BUS700 ECONOMICS

Executive summary

In this report, all the macroeconomic variables of Australia will be discussed on the basis of the data from 1990 to 2015 and it is clear that the Australian economy is not much developed. Therefore, it is necessary for the Australian economy has to adopt efficient fiscal and monetary policies in order to achieve the higher growth rate. In this regard, the Australian economy has to more protective in order to protect the Australian economy from the global financial crisis.

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Introduction:

The macroeconomic variables like inflation rate, GDP growth rate, unemployment rate, Exchange rate, import and export of a country are the basic tools by changing these variables the government of the country can be able to achieve the growth within a stipulated time. In this case, two policies are there in which these macroeconomic variables are used. Additionally, these policies are monetary policy and fiscal policy. In this case, theses two policies are very much important for which the country can be able to bring the stability within the economy (Davig & Gurkaynak, 2015). In this case, each and every economy has their own monetary and fiscal policy so the Australian economy is not the expectation.

2.1 Obtaining data on macroeconomic indicators of Australia

From the site of World Bank the data of interest rate of Australia, unemployment rate of Australia, GDP growth rate of Australia, exchange rate of Australia, the data about export and import of Australia can be found and plotting these data on the excel sheet the charts and diagram can be developed. On the basis of these charts and diagrams, it can be easy to comment on the macroeconomic variable of the Australian economy (Bech, Gambacorta & Kharroubi, 2014).

2.2 Producing summary statistics

year	GDP growth of Australia
1990 [YR1990]	3.529134884
1991	0.38
1992	0.399
1993	4.06
1994	4.038
1995	3.879

Year	
1996	3.949
1997	3.947
1998	4.438
1999	5.007
2000 [YR2000]	3.868657682
2007 [YR2007]	3.757657864
2008 [YR2008]	3.706699506
2009 [YR2009]	1.819678261
2010 [YR2010]	2.018182144
2011 [YR2011]	2.379561336
2012 [YR2012]	3.632720303
2013 [YR2013]	2.440049062
2014 [YR2014]	2.499851222
2015 [YR2015]	2.240028575

Table 1: GDP growth rate of Australia from 1990 to 2015

(Source: *Data.worldbank.org*. Retrieved 15 May 2017)

From the table of GDP growth rate it is clear that there is sustain growth in the Australian

economy from the year 1990 to 2015. From the year 2015, the Australian economy was able to

maintain stability in the GDP growth rate, which is the indicator of sustainable development in

GDP growth rate (Benes *et al*. 2015).

Year	Interest rate of Australia
1990 [YR1990]	9.641002895
1991	10.063
1992	8.895

1993	8.463
1994	7.984
1995	8.083
1996	6.859
1997	5.87
1998	5.342
1999	6.208
2000 [YR2000]	5.02836016
2007 [YR2007]	3.065919527
2008 [YR2008]	4.180804651
2009 [YR2009]	1.043272004
2010 [YR2010]	6.208688426
2011 [YR2011]	1.460311026
2012 [YR2012]	4.81999084
2013 [YR2013]	6.391280371
2014 [YR2014]	4.473145552
2015 [YR2015]	6.267676605

Table 2: Interest rate of Australia

(Source: *Data.worldbank.org*. Retrieved 15 May 2017)

From the table it is clear that, there is sustain decrease in the interest rate within the country and it has a positive effect on the Australian economy because lower interest rate means there will be higher investment within the economy (Greenlaw *et al*. 2013). In effect of this the GDP growth rate will higher and there will be a sustain growth within the country. In the year, 1991 the

interest rate has touched the highest rate and in the 2011 the rate of interest was lower and it was

1.46.

Year	Unemployment rate in Australia
1990 [YR1990]	..
1991	9.579
1992	10.729
1993	10.874
1994	9.719
1995	8.469
1996	8.506
1997	8.362
1998	7.676
1999	6.872
2000 [YR2000]	6.282999992
2007 [YR2007]	4.376999855
2008 [YR2008]	4.234000206
2009 [YR2009]	5.56099987
2010 [YR2010]	5.210999966
2011 [YR2011]	5.080999851
2012 [YR2012]	5.221000195
2013 [YR2013]	5.656000137
2014 [YR2014]	6.073999882
2015 [YR2015]	6.059999943

Table 3: Unemployment rate of Australia

(Source: *Data.worldbank.org*. Retrieved 15 May 2017)

From the year 1991, there is stability in case of unemployment rate there is no sudden

increase or decrease in the unemployment rate of the country. Therefore, it is clear that

the economy has no such fluctuations in the business cycle (Halevi *et al*. 2015). From the

year 1991 to 1999 there was a increasing trend in the unemployment rate of the country

but after this there is an decreasing trend in the unemployment rate of the country.

Year	Inflation rate and CPI of Australia
1990 [YR1990]	7.272260054
1991	3.223
1992	0.986
1993	1.813
1994	1.895
1995	4.638
1996	2.6129
1997	0.25
1998	0.853
1999	1.465
2000 [YR2000]	4.475183076
2007 [YR2007]	2.332361516
2008 [YR2008]	4.352643242
2009 [YR2009]	1.82011224
2010 [YR2010]	2.845225682
2011 [YR2011]	3.303850156
2012 [YR2012]	1.762780156
2013 [YR2013]	2.449888641
2014 [YR2014]	2.487922705
2015 [YR2015]	1.508366722

Table 4: Inflation rate and CPI of Australia

(Source: *Data.worldbank.org*. Retrieved 15 May 2017)

From this table, it is clear that, within the economy there is no problem of hyperinflation. Therefore, it can be said that the Australian economy is able to earn the stability within the production process though it has some inflation, which is ignorable, and it is required for the growth of the country (Bilbiie, Fujiwara & Ghironi, 2014). After the year, 1990 there was a declining trend in the data of inflation rate and in that year the inflation rate was highest and it was 7.27.

year	Exchange rate of Australia
1990 [YR1990]	1.281056667
1991	1.284
1992	1.362
1993	1.471
1994	1.368
1995	1.349
1996	1.278
1997	1.347
1998	1.592
1999	1.55
2000 [YR2000]	1.724826667
2007 [YR2007]	1.1950725
2008 [YR2008]	1.192178333
2009 [YR2009]	1.28218881
2010 [YR2010]	1.090159486
2011 [YR2011]	0.969463201
2012	0.965801031

[YR2012]	
2013 [YR2013]	1.035843097
2014 [YR2014]	1.109363293
2015 [YR2015]	1.331090262

Table 5: Exchange rate of Australia

(Source: *Data.worldbank.org*. Retrieved 15 May 2017)

In this case, the exchange rate of Australia is lower and from this data table it is clear that, the terms of trade is not ion the favor of Australia. In this case, the Australian economy has to try to earn a favorable terms of trade otherwise, the country will not be able to gain from the exchange rate.

Year	Export of Australia
1990 [YR1990]	15.13786669
1991	16.048
1992	16.672
1993	17.55
1994	17.972
1995	17.881
1996	18.89
1997	19.131
1998	19.594
1999	18359
2000 [YR2000]	19.43613711
2007 [YR2007]	19.89601798
2008 [YR2008]	19.75879946
2009 [YR2009]	22.52445252
2010	19.44436947

Year	
[YR2010]	
2011 [YR2011]	21.14151348
2012 [YR2012]	21.27942397
2013 [YR2013]	19.82939983
2014 [YR2014]	20.90405143
2015 [YR2015]	19.79747911

Table 6: Export of Australia

(Source: *Data.worldbank.org*. Retrieved 15 May 2017)

From the data table it is clear that, the Australian economy has a stable export (% of total

GDP) and in the year 2009 the export amount has increased but from the year 1990 to the

year 2015 there is stable of amount of export within the country.

Year	Import of Australia
1990 [YR1990]	17.12605732
1991	16.246
1992	16.469
1993	17.926
1994	18.505
1995	19.85
1996	19.328
1997	18.82
1998	20.378
1999	20.647
2000 [YR2000]	21.46844087
2007 [YR2007]	21.50655203
2008 [YR2008]	22.35943906
2009	22.42250244

[YR2009]	
2010 [YR2010]	20.41599418
2011 [YR2011]	20.10200065
2012 [YR2012]	21.41617361
2013 [YR2013]	21.05979928
2014 [YR2014]	21.39762132
2015 [YR2015]	21.20945901

Table 7: Import of Australia

(Source: *Data.worldbank.org*. Retrieved 15 May 2017)

From the data table it is clear that, Australian import is higher than the Australian export therefore the earnings from foreign trade is higher in this country. In this case, there is no such fluctuation for import of Australian economy (Halevi *et al*. 2015).

2.3 Producing pair wise graphs
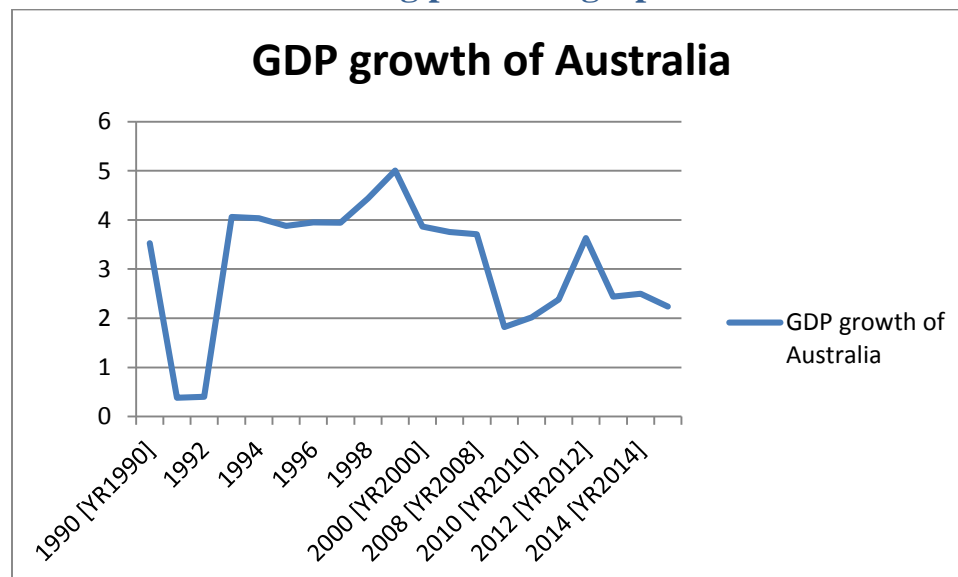
Figure 1: GDP growth rate of Australia

(Source: Self developed)
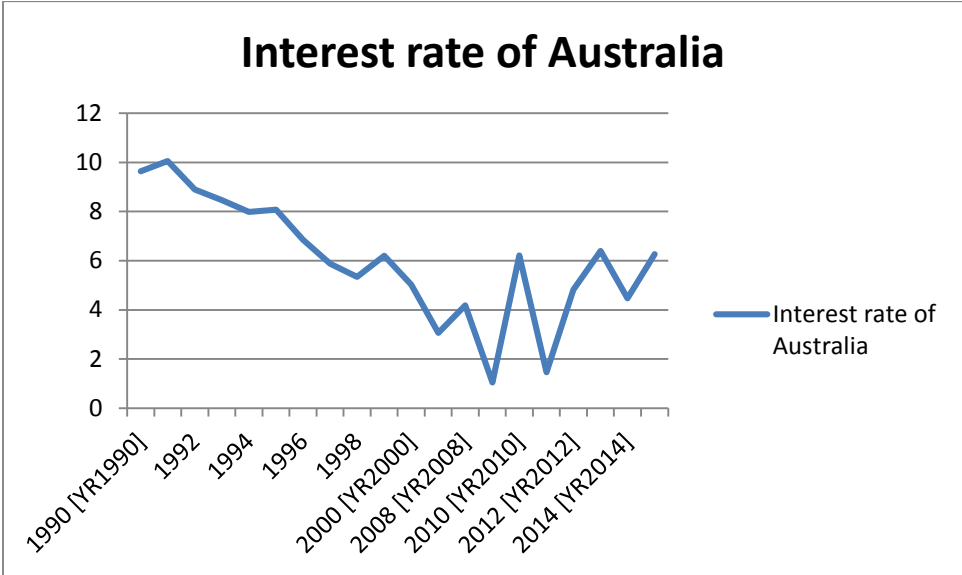
Figure 2: Interest rate of Australia
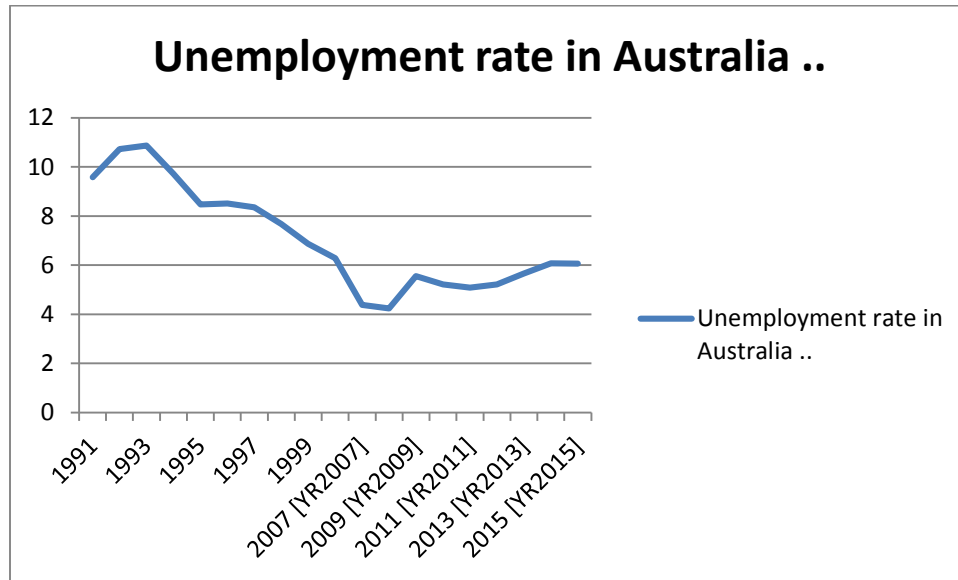
(Source: Self developed)

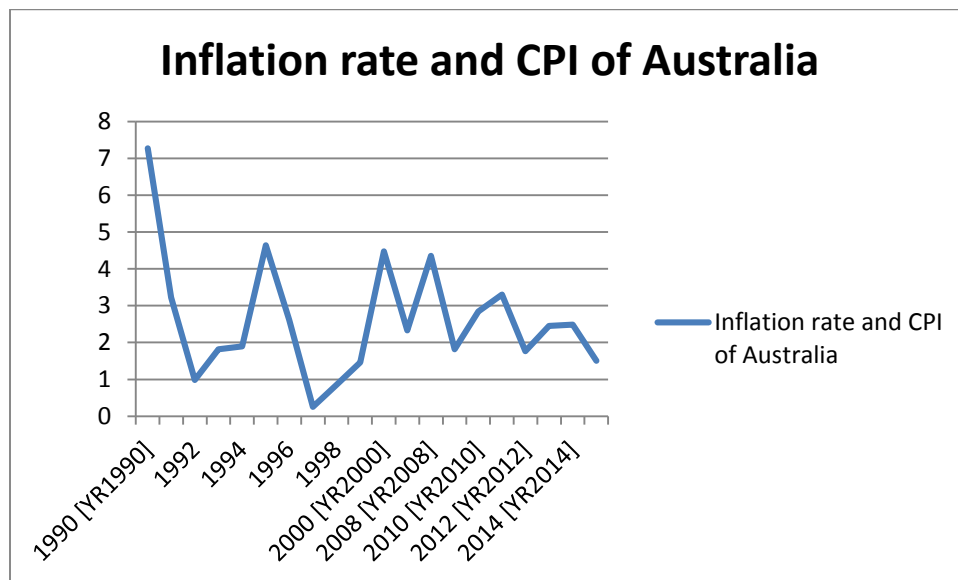**Figure 3: Unemployment rate of Australia**

(Source: Self developed)

Figure 4: Inflation rate and CPI growth rate of Australia
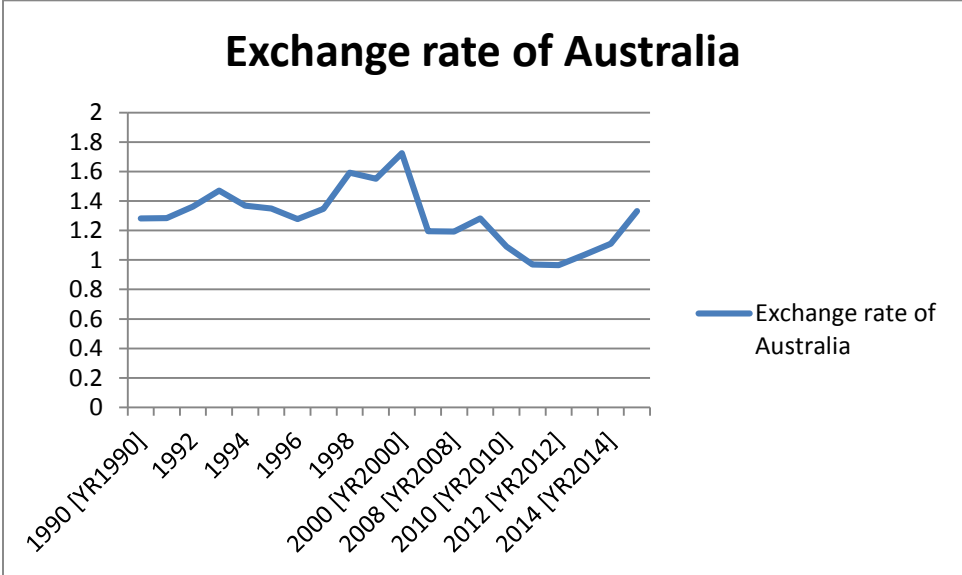
(Source: Self developed)

Exchange rate of Australia

Figure 5: Exchange rate of Australia
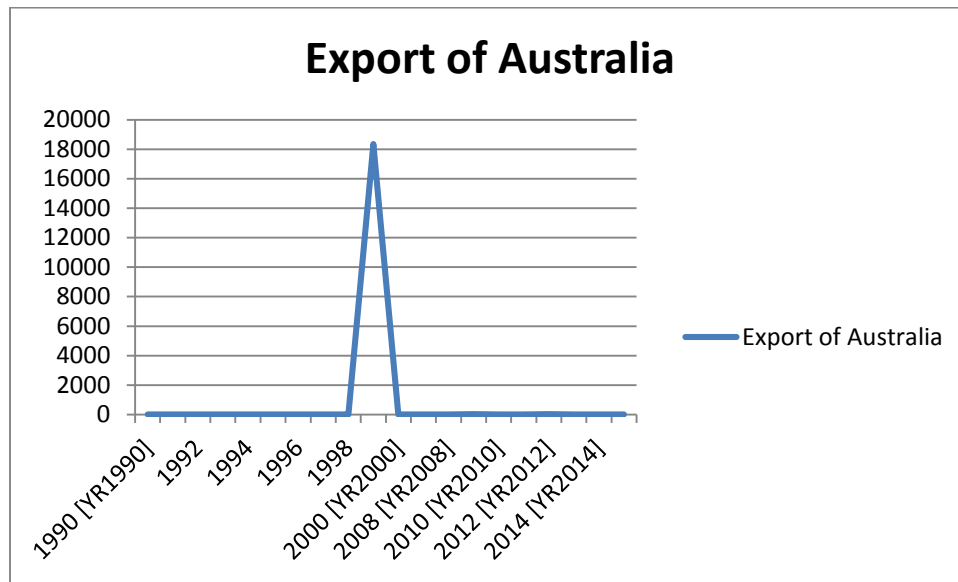
(Source: Self developed)

Figure 6: Export of Australia
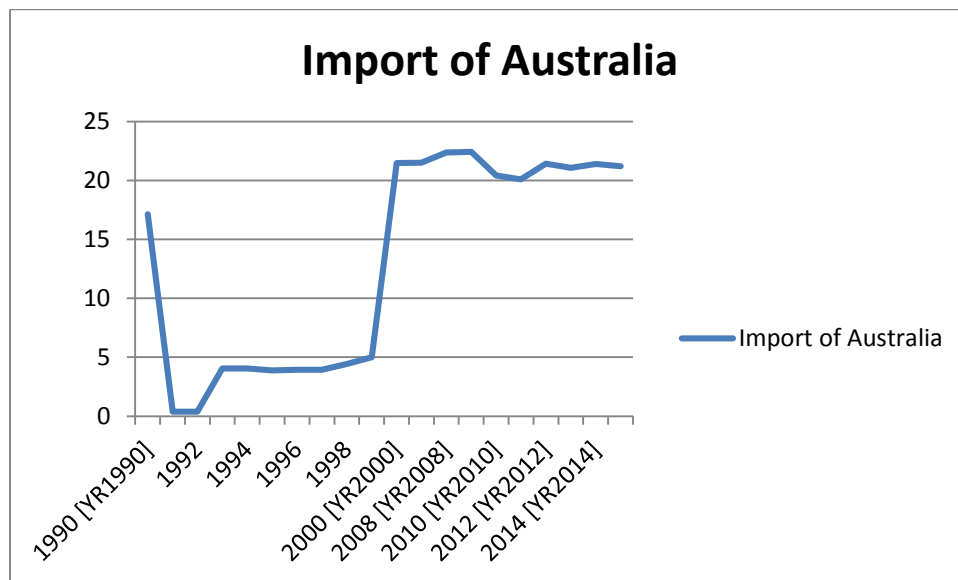
(Source: Self developed)

Figure 1: Import of Australia

(Source: Self developed)

2.4 Critically analyzing and discussing plausible economic explanations

In this case, the Australian economy can be able to adopt any one policy or can adopt both the policy on the basis of their requirement. In this case, the Australian economy can take the expansionary fiscal policy by increasing the government expenditure, reducing tax rate the Australian government can take the expansionary fiscal policy. On the contrary, the Australian government can take the contractionary fiscal policy as well where the Australian government will reduce the government expenditure, can increase the tax rate and son in order to achieve the stability within the country (Hossain, 2014). In this regard, it can be said that, if there is an increase in the inflation rate within the country then the Australian government can take the contractionary fiscal policy and additionally if there is an increase in the unemployment rate then the Australian government can take expansionary fiscal policy in order to employ the labor force within the country. In this regard, it can be said that the Australian economy has an objective to achieve the targeted growth rate so the Australian government has to use both the policies within their economy. By the expansionary monetary policy, the monetary authority or the central bank of the Australia can increase the money supply in order to increase the GDP growth rate within the country. In this case, if there is an increase in the inflation rate then by applying contractionary monetary policy the Australian government can reduce the inflation rate from the country. In this case, by reducing the money supply the Australian government can check the inflation rate of the country. In this case, if there is an increase in the inflation rate then the country may not

adopt the contractionary monetary policy at first step because a moderate rate of inflation is required for the growth (Adrian & Liang, 2016). In this case, if there is an increase in the inflation rate then it can be said that there will a reduction in the unemployment rate. In this case, the relationship between the inflation rate and unemployment rate can be discussed. In addition to that, it can be said that, there is an inverse relationship between the inflation rate and unemployment rate. However, due to increase in inflation rate there will be a rise in the price level of the economy. In effect of this, the producers of the economy will be attracted in order to maximize profit therefore the producers will employ more labor in order to increase the production within the economy. As a result of this there will be a reduction in the unemployment rate. On the basis of this relationship it can be said that, the moderate rate of inflation is necessary condition for the growth of the economy but the hyperinflation is not required because it has adverse effect on the growth of the country (Halevi *et al*. 2015).

In this regard, it can be said that the Australian government has taken ten-year enterprise tax plan that is the part of the fiscal policy of the Australian government in the year 2016-17. With the help of this, the Australian government can be able to provide the incentives to the producers and they can be able to generate the employment for the labor force of the country. In effect of this, the Australian government can be able to get the higher GDP growth rate and the employees will be able to earn the wage rate in long run. In order to support the Australian labor force the Australian government has invested $840.3 million on the Youth Employment Packages for which entire labor force of Australia will be able to participate in the production process. In addition to that, the Australian government has invested $50 billion in order to develop the infrastructure

within the economy. In this case, there are 100 major projects that are the under

construction and 80 projects are there that are the pre construction stage (Aghion,

Hemous & Kharroubi, 2014).

Predictions of the macroeconomic outlook of Australia

On the basis of the charts and diagram of the Australian data it can be said that,

the growth rate of Australia is not so high but still there is a stability within the GDP

growth rate of the country. In this regard, the Australian economy has to be achieved the

higher growth yet because the highest growth rate of Australia is 5.07 and it was in the

year 1999. Therefore, at least 6 to 7% growth rate is required in the recent economic year

and for this an efficient fiscal and monetary policies are required. On the other hand, the

interstate rate of Australia has a declining trend that has a positive effect because interest

rate and investment has an inverse relationship. Therefore, on the basis of the interest rate

of the Australia it can be said that there is an increase in the investment of the country

and as a result of this the real GDP of the country will rise (Bech, Gambacorta &

Kharroubi, 2014). On the basis of the data of the unemployment rate there is also a

declining trend therefore, it can be said that due to increase in the investment there is a

reduction in the unemployment rate and for this the Australian economy can be able to

move forward to the growth. Based on the data of the inflation rate there is also a

declining trend for which it will easier for the country to achieve the growth. In this

regard, there is a moderate rate of growth in the inflation rate of the country that helps the

country to achieve the growth easily (Fazzari, Morley & Panovska, 2015). On the basis of

the exchange rate data of Australia it can be said that the terms of trade is not in favor of

Australia for which the country cannot be able to maximize profit from the foreign trade. In addition to that, on the basis of data of export and import of Australia it can be said that, the amount of import is higher in Australia and the amount of export is lower. Therefore, on the basis of the data analysis it can be said that, the Australian economy is not in the developed stage but the Australian government has to adopt more efficient monetary and fiscal policies in order to achieve the sustainability within the GDP growth rate. In addition to that, with the help of these policies the Australian government can protect the economy from any kind of global financial crises (Bilbiie, Fujiwara & Ghironi, 2014).

Conclusion

In this case, all these projects are the part of fiscal policy by which the Australian economy can be able to achieve the higher growth rate and can be able to earn the sustainability within the production process, In effect of this, the unemployment rate of the country; inflation rate of the country will be reduced. In this regard, the Australian economy cannot be able to use fully the fiscal policy in order to earn the stability within the country because the Australian economy has a need to develop and the country has to achieve the higher growth rate otherwise, it will be difficult for the country to compete with the developed country in long run.

Recommendations

On the basis of the data of the Australian economy it can be recommend that:

1. A proper fiscal and monetary policy is required in order to achieve the higher growth.

2. More investment is needed within the country.

3. The Australian government has to spent more money on the infrastructure development.

By following these recommendations, it will be easier for the country to get the sustainability within the country.

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