

Level 2 Economics 2018

Standards [91222](#) [91223](#) [91224](#)

Part A: Commentary

Most candidates accurately labelled changes in the relevant economic model and referenced them and/or relevant facts from the resource material in their explanations. Strong candidates wrote integrated and balanced arguments, rather than isolated responses to each bullet point.

Candidates who attempted all the questions and extended statements into explanations were significantly more likely to gain achievement. Simply rewriting the resource material is insufficient to demonstrate the requirements of an explanation. The use of appropriate Level 2, economic terms enhances detailed explanations.

The learning objectives provide a summary of the range of topics, economic terms and groups for each standard. Overall, candidates demonstrated greater consistency in their compare and contrast analysis when referring to positive impacts on households, consumers and workers; impacts on profitability of producers, and impacts on government revenue.

Part B: Report on standards

91222: Analyse inflation using economic concepts and models

Candidates who were awarded **Achievement** commonly:

- used correct graphing conventions
- attempted most questions
- identified the variables of the Quantity Theory of Money
- understood the components of Aggregate Demand.

Candidates whose work was assessed as **Not Achieved** commonly:

- could not identify the variables of the Quantity Theory of Money
- could not identify and explain the components of Aggregate Demand
- did not use correct or accurate graphing conventions
- did not attempt some questions.

Candidates who were awarded **Achievement with Merit** commonly:

- referred to graphs in written explanations
- understood the balance or connection of the variables of the Quantity Theory of Money
- explained the components of Aggregate Demand

- explained the concept of productivity in relation to Aggregate Supply
- explained how immigration and Aggregate Supply can reduce inflationary pressure
- explained the impact of inflation on costs in two countries, or two industries and its relation to profit.

Candidates who were awarded **Achievement with Excellence** commonly:

- used economic terms frequently and accurately
- confined their responses to the content rather than adding unnecessary material
- understood the impact of real growth on inflationary pressure
- understood and could compare and contrast relative changes in the Quantity Theory of Money
- fully explained the limitations of immigration adding to Aggregate Supply
- compared and contrasted the impact of inflation on importers and exporters, labour intensive and capital-intensive firms, in relation to both costs and profits.

Standard specific comments

Candidates' knowledge of the components of the Aggregate Demand and Aggregate Supply Model showed depth and range, including reasons for shifts.

Candidates' basic knowledge of the Quantity Theory of Money was overall well understood.

91223: Analyse international trade using economic concepts and models

Candidates who were awarded **Achievement** commonly:

- Were able to increase the New Zealand supply curve and show a lower P_t in the two-country model
- could give one explanation of impact on consumers and/or producers on the impact of the lower P_t in the two-country model
- increased the world price in the single country model
- gave one explanation of impact on consumers and/or producers on the impact of a higher world price in the one country model
- explained the effect of depreciation on New Zealand's exports and imports
- explained the effect of free trade agreements on NZ's exports and imports
- attempted all questions.

Candidates whose work was assessed as **Not Achieved** commonly:

- were unable to explain why New Zealand is an exporter of a chosen commodity
- shifted the wrong curve and did not show a new P_T or showed an incorrect P_T .
- decreased the world price or shifted other curves in the single country model
- could not explain the effect of depreciation on NZ's exports and imports
- were unable to explain the effect of free trade agreements on New Zealand's exports and imports
- did not attempt all questions.

Candidates who were awarded **Achievement with Merit** commonly:

- fully explained the effect of an increase in New Zealand supply and the subsequent decrease in P_t on consumers (mentioning increased quantity demanded, affordability, or lower costs of production/increased profit) OR producers (mentioning increased exports) and referred in part to a correctly drawn Graph One in their explanations
- fully explained the effect of a decrease in world supply and the subsequent increase in P_w on consumers (mentioning decreased quantity demanded, higher costs of production/decreased profit, or possible switch to cheaper oils) OR producers (mentioning increased quantity supplied, or exports, or profits) and referred in part to a correctly drawn Graph Two in their explanations
- fully explained the effect of a depreciation of the NZ\$ on exports, imports and the balance of Goods and Services (G/S) of a depreciation (mentioning change in purchasing power/affordability) OR could fully explain the effect of free trade agreements on exports, imports and the balance of G/S of a depreciation (mentioning decreases in tariffs/costs/affordability/ potential market).

Candidates who were awarded **Achievement with Excellence** commonly:

- fully explained the effect of an increase in New Zealand supply and the subsequent decrease in P_t on consumers (mentioning increased quantity demanded and lower costs of production/increased profit) AND producers (mentioning increase quantity supplied and exports and explaining overall effect is uncertain). There were comprehensive references to a correctly drawn Graph One in their explanations
- fully explained the effect of a decrease in world supply and the subsequent increase in P_w on consumers (mentioning decreased quantity demanded, higher costs of production/decreased profit, and possible switch to cheaper oils), AND producers (mentioning increased quantity supplied, exports and profits). There were comprehensive references to a correctly drawn Graph Two in their explanations
- fully explained the effect of a depreciation of the NZ\$ on exports, imports and the balance of G/S of a depreciation (mentioning change in purchasing power/affordability) AND could fully explain the effect of free trade agreements on exports, imports and the balance of G/S of a depreciation (mentioning decreases in tariffs/costs/affordability/potential market) AND fully explain a reason why FTA would have a more sustained effect on the balance of G/S (e.g. FTA tends to be permanent and currency movements are volatile).

Standard specific comments

Reference to graphs in answers is vital to achieving at a Merit and Excellence level and many candidates wrote detailed explanations, however, non-reference to graphs cost many candidates a Merit or Excellence grade.

Candidates are advised to fully explain by giving reasons for curve shifts or effects on groups. The word 'because' is very useful in these answers.

Candidates should be as specific as possible when explaining effects. Using words such as 'costs of production', 'revenue', 'profits', 'quantity demanded', 'quantity supplied' typically meant candidates scored higher grades in their answers.

91224: Analyse economic growth using economic concepts and models

Candidates who were awarded **Achievement** commonly:

- used resource material appropriately in an explanation
- read the question and resource material instructions carefully
- understood that an increase in Aggregate Supply is shown by a movement of the aggregate supply curve to the right. Could label and shift aggregate demand and aggregate supply appropriately
- understood money flows in the circular flow diagram
- explained an impact of growth on the revenue of the government
- explained a negative impact of growth on workers

- explained an impact of either positive or negative growth on workers
- explained an impact of either positive or negative growth on producers.

Candidates whose work was assessed as **Not Achieved** commonly:

- did not attempt some of the questions or all parts of the question. Length and depth of answers decreased later in the paper.
- did not read the requirements of the question e.g. not using savings in the circular flow model question.
- rewrote the resource material without any additional evidence
- wrote statements rather than explanations
- did not link an explanation to its impact on growth
- moved or labelled graphs incorrectly
- used production and productivity as interchangeable terms
- did not distinguish between negative and positive figures for economic growth in the resource material
- used generic words that did not reference resource material and/or impact on growth.

Candidates who were awarded **Achievement with Merit** commonly:

- referenced resource material in detailed explanations
- understood a detailed explanation requires more than a single explanation/cause/effect/impact
- provided multiple reasons why either the aggregate demand curve or the aggregate supply curve could shift using resource material
- linked detailed answers to either the direction and/or magnitude of the impact on growth
- fully explained the benefits or costs to workers or producers if the growth rate was positive or negative
- fully explained the impact of economic growth on the government's revenue
- indicated that impacts on one group can be linked to an impact on another group.

Candidates who were awarded **Achievement with Excellence** commonly:

- integrated graphs, models and resource material in their detailed explanations
- provided multiple reasons why both the aggregate demand curve and the aggregate supply curve could shift relevant to the resource material
- provided in-depth and detailed explanations consistently
- provided detailed explanations for groups that could be compared and contrasted
- could explain the benefits and costs of economic growth on the government's revenue or expenditure appropriate to the ideas contained in the resource material or because of impacts linked to workers
- explained the benefits and costs of economic growth to workers appropriate to the information contained in the resource material
- wrote detailed explanations for workers and producers that contained links between the two groups.

Standard specific comments

Economic concepts such as opportunity cost, production and productivity were poorly understood by the candidates.

A significant number of candidates rewrote answers from previous examination schedules without understanding if they were appropriate for the specific question.

The distinction between an achievement explanation and a detailed Merit explanation is still clearly not understood by many adept candidates who are capable of higher scores in individual questions and across the paper. A similar issue is evident in the difference between a statement and an explanation for candidates not receiving achievement level scores.

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Previous years' reports

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