



Activity

Injections and Leakages



A transaction is an exchange of money. Think of all the transactions taking place within the economy.

Some transactions put money *into* the economy – that is, the money is being utilised elsewhere in the economy. These are **injections**.

Some transactions take money *out* of the economy. That is, the money is not being utilised elsewhere in the economy. These are **leakages**.

For example, let's say that an individual decides to reduce their spending now to increase the amount of savings they have in the bank. As they reduce spending and move more of their income into savings, this represents money leaving the economy to sit in a bank account. Therefore, this represents a **leakage**.



Read the following examples and decide if they are leakages or injections in Australia's economy. Discuss why this is, and where the examples might fit within the circular flow model. Can you think of other examples of injections and leakages?

Example	Injection or leakage?	What part of the circular flow model is this?
An individual decides to reduce their spending and save more of their income.	Leakage	Savings
The state government has received tax revenue but has not yet decided what to spend the money on.		
A business decides to borrow money from a bank to invest in new equipment that will increase its output.		
An Australian mining company sells iron ore to a steel manufacturer in China.		
An Australian electrical retailer decides to buy products from an overseas business.		
The local government decides to spend money to build a skate park.		
Foreign students come to Australia to attend university, paying the university for their education.		