes down, S slopes up; mark r1 and Q1 at the crossing.
3. Decide which side the change affects: borrowers (D) or savers (S). Never shift a curve because “interest rates changed”.
4. Shift it, mark r2 and Q2, and state both changes in words.
5. Finish with a consequence: who borrows less or saves more, and what happens to investment.

Explain a bond price change

State the fixed payment, state the new market yield, divide, and say “price and yield move in opposite directions”. Then name who holds the bond and what happened to their wealth.

Answer a housing affordability question

Name the rate change with a date. Then two or more of the four effects: repayments, borrowing capacity, prices, supply. Then two groups who are affected differently. Then a judgement on which effect dominates for whom.

Repayments on a hypothetical $600,000, 30-year loan: $3,616.61 a month at 6.05 per cent; $3,911.55 at 6.80; $4,011.98 at 7.05 (MA99 calculation). The same $3,616.61 a month supports a loan of about $554,800 at 6.80 per cent.

Distinguish primary from secondary

Primary: new security, money to the issuer, funds investment. Secondary: existing security, money to the seller, gives liquidity and sets prices and yields. Use “whereas”, and one real example (GYG’s $200 million of new shares; Treasury bonds traded by super funds).

5. The traps that cost the most

Eight common mistakes to avoid

Using “investment” to mean buying shares. In economics investment is spending on new capital.

Writing about how the RBA sets monetary policy. That is Year 12; here the RBA is the central bank that influences interest rates, and a cash rate change is a cause you can name.

Saying a company raises money when its share price rises. Only new shares in the primary market raise money.

Treating the bond market as the only debt market. Home loans, business loans, bank bills and credit cards are debt markets too.

Saying bond prices rise when yields rise. They move in opposite directions.

Labelling the vertical axis “interest rate” or “nominal interest rate”. It is the real interest rate.

Shifting a curve because “interest rates rose”. The rate is the result of a shift, not a cause of one.

Writing “higher rates make housing less affordable” with no mechanism and no group. Name the effect and who it hits.

6. The last check before the assessment

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

CAN I DO THIS WITHOUT NOTES?	YES	NOT YET
Draw the five sector circular flow and mark S and I.		
Name four intermediaries and what each does with savings.		
Give the SG rate and the size of super at 30 June 2026.		
Explain the GYG float as new shares and existing shares.		
Calculate a one-year bond price at a new yield.		
Give the four roles of interest rates with a 2026 figure each.		
Calculate a real interest rate from a nominal rate and the CPI.		
List four factors on each side of the market for funds.		
Draw all four loanable funds shifts and state the results.		
Explain four effects of a rate rise on housing affordability.		

> If you only do one thing before the assessment, draw the loanable funds graph from memory three times.

About this resource

MA99 EDUCATION

Scope

NSW Economics, Year 11. Written to the NSW Economics 11-12 Syllabus 2025, Financial 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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MA99 EDUCATION

Financial sector: Practice Questions 04

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

1. Instructions

Forty four marks in total: ten multiple choice, twenty two marks of short answer and a twelve-mark stimulus-based response in the style of HSC Section III. Complete it under timed conditions before reading the back of the document.

How to run this

Give yourself 77 minutes for the whole set, written, on paper, with no notes. A calculator is allowed, as in the HSC.

Mark it yourself against the guidance at the back, then write one sentence naming the single change that would have gained the most marks.

Make that change next time. Make one change per attempt.

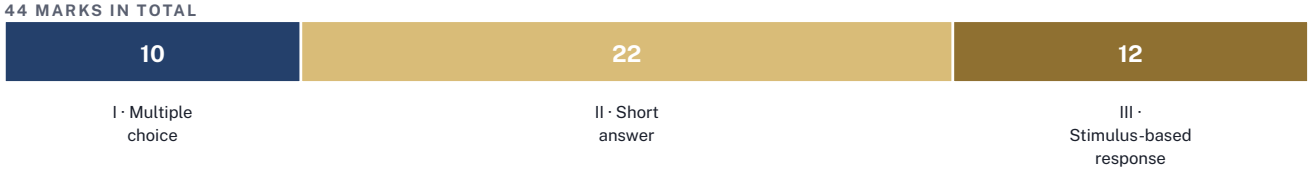


Figure 1 · How the 44 marks are split across the sections. Your time should follow the same split.

The data in this set

Every figure about Australia is real, dated and sourced (RBA, ABS, APRA, ASX, Budget papers) as at early October 2026. Anything not real is labelled “hypothetical”. Calculations of loan repayments were made by MA99 from the stated rates.

FOUNDATION Section I recalls and applies one idea per item.

STANDARD Section II uses real data. Match your detail to the marks.

CHALLENGE Section III asks you to analyse a stimulus and judge.

2. Section I · Multiple choice

Ten marks. One mark each. About 15 minutes. Choose the single best option.

Question 1

1 MARK

Which of the following is investment in the economic sense?

A A household buys shares in a listed bank on the ASX

B A business buys new machinery for its factory

C A saver places $5,000 in a 1-year term deposit

D A super fund buys existing Treasury bonds from a bank

Question 2

1 MARK

In the five sector circular flow of income, the financial sector

A receives savings, a leakage, and channels them to firms as investment, an injection

B receives taxes, a leakage, and returns them as government spending, an injection

C receives investment, a leakage, and returns it as savings, an injection

D adds to the flow of spending only when households borrow for consumption

Question 3

1 MARK

Which statement about the Reserve Bank of Australia is correct for this focus area?

A It is a commercial bank that takes deposits from households

B It sets the Superannuation Guarantee rate paid by employers

C It issues shares on the ASX to raise funds for the government

D It is Australia's central bank and influences interest rates through the cash rate target

Question 4

1 MARK

Guzman y Gomez's float in June 2024 was $335.1 million, of which $135.1 million was existing shares sold by existing owners (GYG prospectus, 14 June 2024). How much new capital did GYG raise in the primary market?

A $335.1 million

B $135.1 million

C $200.0 million

D Nothing, because the shares were then traded on the secondary market

Question 5

1 MARK

Market yields on government bonds rise. What happens to the price of an existing bond with a fixed coupon?

A It falls

B It rises

C It does not change, because the coupon is fixed

D It rises, but only for investors who hold it to maturity

Question 6

1 MARK

In July 2026 the average interest rate on outstanding owner-occupier home loans was 6.2 per cent (RBA F6). Annual CPI inflation was 4.0 per cent to August 2026 (ABS). The approximate real interest rate on these loans was

A 10.2 per cent

B 2.2 per cent

C 1.55 per cent

D 6.2 per cent

Question 7

1 MARK

Which change would shift the supply of loanable funds to the LEFT?

A A rise in the household saving ratio

B An increase in government borrowing to fund a budget deficit

C Foreign lenders withdrawing funds from Australian banks

D A rise in business confidence

Question 8

1 MARK

Business confidence rises and firms plan more investment. On a loanable funds graph, the equilibrium real interest rate and quantity of funds will

A both rise

B rise and fall respectively

C fall and rise respectively

D both fall

Question 9

1 MARK

Which is a characteristic of equity markets?

A Shareholders are paid before bondholders if a company fails

B The company must repay shareholders' capital on a set date

C Dividends must be paid every year

D A shareholder's possible loss is limited to the amount paid for the shares

Question 10

1 MARK

The cash rate rose from 3.60 to 4.60 per cent during 2026 (RBA). Which group is most likely to have been made BETTER off?

A Households with variable-rate home loans

B Retirees living on interest from term deposits

C Property investors with interest-only loans

D First home buyers needing the largest possible loan

3. Section II · Short answer

Twenty two marks. About 40 minutes. Write in full sentences and use economic terms exactly. Write your answers in the spaces provided.

Question 11

2 MARKS

Distinguish between saving and investment in their economic sense.

Question 12

3 MARKS

Outline the role of TWO types of financial intermediary in the Australian economy.

SUPERANNUATION, AUSTRALIA	YEAR TO 30 JUNE 2025	YEAR TO 30 JUNE 2026
Total superannuation assets at 30 June	$4,353.9 billion	$4,767.2 billion
Employer contributions in the year	not shown	$164.4 billion
Member contributions in the year	not shown	$71.9 billion
Total contributions in the year	not shown	$236.3 billion

Source: APRA, quarterly superannuation statistics for June 2026, released 31 August 2026. Contributions are for funds with more than six members.

Question 13

4 MARKS

Refer to the table above.

(a) Calculate the percentage increase in total superannuation assets over the year to 30 June 2026. Show your working. (1 mark)

(b) Calculate employer contributions as a percentage of total contributions in 2025-26. (1 mark)

(c) Explain how superannuation acts as a source of investment in the Australian economy. (2 marks)

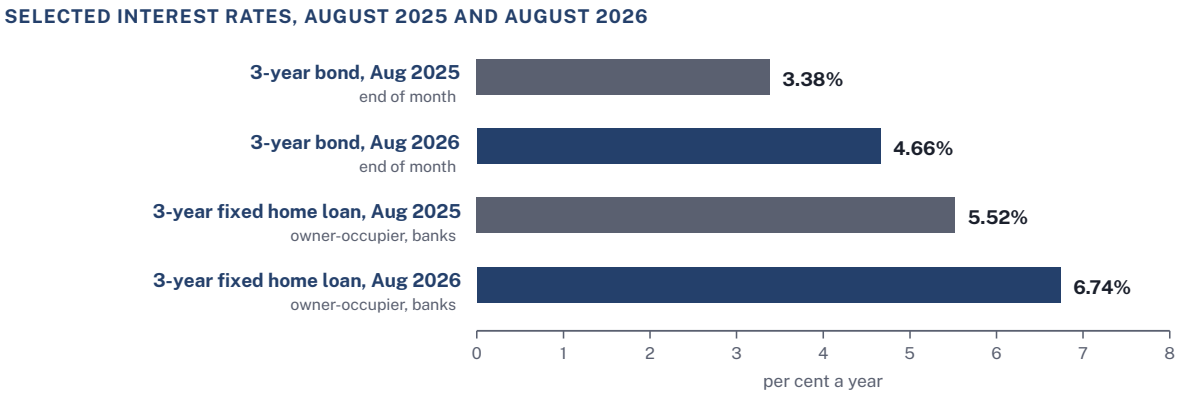


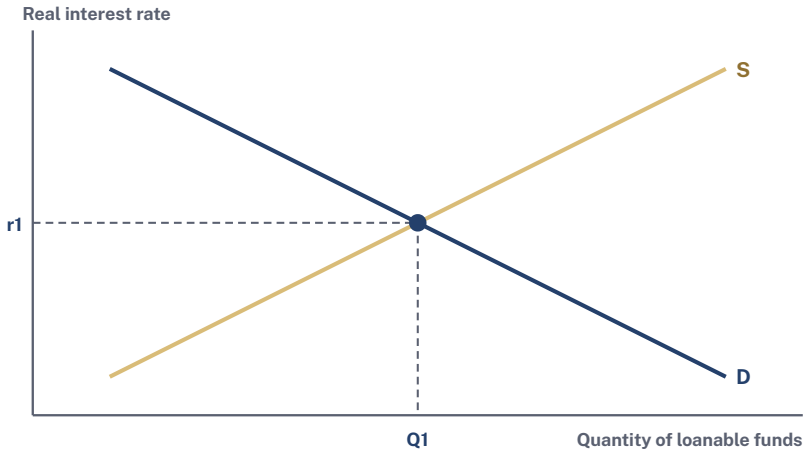
Figure 2 · Government bond yields and fixed home loan rates. Sources: RBA Statistical Tables F2 (end of month) and F5 (banks, owner-occupier, 3-year fixed), August 2025 and August 2026.

Question 14

4 MARKS

(a) A hypothetical bond has a face value of $100, one year to maturity and a coupon of 4 per cent. Market yields on similar bonds rise to 6 per cent. Calculate the bond's new price. (1 mark)

(b) Refer to Figure 2. Describe the change in the 3-year bond yield and the 3-year fixed home loan rate between August 2025 and August 2026, and explain the link between the secondary bond market and fixed home loan rates. (3 marks)



draw the shift, label r2 and Q2

Figure 3 · A loanable funds market in equilibrium. Draw on this graph for question 15.

Question 15

4 MARKS

Households decide to save a smaller share of their income. Using Figure 3, show and explain the likely effect on the real interest rate and on the quantity of loanable funds.

Question 16

5 MARKS

In August 2026, banks paid 0.00 per cent on transaction accounts and 4.95 per cen t on 1-year term deposits; the standard credit card rate was 20.99 per cent; CPI inflation was 4.0 per cent (RBA F4, F5; ABS).

(a) Calculate the approximate real return on a 1-year term deposit. (1 mark)

(b) Explain why the interest rate on credit cards is much higher than the rate on a home loan. (2 marks)

(c) Explain how the interest rate acts as the opportunity cost of holding cash. (2 marks)

4. Section III · Stimulus-based response

Twelve marks. About 22 minutes. Use the stimulus and your own knowledge. Write your response in a separate writing booklet.

STIMULUS FOR QUESTION 17

Source A. The cash rate target, 2026 (RBA Statistical Table A2)

EFFECTIVE DATE	START OF 2026	4 FEBRUARY	18 MARCH	6 MAY	30 SEPTEMBER
Cash rate target	3.60%	3.85%	4.10%	4.35%	4.60%

Source B. Monthly repayments on a hypothetical $500,000, 30-year home loan (MA99 calculation)

INTEREST RATE	6.05% (BANKS' DISCOUNTED VARIABLE RATE, AUGUST 2025)	6.80% (THE SAME RATE, AUGUST 2026)
Monthly repayment	$3,013.84	$3,259.63

Source C. Housing finance and prices

- "Housing prices have fallen in most capital cities and new housing loans have declined noticeably." (RBA, Statement by the Monetary Policy Board, 29 September 2026)
- The number of new owner-occupier loan commitments fell 3.3 per cent in the June quarter 2026; investor commitments fell 8.6 per cent (ABS, Lending Indicators, 14 August 2026).
- 1-year bank term deposit rates rose from 3.60 per cent (August 2025) to 4.95 per cent (August 2026) (RBA F4).

Question 17

12 MARKS

(a) Using Source B, calculate the increase in monthly repayments in dollars and as a percentage. Show your working. (2 marks)

(b) Using the stimulus and your knowledge of the financial sector, analyse the effects of the interest rate changes of 2026 on housing affordability for different groups in Australia. (10 marks)

Write your response in a separate writing booklet.

5. Marking guidance

Mark your response accurately. Equivalent real evidence earns the same marks as the examples given here.

Section I

Q	ANSWER	WHY
1	B	Investment is spending on new capital. A, C and D move savings between financial assets: the most common confusion in this topic.
2	A	Savings leave the spending flow and return as investment through the financial sector. B describes government; C reverses the two flows.
3	D	NESA requires only that the RBA is the central bank and a key institution influencing interest rates. The SG rate is set by law, not the RBA; the RBA does not take household deposits or issue shares.
4	C	335.1 less 135.1 = $200.0 million of new shares. Money from existing shares sold goes to the sellers. D confuses the float with later trading.
5	A	The fixed payments are worth less when new bonds pay more, so the price falls until its yield matches the market. C forgets that the price, not the coupon, adjusts.
6	B	Real ≈ nominal less inflation: 6.2 less 4.0 = 2.2. A adds instead of subtracts; C divides.
7	C	Less foreign lending means fewer funds offered at each real rate. A shifts supply right; B and D shift demand right.
8	A	Demand for funds shifts right along an upward sloping supply curve, so both rise.
9	D	Limited liability. Shareholders are paid last (A), never repaid on a date (B), and dividends are discretionary (C).
10	B	Savers earn more: term deposits rose to 4.95 per cent. All the others are borrowers.

Section II

Q	MARKS	WHAT A FULL MARK ANSWER CONTAINS
11	2	Saving is income not spent on consumption (1), whereas investment is spending on new capital such as machinery and buildings that adds to productive capacity; buying existing shares is saving, not investment (1).
12	3	Two intermediaries, each with its role: banks take deposits and lend for housing and business, about 90.7 per cent of intermediated loans in August 2026 (1); insurers collect premiums and invest them until claims are paid, or fund managers pool investors' money into diversified portfolios, or the RBA as central bank influences interest rates through the cash rate (1). A link to the economy, such as channelling savings to borrowers so investment can occur (1).
13	4	(a) (4,767.2 less 4,353.9) ÷ 4,353.9 × 100 = 9.5 per cent (1). (b) 164.4 ÷ 236.3 × 100 = 69.6 per cent (1). (c) Funds invest members' savings in shares, bonds, property and infrastructure, supplying funds to firms and governments (1); because money is preserved until retirement, funds can finance long-term capital such as infrastructure, adding to investment and growth (1).
14	4	(a) 104 ÷ 1.06 = $98.11 (1). (b) The 3-year bond yield rose from 3.38 to 4.66 per cent, and the 3-year fixed rate from 5.52 to 6.74 per cent: both rose by about 1.2 to 1.3 percentage points (1). Lenders fund fixed loans at the market rate for the same term, which the secondary bond market sets daily (1). So rising yields raised lenders' cost of funds and were passed on to borrowers as higher fixed rates (1).
15	4	Graph: supply curve shifted left to S1, with r2 above r1 and Q2 left of Q1, all labelled (1). Less saving means fewer funds offered at each real rate (1). At the old rate there is excess demand for funds, so the real interest rate rises (1). The quantity of funds lent and borrowed falls, so some investment projects are no longer funded (1).
16	5	(a) 4.95 less 4.0 ≈ 0.95 per cent (1). (b) Credit card debt is unsecured and more likely to default (1), so lenders add a risk premium: 20.99 per cent against about 6.2 per cent on average for outstanding owner-occupier home loans secured on a house (1). (c) Money held as cash earns nothing, so the interest forgone, for example $495 a year on $10,000 at 4.95 per cent, is the opportunity cost (1); when rates rise this cost rises, giving an incentive to hold less cash and save more in interest-bearing assets (1).

Section III

What a 10-mark answer to part (b) has that a 6-mark answer does not

A definition of housing affordability with both parts: the deposit and the repayments.

At least three mechanisms: repayments, borrowing capacity, prices, and housing supply.

At least three groups affected differently, with a reason for each.

Stimulus used as evidence, not copied: dated rates, the repayment rise, the fall in lending, the RBA's statement on prices.

A judgement: for whom affordability worsened most, and where effects offset each other.

Part (a), 2 marks. 3,259.63 less 3,013.84 = $245.79 a month (1). 245.79 ÷ 3,013.84 × 100 = 8.2 per cent (1).

MARKS	CRITERIA FOR PART (B)
9 to 10	Analyses the effects of interest rate changes on housing affordability with clear cause and effect across several mechanisms. Distinguishes the effects on different groups and makes a reasoned judgement. Integrates the stimulus and own knowledge accurately. Uses economic terms precisely.
7 to 8	Explains the effects on affordability for some groups, with relevant use of the stimulus. Some judgement.
4 to 6	Describes how higher interest rates affect home buyers, with some reference to the stimulus.
1 to 3	Makes general statements about interest rates or housing.

Model answer for part (b), the key moves. Define: housing affordability is the ease with which households can pay for housing from their income, through both the deposit and the repayments. Cause: the RBA raised the cash rate four times in 2026, from 3.60 to 4.60 per cent (Source A), and lenders raised their rates: the discounted variable rate went from 6.05 per cent in August 2025 to 6.80 per cent in August 2026. Existing borrowers: repayments on a $500,000 loan rose $245.79 a month, 8.2 per cent (Source B), cutting disposable income; affordability clearly worsened. New buyers: the same income supports a smaller loan, so borrowing capacity fell; new owner-occupier loan commitments fell 3.3 per cent and investor commitments 8.6 per cent in the June quarter 2026 (Source C). Offsetting effect: lower demand meant "housing prices have fallen in most capital cities" (RBA, 29 September 2026), and term deposits paid 4.95 per cent, so saving a deposit became easier for first home buyers who were not yet borrowing. Longer term: higher rates raise developers' borrowing costs, so fewer homes may be started, which could worsen affordability for renters and buyers later. Judgement: in 2026 the rate rises worsened affordability most for households already holding variable mortgages; for prospective first home buyers the effects partly offset, as weaker borrowing capacity was set against lower prices and higher returns on savings.

> Two mechanisms, two groups, one judgement: that is the floor of a strong answer, not the ceiling.

DATE	MARK, OUT OF 44	THE ONE CHANGE I MADE NEXT TIME

About this resource

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