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

of gaining credits towards an NCEA qualification.

91223





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

MANA TOHU MĀTAURANGA O AOTEAROA



Level 2 Economics, 2016

91223 Analyse international trade using economic concepts and models

2.00 p.m. Tuesday 15 November 2016 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.

Merit **TOTAL**

ASSESSOR'S USE ONLY

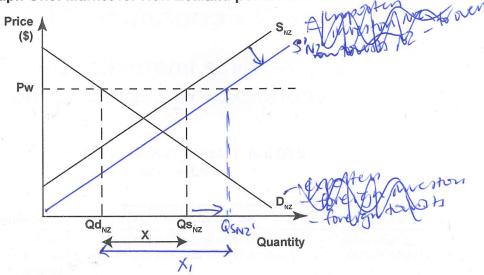
Powdered milk, a product of the dairy industry, is a significant New Zealand export. Dairy farms rely heavily on irrigation, such as the Central Plains Irrigation Scheme.

The aim of irrigation is to supply enough water for pastoral growth at times of the year when rainfall is unreliable or inadequate. Irrigated land in Canterbury shows a gain of 5000 kg of output per hectare per year, compared to unirrigated land.

Source (adapted): http://www.rockpoint.co.nz/pdfs/Irrigation-in-New-Zealand-2012-Rockpoint.pdf

(a) (i) On Graph One below, show the impact on export receipts from powdered milk, of increased irrigation on agricultural land.

Graph One: Market for New Zealand powdered milk



Ow-

(ii) Use Graph One to fully explain the impact on export receipts from powdered milk, of increased irrigation on agricultural land.

In creased irrigation on a gricultural land in creases the supply of powdered wilk because the productivity of the worker and past aral growth during inteliable rainfain seasons means that lasinesses can supply more for less the same Por and so supply shifts (set sine) and this increases the quantity supplied (asoze to Qsoze) which means that export veceigh will increase (x to XI) as the fisheries can supply man abl year ound.

Economics 91223, 2016

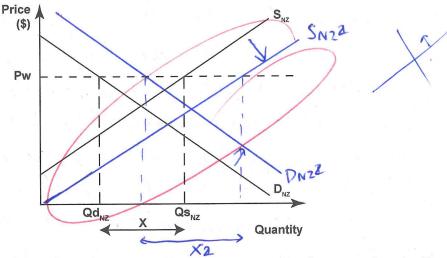
A resolution by a World Trade Organisation conference to eliminate agricultural export subsidies is good news for New Zealand. New Zealand is a successful exporter of farm products to many countries that currently subsidise their local production. New Zealand stands to gain greatly if agricultural export subsidies are eventually eliminated and the supply in the rest of the world decreases.

Source (adapted): http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11564655

New Zealand has no export subsidies on powdered milk exports.

(b) (i) On Graph Two below, show the impact on export receipts from powdered milk, of the elimination of agricultural export subsidies in our major export markets.

Graph Two: Market for New Zealand powdered milk



(ii) Use Graph Two to fully explain the impact on export receipts from powdered milk, of the elimination of agricultural export subsidies in our major export markets.

The decrease in supply from overseas bisinesses at lower prices means that there is our increase in demand tor New Zearland providered milk. (DNZ to DNZ²) as their powdered milk is cheaper. This aiso increases the quantity. They can supply to overseas countries (SNZ to SNZ²) as this allows decreases in costs of production and wages to occur. This causes the quantity supplied and demanded to mirease (QSNZ to QSNZ²) and (QDNZ to QDNZ²) which means the expost veceipts increase due to this neverse invales, protite and feverue.

Economics 91223, 2016

(iii) Refer to Graphs One and Two to fully explain why the elimination of agricultural export subsidies in our major export markets will have a greater impact on the export receipts from powdered milk, than increased irrigation of agricultural land.

ASSESSOR'S USE ONLY

This st decrease is supply at the Pw from overless countries one to fleir costs of production increasing means that all businesses in New Zealand can now supply more to their consures and their goods and services are more denonded the the man expense ovenery goods and services. The expost receipts increase (X+0X2) and this increase is greater to Han the increase in expect receipts for increased inigetiza tox') because in I the export receipts for elimination of agricultural orbitalies is not just for dainy but for all agricultural sectors. So theretod trove affects dainy in all parts of the country where it seems that the imagasion publien might only affect certain regions of NZ such as Christdurch And so the increase of programme will not be have in piz of a protour effection the whole of NZ doing like elminostry oveness substant will.

QUESTION TWO: EXCHANGE RATE AND TWO-COUNTRY MODEL

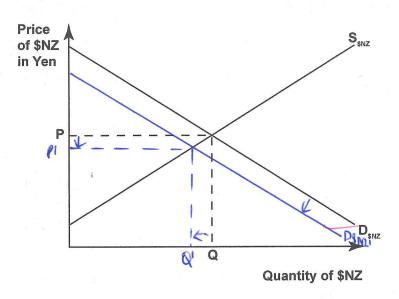
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Between 21 March 2015 and 20 January 2016, the New Zealand dollar depreciated 17% against the Japanese yen.

Source: http://www.x-rates.com/graph/?from=NZD&to=JPY&amount=1

(a) (i) Use Graph Three below to show a shift in the demand for the New Zealand dollar that will result in its depreciation against the Japanese yen.

Graph Three: Market for the New Zealand dollar



(ii) Fully explain ONE possible reason for the shift in demand for the New Zealand dollar, as shown in Graph Three.

The decrease in demand for New Zealand dollars could be because there is a cleinease of exports. This decrease in demand for exports could wear there is a decrease of jales, revenue and profit and export receipts therefore decrease. This decrease in exports rould receipts hard mean less exporters noular demand lass NZ\$ to be exchanged from their Japanese Yen export receipts. And so the demand tor NZ\$ decreases (Danz to Dinz) and therefore the prite of NZ\$ is Yen degreeses (P to P) carring the New Zeakind dollar to degreeses (P to P) carring the New Zeakind dollar

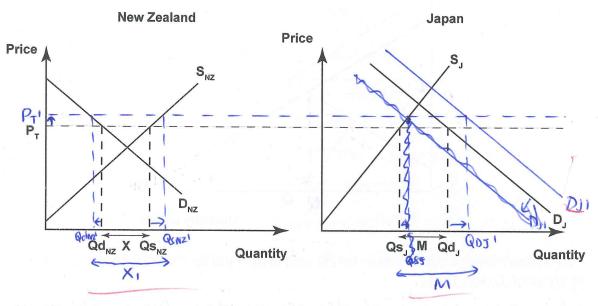
ASSESSOR'S USE ONLY

Japan is the largest market for aluminium produced in New Zealand. In 2014, Japan imported approximately half of the \$837 million total New Zealand aluminium exported.

Source: http://www.worldsrichestcountries.com/top-new-zealand-exports.html

- (b) On Graph Four below, P_T is the price of aluminium before depreciation of the New Zealand dollar against the Japanese yen. Use Graph Four to show:
 - the change in demand in the Japanese market due to the depreciation of the NZ dollar against the Japanese yen
 - change in the quantity of aluminium exports between New Zealand and Japan.

Graph Four: Two-country model for aluminium



(c) Use Graph Four to fully explain the change in demand for aluminium in the Japanese market, and the consequent changes in the value of aluminium exports between New Zealand and Japan.

A depreciation of the New Zeenland clothan will mean that exporters in New Zealand are more price competitive as the decrease in New Zeenland abolion (NZA) means that the prices of NZ goods devicen meaning then me Chaper areseas and more Japanese will demand their products (Dj to Dj.). and This increase in quantity demanded (Qaj to Qdy!) means that the prices for exposs with merene as more Japanese consumers demand them, but they will still

Merit exemplar for 91223 2016			Total score	17		
Q	Grade score	Annotation				
	This candidate has received an M6 grade because:					
1	M6	 they have fully explained that the increased irrigation increases supply of powdered milk (with a reason e.g. increased productivity, lower costs of production), therefore increases/export receipts all changes are referenced correctly with Graph One. 				
		Correctly drawing Graph Two, showing an increase in the world price and exports and giving a detailed explanation as to the effect of removal of subsidies on NZ exports, would have resulted in E7.				
2		This candidate has received an M6 grade because they ha	ve:			
		 fully explained that the demand for NZ dollars has of decreased demand for NZ exports by Japanese economics of the demand for NZ exports by Japanese economics of the demand for NZ dollars has of the demand for NZ dolla				
	M6	 integrated Graph Three into their explanation. explained that Japanese consumers will increase daluminium is now relatively cheaper because of the integrated Graph Four into their explanation. 		e NZ		
		Fully explaining why Japanese demand increases (e.g. as depreciates, Japanese consumers/businesses/importers aluminium with each Japanese yen, with the idea of curren in an increase in demand) and that in the two-country mod Japan causes an increase in exports from New Zealand, as causes a decrease in quantity demanded in New Zealand a quantity supplied UNTIL exports again equal imports (becaresulted in E8.	can purchase r cy conversion, el, the increase s the increase and an increas	more resulting e in price in in price e in		
	M5	This candidate has received an M5 grade because they ha	ve:			
3		 fully explained that the greater access to 11 countri or less protectionist barriers such as tariffs, will lead more exports, or lower costs, and therefore higher r 	l to domestic fi	rms selling		
		Giving a detailed explanation of a flow-on effect of greater consumer spending will positively affect domestic non-exponigher output/revenue/profits would have resulted in E7.				