No part of the candidate evidence in this exemplar material may be presented in an external assessment for the purpose RIJDLQLQJFUHGLWVWRZDUGV

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91223



Level 2 Economics, 2015

91223 Analyse international trade using economic concepts and models

2.00 p.m. Thursday 12 November 2015 Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Analyse international trade using economic concepts and models.	Analyse international trade in depth using economic concepts and models.	Analyse international trade comprehensively using economic concepts and models.

Check that the National Student Number (NSN) on your admission slip is the same as the number at the top of this page.

You should attempt ALL the questions in this booklet.

If you need more room for any answer, use the extra space provided at the back of this booklet.

Check that this booklet has pages 2-11 in the correct order and that none of these pages is blank.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

TOTAL 5

ASSESSOR'

QUESTION ONE: NEW ZEALAND DAIRY EXPORTS

At \$15.5 billion, dairy exports make up almost a third of New Zealand's annual goods exports.

Source (adapted): http://www.rbnz.govt.nz/research_and_publications/speeches/2014/5721595.html

(a) Identify TWO of the top five New Zealand goods exports, by value, other than dairy exports.

(1) W000 // (2) Meat //

3. Wine (if one of the others are brong)

Around 95% of New Zealand's dairy production is exported.

Source (adapted): http://www.dcanz.com/about-nz-dairy-industry/dairying-today

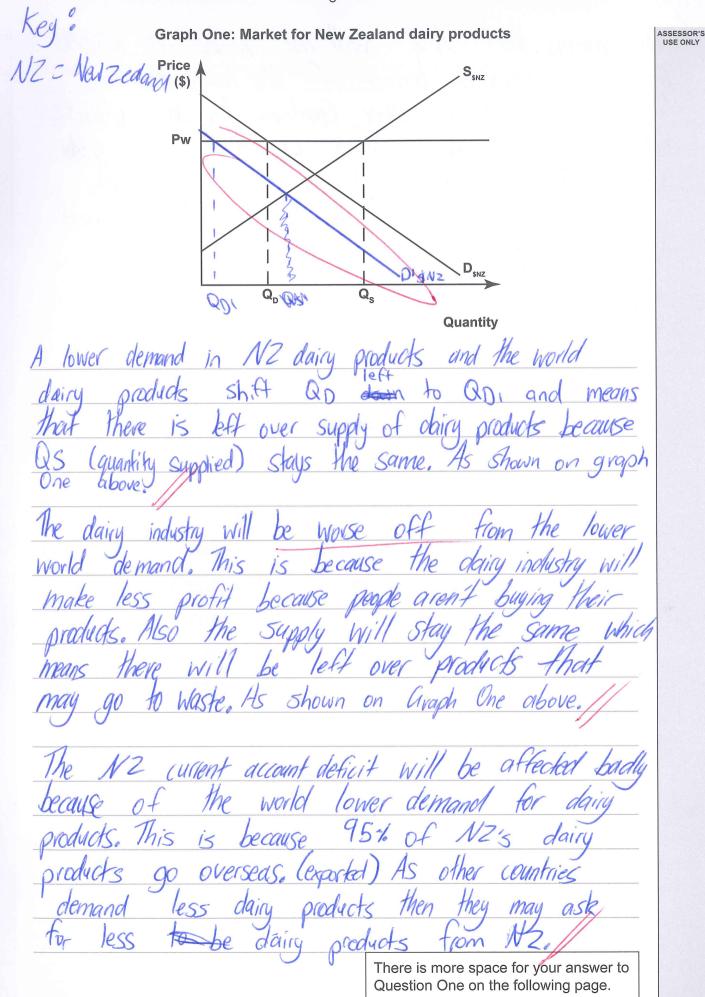
Falling oil prices, geopolitical uncertainty in Russia and Ukraine, and subdued demand from China are all contributing to weak worldwide demand for dairy products.

Source (adapted): http://www.fonterra.com/nz/en/Hub+Sites/News+and+Media/Media+Releases (10 Dec 2014)

(b) Discuss the impact that a decrease in world demand for dairy products could have on the Current Account of the New Zealand Balance of Payments, when the New Zealand market is a price taker.

In your answer:

- fully label Graph One to show the impact of a lower world demand
- explain in detail whether the dairy industry will be worse off or better off from the lower world demand
- explain in detail how the impact on the dairy industry will affect New Zealand's Current Account deficit
- refer to Graph One and the resource material above.



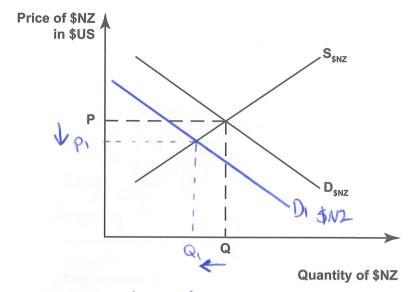
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Explain in detail the impact of decreasing demand for New Zealand dairy exports on the (a) value of the New Zealand dollar.

In your answer:

- fully label on Graph Two the impact of decreasing demand for New Zealand dairy exports
- explain in detail the impact that you have shown on Graph Two.

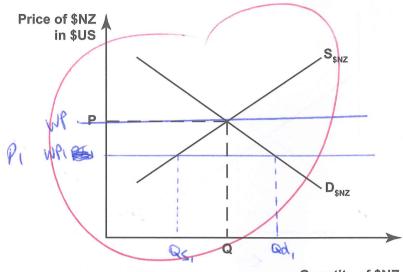
Graph Two: Market for the New Zealand dollar



decrease in demand Value dollar

- (b) Compare and contrast the impact of decreasing demand for New Zealand dairy exports with the impact of a decreasing world price of oil on the exchange rate for the New Zealand dollar. In your answer:
 - fully label on Graph Three the impact of a decreasing world price of oil
 - explain in detail the impact that you have shown on Graph Three
 - explain in detail whether decreasing demand for New Zealand dairy exports or a decreasing world price of oil would have a greater impact on the exchange rate for the New Zealand dollar.

Graph Three: Market for the New Zealand dollar



Key = NZ = New Zealand

Quantity of \$NZ

The impact on decreasing the the world price of oil will cause quantity supply to be less than quantity demand for oil. This means that not an alot of people won't be able to buy oil because there is a shortage to be demanded. Shortage means, less supply for a product than demand for a product.

On graph three above I have showed that there is a new world price line and labeled it WPI and that cause as to Q to decrease to Qs, and also to increase to QDI which means that there is a shortage.

Decreasing demand of Dairy products has more of an impact on the NZ dollar than decrease in World price for oil. This is because Dairy products of NZ3 exports which is

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Not	Total score	5				
Q	Grade score	Annotation				
1	А3	This candidate has received an A3 grade because they have:				
2	N2	 This candidate has received an N2 grade because they have: correctly shown a decrease in the demand for the New Zealand dollar in Graph Two states New Zealand dollar depreciates/price falls. Explaining that lower demand for New Zealand dairy exports will result in a decrease in demand for \$NZ would have resulted in A3.				
3	NO	This candidate has received an N0 grade because there was no correct evidence in their answer.				