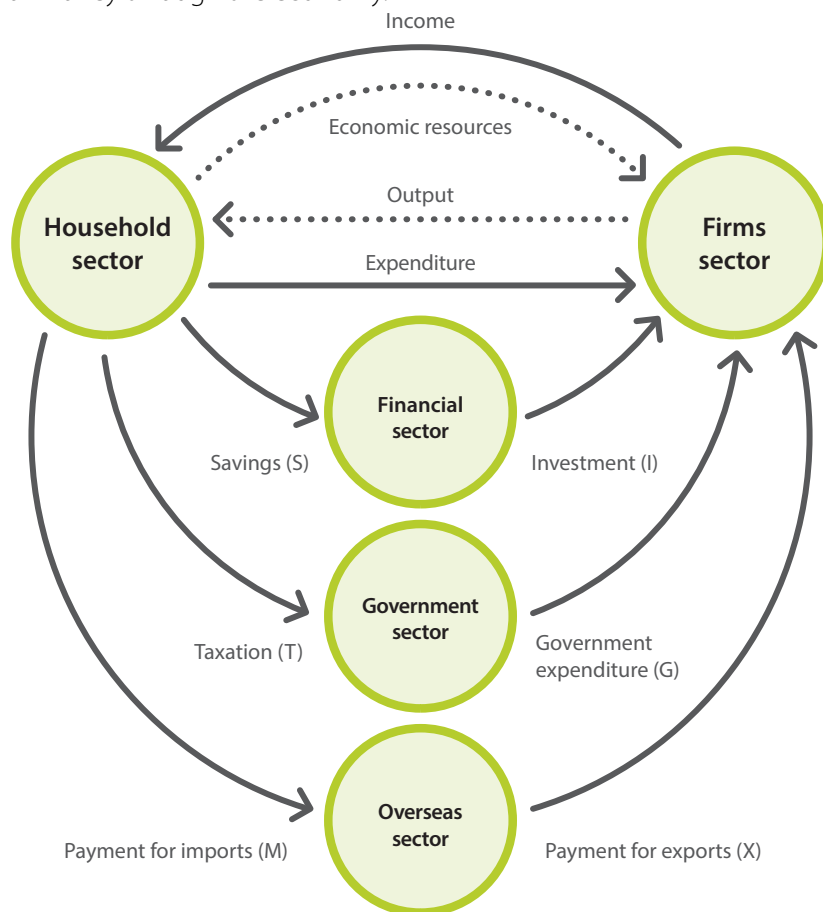


Illustrator

Circular Flow Model

The circular flow model describes the flow of money and goods and services between different sectors of the economy. The solid arrows below show the flow of money through the economy.



Economic resources – goods or services that are used as inputs in production, e.g. land, labour and capital (the machinery, buildings and equipment used to produce goods and services)

Expenditure – the purchase of goods and services

Exports (X) – goods and services produced by Firms in Australia and sold to other countries

Financial sector – banks and other financial institutions

Firms sector – businesses in the economy

Government expenditure (G) – money the government spends on public goods and services

Government sector – the national, state and local government

Household sector – individuals in the economy

Imports (M) – goods and services produced by businesses in other countries and sold to Australia

Income – money received, e.g. wages, rent and interest

Investment (I) – money the Financial sector lends to Firms to spend on machinery, buildings and equipment

Output – goods or services produced to be sold

Overseas sector – the economic transactions of the economy with the rest of the world, e.g. how resources flow between Australia and its trading partners

Savings (S) – money saved

Taxation (T) – money paid to the Government