

INTUITION EDUCATION

HSC 2026 · PREDICTED PRACTICE PAPER

2026 HSC Economics

*Answers & marking notes***Paper total: 100 marks**

Sit the paper first. These are worked answers with the marking notes behind them — what earns the mark, and the traps the marking centre has flagged in past years. Where a note names a band, it describes what a top-band response does, not a guaranteed mark.

Published Aug 2026 · intuitioneducation.com.au/hsc-2026 · ai.intu.com.au

Independent Intuition Education material built from publicly available NESA documents. Not affiliated with or endorsed by NESA.

Answers & marking notes

Section I — answer key

Q	Answer	Note
1	B	IMF provides crisis liquidity; World Bank funds development; WTO settles trade disputes
2	A	High income, very high HDI, service-dominated output $\Rightarrow$ advanced
3	B	Two members only $\Rightarrow$ bilateral; a customs union adds a common external tariff
4	C	Ample reserves system: interest on ES balances sets a floor just below target
5	A	Confidence lifts C (AD); B and D are aggregate supply factors; C reduces AD
6	C	$MPC = \Delta C / \Delta Y = 80 / 100 = 0.8 \Rightarrow k = 5$; $\Delta Y = 5 \times 30 = 150$; new $Y = 900 + 150 = \$1050m$. A omits k ; B inverts MPC/MPS; D is the change, not the level
7	A	Nominal growth 6.0%, inflation 3.0%; real growth $= 1.06 / 1.03 - 1 \approx 2.9\%$. Subtracting $(6.0 - 3.0 = 3.0)$ is the standard approximation and is deliberately NOT offered — the intended discriminator is whether the deflator is applied. B is the wrong-base error
8	A	Volatile one-off $\Rightarrow$ headline only; broad persistent pressure $\Rightarrow$ underlying
9	B	Labour force $= 13.3 + 0.7 = 14.0m$; $0.7 / 14.0 = 5.0\%$. A divides by working-age population
10	A	Discouraged workers leave the labour force; D raises participation
11	C	Leakages $150 >$ injections $140 \Rightarrow$ income falling; $X 30 < M 50 \Rightarrow$ trade deficit
12	C	Stance is the change in the outcome — a shrinking deficit is contractionary
13	A	$CA = 25 - 60 - 5 = -40$; $KAFA = +40$; $FA = 40 - 2 = +\$38b$. B omits the capital account
14	B	Remittances are current account, secondary income
15	A	$NFL = (1200 - 400) + (1100 - 900) = 800 + 200 = \$1000b$. B nets only debt
16	A	$ToT = 110 / 125 \times 100 = 88.0$; B inverts the ratio
17	B	The renminbi's 31% weight dominates the US dollar's 8% — depreciation against the heavier partner pulls the TWI down
18	B	Lower rates lift asset prices (present-value/borrowing channels) and reduce capital inflow $\Rightarrow$ depreciation
19	B	Imports after $= 80 - 40 = 40m$ units $\times 1 = 40m$. C uses pre-change values; D taxes all consumption
20	A	Foreign revenue valued at the WORLD price: before $15m \times 4 = 60m$; after $40m \times 4 = 160m$; change $= +\$100m$. B values at domestic prices; C is the level, not the change

Section II — marking notes

Q21 (a). Growth = increase in real GDP (volume of goods and services); development = broader improvement in wellbeing/quality of life (health, education, income distribution — HDI-type

indicators). Both sides needed for 2.

- (b). Higher tariffs in Country X reduce demand for Australian exports $\Rightarrow$ BOGS credits fall $\Rightarrow$ balance on goods and services deteriorates; a full chain to a second component (e.g. weaker export income reduces profits remitted, or slower growth reduces primary income flows) earns the third mark. One-component answers cap at 2 (the 2024 Q21(c) complaint).
- (c). TWO genuinely distinct reasons (e.g. resource endowment vs institutional quality/access to capital vs global trade access), each linked to living standards or development outcomes with an indicator; blended or overlapping reasons cap the mark (2019/2024 feedback).

Q22 (a). $CA = 18 - 52 - 4 = -\$38 \text{ billion}$ (deficit). Consistency check: $CA (-38) + \text{capital } (+1) + \text{financial } (+37) = 0$.

- (b). The TWI weights each currency by its share of trade; the US dollar carries a single-digit weight. If the AUD rises against the USD but falls against heavier partners (especially the renminbi), the weighted average falls. Naming the weighting mechanism is the discriminator — "TWI is a basket like the CPI" scores nothing (2019/2021 feedback).
- (c). Chain required: financial account credits = foreign investment/lending into Australia $\Rightarrow$ a growing stock of foreign-owned assets and debt $\Rightarrow$ servicing obligations (interest, dividends, repatriated profits) recorded as primary income DEBITS in later periods $\Rightarrow$ the table's $-\$52\text{b}$ NPY deficit is the flow cost of past KAFA surpluses ($+\$38\text{b}$). Restating $CA + KAFA = 0$ without the causal chain caps at 2 (2023/2025 feedback).

Q23 (a). Social cost curve above/left of the private cost curve (production externality). Curve drawn the wrong side scores 0.

- (b). Producers face only private costs; the external cost (pollution) is not in their supply decision, so price is too low and $Q_m > Q$ socially optimal.
- (c). A per-unit tax equal to the marginal external cost shifts private cost up toward social cost $\Rightarrow$ price rises, quantity falls to the socially optimal level $\Rightarrow$ the externality is priced into the producer's decision ("internalised").
- (d). ONE named Australian market-based policy (e.g. the Safeguard Mechanism as a baseline-and-credit scheme — baselines declining 4.9% a year to 2030 under the 2023 reforms, with the 2026–27 review now under way to set the rate beyond 2030, which is itself a fair limitation to raise; a container deposit scheme such as NSW Return and Earn; water entitlement trading — confirm scheme details current at publication) assessed with a criterion (behaviour change, least-cost abatement, coverage) AND an honest limitation, compared against regulation (certainty of outcome vs allocative inefficiency). Offering a regulation or target as "market-based" caps at 1 — the exact 2021/2024 trap.

Q24 (a). As growth recovered and unemployment fell (6.0% $\rightarrow$ 4.6%), tax receipts rose and unemployment benefit payments fell automatically, narrowing the deficit ($-35 \rightarrow -12$) without discretionary change.

- (b). Bond sales to the private sector increase demand for the economy's savings $\Rightarrow$ upward pressure on interest rates $\Rightarrow$ some private investment crowded out (full chain to the consequence, not just

"crowding out" named).

- (c). A named reform in a named market (e.g. competition reform in electricity retailing; a training/skills program in the construction labour market; enterprise bargaining in a named industry) traced: reform $\Rightarrow$ efficiency (technical/allocative/dynamic) $\Rightarrow$ productivity $\Rightarrow$ lower unit labour costs $\Rightarrow$ aggregate supply shifts right $\Rightarrow$ cost inflation eases. The chain is marked, not the description; no named market caps at 3 (2020 Q24(b) feedback).

Section III — band guidance

Q25. Top band: stance interpreted from the CHANGE in the budget balance across the chart (deficits $\rightarrow$ surpluses $\rightarrow$ deficits), automatic vs discretionary components separated; growth mechanism (G, transfers, multiplier) AND external stability mechanism (deficits $\rightarrow$ borrowing $\rightarrow$ NFL/NPY servicing; or twin-deficits logic with its limits) both developed; limitations (implementation lag, political constraint, crowding out); a sustained judgement of effectiveness against both objectives; stimulus integrated, not restated — a chart turning point must be *used*. Mid band: accurate one-objective treatment or stimulus quoted but not interpreted. Answers using stale budget-era data cap below the top band (the 2019 Q25 error).

Q26. Top band: ToT MOVEMENTS traced to BOGS and the current account — credit either direction, provided the mechanism is right; as at August 2026 the terms of trade sit well below their 2021–22 peak but rose in the March quarter, so do not require a one-way decline; exchange rate channel including the valuation effect on foreign-currency-denominated liabilities and J-curve timing; external stability measured (CAD % GDP, NFL % GDP, debt servicing ratio) — credit candidates who cite the March quarter 2026 move of the balance on goods and services into deficit, its first since the December quarter 2017, with the current account deficit widening to \$27.1 billion; a cyclical-vs-structural judgement — strongest answers engage the Pitchford/'consenting adults' view that market-driven CADs need not be a policy problem, then qualify it. Explaining causes of exchange-rate movements instead of their impacts is the 2020 Q25 error and caps mid-band.

Section IV — band guidance

Q27. Top band: a named economy other than Australia (developing/emerging choices give the richest evidence — advanced-economy choices were named as weak in 2019 feedback); globalisation mechanisms (trade and financial flows, TNCs, international business cycle) linked to BOTH growth evidence AND development evidence (HDI, life expectancy, literacy, poverty rates), with costs (inequality, environment, volatility) and a sustained evaluation. GDP-only answers cap mid-band — the most repeated feedback item in the pack (2019–2025).

Q28. Top band: at least two cause types (demand-pull, cost-push, imported/inflationary expectations) with Australian context, then effects organised BY STAKEHOLDER: individuals (real incomes, savers vs borrowers, bracket creep), firms (menu/planning costs, wage–price spiral, international competitiveness), government (indexed payments, policy response and its trade-offs) — the 2022 Q27 frame. Listing causes without the three-group effects analysis was the 2022 complaint and caps mid-band.

TO BE FINALISED BEFORE PUBLICATION — PENDING HUMAN VERIFICATION

contemporary figures to be verified against ABS/RBA at publication. As at August 2026 the shape is the post-2022 peak, a moderation through 2024, then a renewed pick-up: CPI 4.6% over the year to March 2026, 3.8% to June and 3.5% to July, with trimmed mean 3.6% — still above the 2–3% band. Do not frame this as a return to the band.

Prediction provenance

Which consensus prediction each part of this paper realises. Full evidence panels:

intuitioneducation.com.au/hsc-2026

Paper item	Prediction	Agreement
Section I Q1	watch list	0.72 · 4 (fable, opus, gpt-5.6-sol, grok)
Section I Q2	topic-level consensus	0.75 (grok) · 2 (grok, gpt-5.6-sol)
Section I Q3	topic-level consensus	0.35 (fable) · 2 (fable, gpt-5.6-sol)
Section I Q4	watch list	0.25–0.55 · 3 (opus, gemini-3.1-pro, deepseek)
Section I Q5	topic-level consensus	0.70 (fable) · 1 (fable)
Section I Q6	eco-q3-multiplier-mc	0.76 · 6 (all)
Section I Q7	watch list	0.85 (fable), 0.70 (opus) · 4
Section I Q8	eco-q8-headline-underlying-inflation	0.62 · 5 (fable, opus, gpt-5.6-sol, grok, deepseek)
Section I Q9	eco-q5-labour-force-calculation-mc	0.74 · 5 (fable, opus, gpt-5.6-sol, grok, gemini-3.1-pro)
Section I Q10	topic-level consensus	0.55 (opus) · 2 (opus, gpt-5.6-sol)
Section I Q11	topic-level consensus	0.50 (opus) · 2 (opus, fable)
Section I Q12	eco-q7-fiscal-stance-stabilisers	0.63 · 6 (all)
Section I Q13	eco-q4-bop-balancing-item-mc	0.73 · 6 (all)
Section I Q14	topic-level consensus	0.55 (grok) · 2 (grok, gpt-5.6-sol)
Section I Q15	watch list	0.60 · 4 (fable, opus, gpt-5.6-sol, grok)
Section I Q16	topic-level consensus	0.70 (fable) · 2 (fable, opus)
Section I Q17	watch list	0.45 (opus) · 5 formats scattered
Section I Q18	topic-level consensus	0.70 (fable, opus) · 4 (fable, opus, gpt-5.6-sol, grok)
Section I Q19–20	eco-q6-protection-diagram-pair	0.69 · 5 (fable, opus, gpt-5.6-sol, grok, deepseek)
Q21 (a)	topic-level consensus	— · panel pool
Q21 (b)	watch list	0.45 (fable), 0.40 (opus) · 2
Q21 (c)	topic-level consensus	0.50 (grok) · 2 (grok, gpt-5.6-sol)
Q22 (a)	eco-q4-bop-balancing-item-mc	0.73 · 6 (all)
Q22 (b)	watch list	0.40–0.60 · 5 (fable, opus, grok, gemini-3.1-pro, deepseek)
Q22 (c)	eco-q9-kafa-ncpy-link	0.53 · 5 (fable, opus, gpt-5.6-sol, gemini-3.1-pro, deepseek)
Q23 (a)	watch list	0.35 (opus) · 4 (opus, grok, gemini-3.1-pro, deepseek)
Q23 (b)–(d)	eco-q11-env-market-based-vs-regulation	0.51 · 6 (all)

Paper item	Prediction	Agreement
Q24 (a)	eco-q7-fiscal-stance-stabilisers	0.63 · 6 (all)
Q24 (b)	topic-level consensus	0.55 (opus), 0.62 (grok) · 4
Q24 (c)	eco-q10-micro-productivity-chain	0.51 · 6 (all)
Q25	eco-q1-fiscal-siii-stimulus	0.50 · 6 (all)
Q26	eco-q12-external-stability-synthesis	0.49 · 4 (gpt-5.6-sol, grok, gemini-3.1-pro, deepseek)
Q27	eco-q2-case-study-economy-returns	0.57 · 6 (all)
Q28	watch list	0.52 (grok) · 3 (grok; fable and opus via trend predictions)

Built by an 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.