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91223



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NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

QUALIFY FOR THE FUTURE WORLD
KIA NOHO TAKATŪ KI TŌ ĀMUA AO!

SUPERVISOR'S USE ONLY

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.

Not Achieved

TOTAL

5

ASSESSOR'S USE ONLY

QUESTION ONE: NEW ZEALAND DAIRY EXPORTS

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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)

Wood

(2)

meat

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

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.

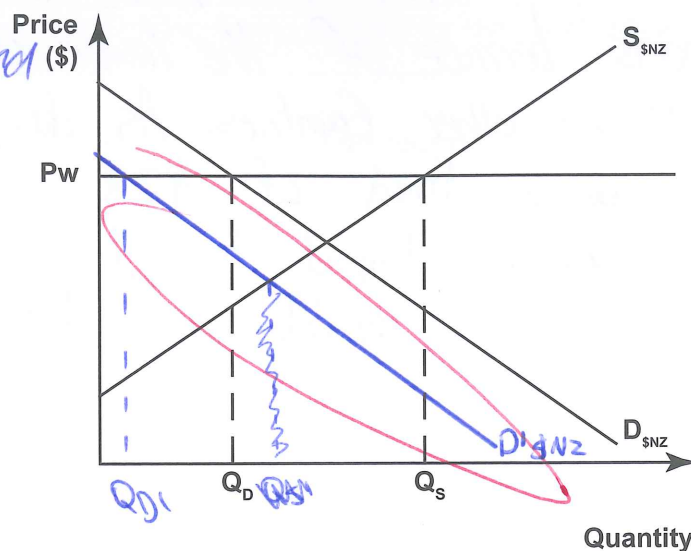
In your answer:

- 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.

Key:

NZ = New Zealand

Graph One: Market for New Zealand dairy products



A lower demand in NZ dairy products and the world dairy products shift Q_D ^{left} ~~down~~ to Q'_D and means that there is left over supply of dairy products because Q_S (quantity supplied) stays the same. As shown on graph One above.

The dairy industry will be worse off from the lower world demand. This is because the dairy industry will make less profit because people aren't buying their products. Also the supply will stay the same which means there will be left over products that may go to waste. As shown on Graph One above.

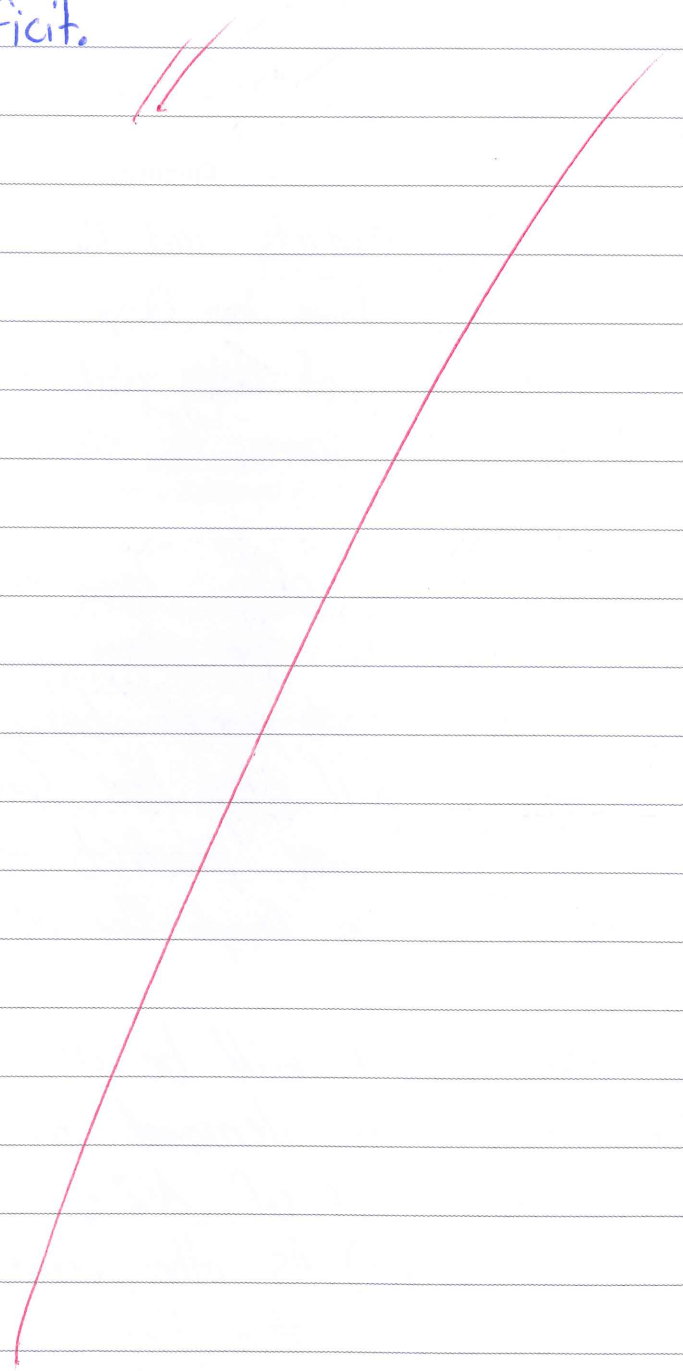
The NZ current account deficit will be affected badly because of the world lower demand for dairy products. This is because 95% of NZ's dairy products go overseas. (exported) As other countries demand less dairy products then they may ask for less ~~to be~~ dairy products from NZ.

There is more space for your answer to Question One on the following page.

Key: NZ = New Zealand

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This means that NZ will not make as much money on exports because of the lower demand for dairy products in other countries. As dairy products make up almost ~~a~~ a third of NZ's annual goods exports, ~~the~~ a decrease in demand for dairy products in other countries is terrible for NZ's current account deficit.



ASSESSOR'S
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A3

QUESTION TWO: THE EXCHANGE RATE

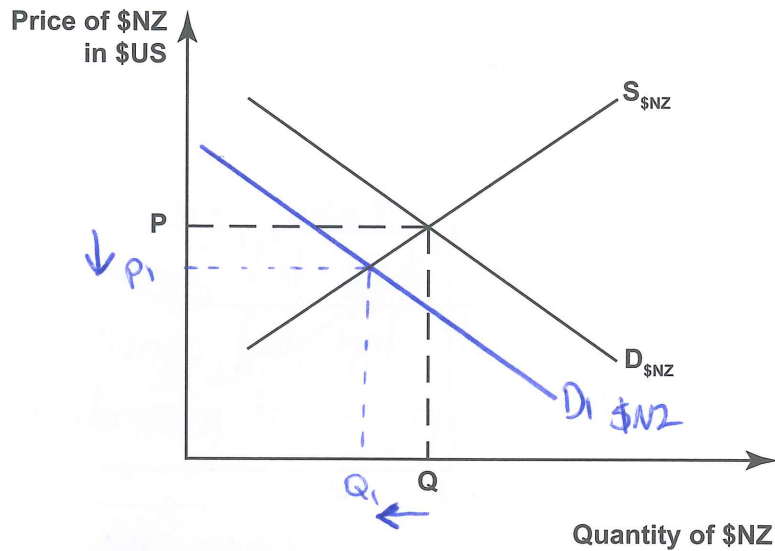
ASSESSOR'S
USE ONLY

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

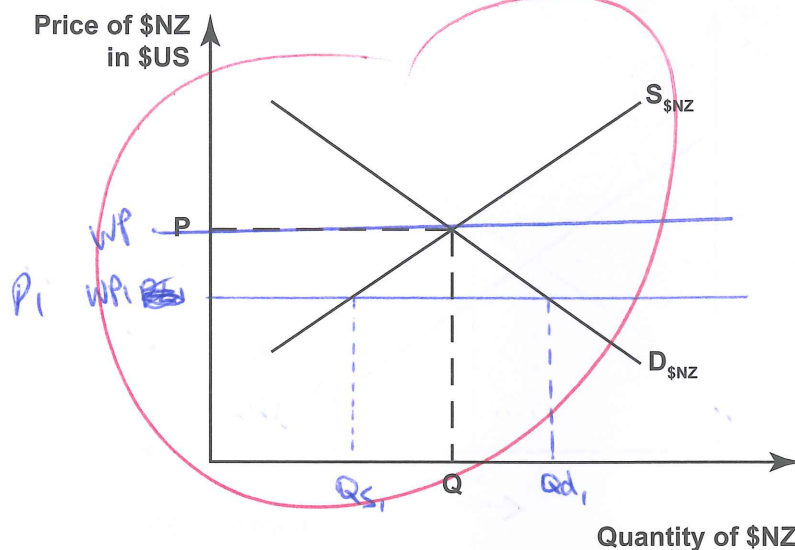


The decrease in demand of dairy products will decrease the value of the NZ dollar. This is because a decrease in demand of dairy products means the $D_{\$NZ}$ curve/line goes shifts to $D1_{\$NZ}$ which cause P to shift down to $P1$ which means the NZ dollar has decreased in value.

- (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



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 a~~ a lot of people won't be able to buy oil because there is a shortage. ~~Shortage means not enough supply for what wants to be demanded~~ Shortage means, less supply for a ^{is} product than demand for a product.

On graph three above I have showed that there is a new world price line and labeled it WP_1 and that cause ~~Q_s to~~ Q to decrease to Q_{s1} and also to increase to Q_{d1} 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 ~~is~~ are a third of NZ's exports which is major in NZ making money. New Zealand make ~~more~~ ~~4~~ ~~heaps~~ \$15.5 billion off ~~dairy~~ exporting dairy products. So if the demand for dairy products overseas decreased, then NZ wouldn't make as much money which means ~~there~~ the \$NZ is effected. ~~heaps~~ Oil world price decreasing still makes the NZ change but not by as much as ~~the~~ demand decreasing for dairy products overseas.

NZ

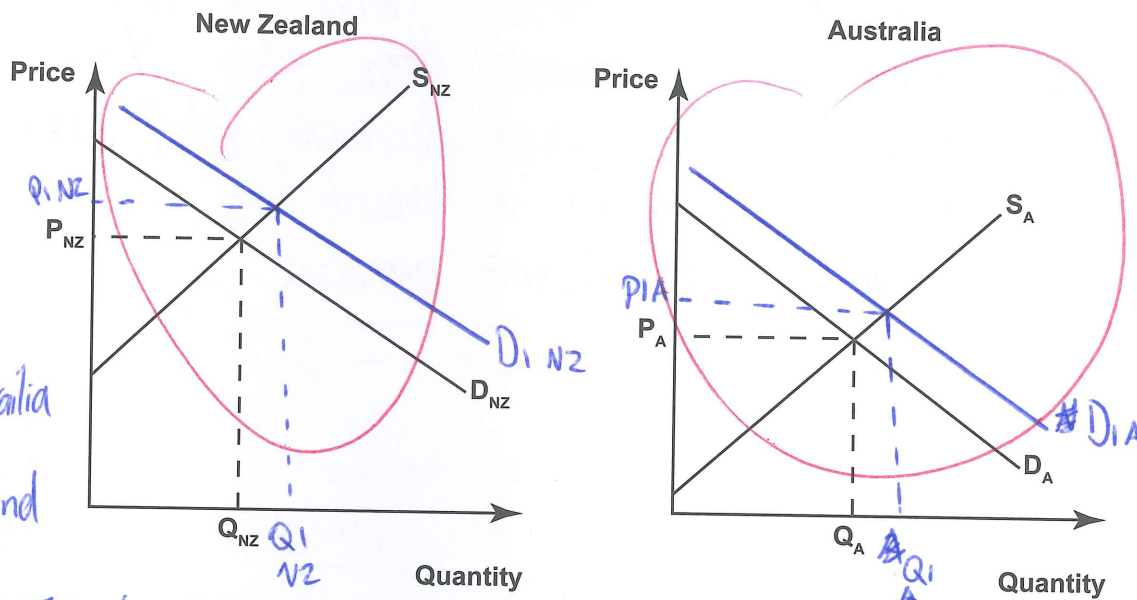
QUESTION THREE: THE TRADE IN TOMATOES

ASSESSOR'S
USE ONLY

Tomatoes are a crop that can be grown in both New Zealand and Australia, and yet trade in tomatoes occurs between the two countries.

- (a) Explain in detail why trade in tomatoes occurs between New Zealand and Australia. In your answer:
- fully label Graph Four to show the impact of trade on the New Zealand and Australian markets for tomatoes
 - explain in detail why the trade in tomatoes occurs by referring to Graph Four.

Graph Four: Two-country model



The trade of tomatoes occur between NZ and AUS because so both countries can make more profit from selling tomatoes.

(b) Compare and contrast the impacts that the trade in tomatoes could have on the following groups:

- New Zealand tomato growers
- New Zealand tomato consumers
- New Zealand fruit and vegetable retailers.

In your answer:

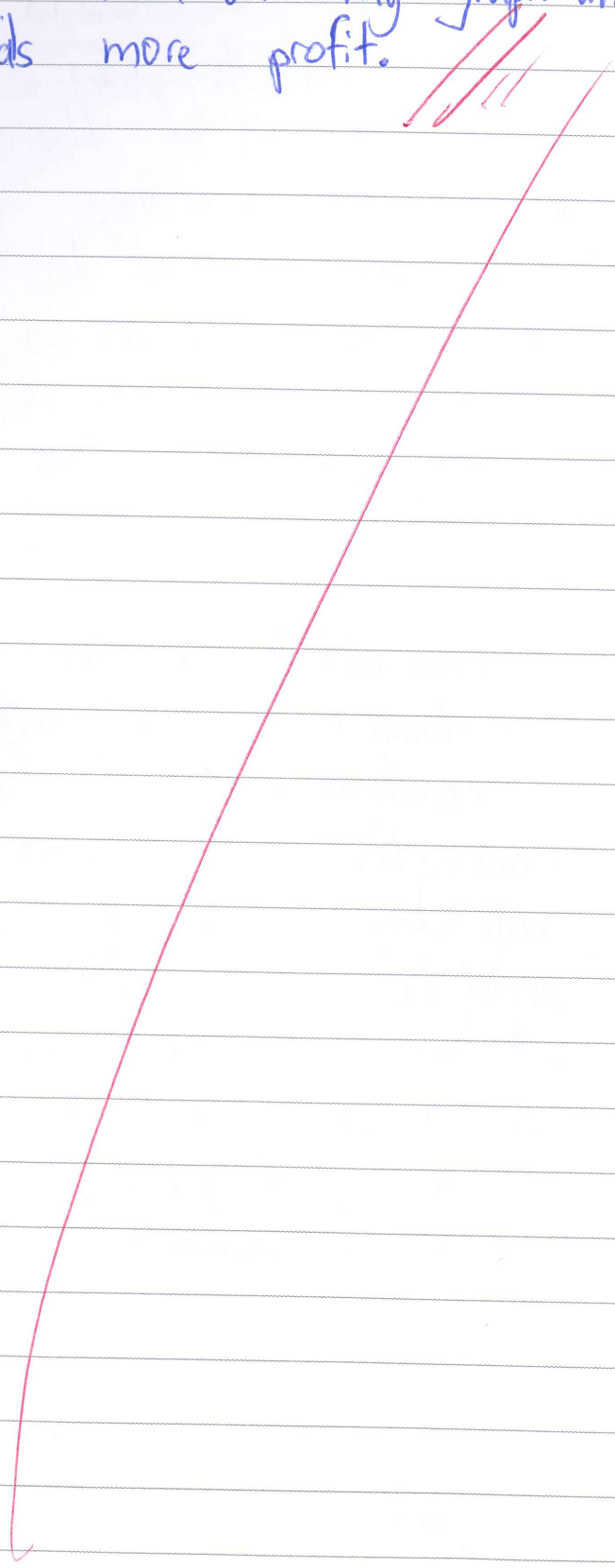
- explain in detail how each group, listed above, will be worse off or better off as a result of trade
- refer to Graph Four.

NZ growers will be better off because they can grow more tomatoes and ~~the~~ all of their tomatoes will be brought by ~~the~~ fruit & veg retailers so they can sell those tomatoes to Australians and NZ consumers. As shown on my graph that Quantity demand and supply increases from the trade with Australia. So NZ growers can grow more tomatoes. //

NZ consumers will be worse off because the tomatoes they may want to demand could already been ~~exported~~ brought from Australia. Also NZ tomatoe sellers could increase their price because they know Australia will buy tomatoes, ~~&~~ if that happened the that would be bad for NZ consumers, because they will have to pay more. Supply of tomatoes shouldn't be a problem for NZ consumers actually because on my graph quantity ~~supplied has increased~~ supplied has increased on my graph. //

There is more space for your answer to Question Three on the following page.

The trade of tomatoes for NZ retailers will be good for them because they will be making more profit from selling to Australia. More demand for tomatoes is shown on my graph and more demand equals more profit.



Not Achieved exemplar for 91223 2015			Total score	5
Q	Grade score	Annotation		
1	A3	<p>This candidate has received an A3 grade because they have:</p> <ul style="list-style-type: none"> • correctly identified two of NZ's top exports by value • explained how the dairy industry is worse off • explained the negative impact on the Current Account deficit. <p>In addition, showing a decrease in world price on Graph One and would have resulted in A4.</p>		
2	N2	<p>This candidate has received an N2 grade because they have:</p> <ul style="list-style-type: none"> • correctly shown a decrease in the demand for the New Zealand dollar in Graph Two • states New Zealand dollar depreciates/price falls. <p>Explaining that lower demand for New Zealand dairy exports will result in a decrease in demand for \$NZ would have resulted in A3.</p>		
3	N0	<p>This candidate has received an N0 grade because there was no correct evidence in their answer.</p> <p>Correctly showing a new trade price between P_{NZ} and P_A, explaining how New Zealand tomato growers are worse off, explaining how New Zealand tomato consumers are better off and explaining how New Zealand fruit and vegetable retailers are better off would have resulted in A4.</p>		