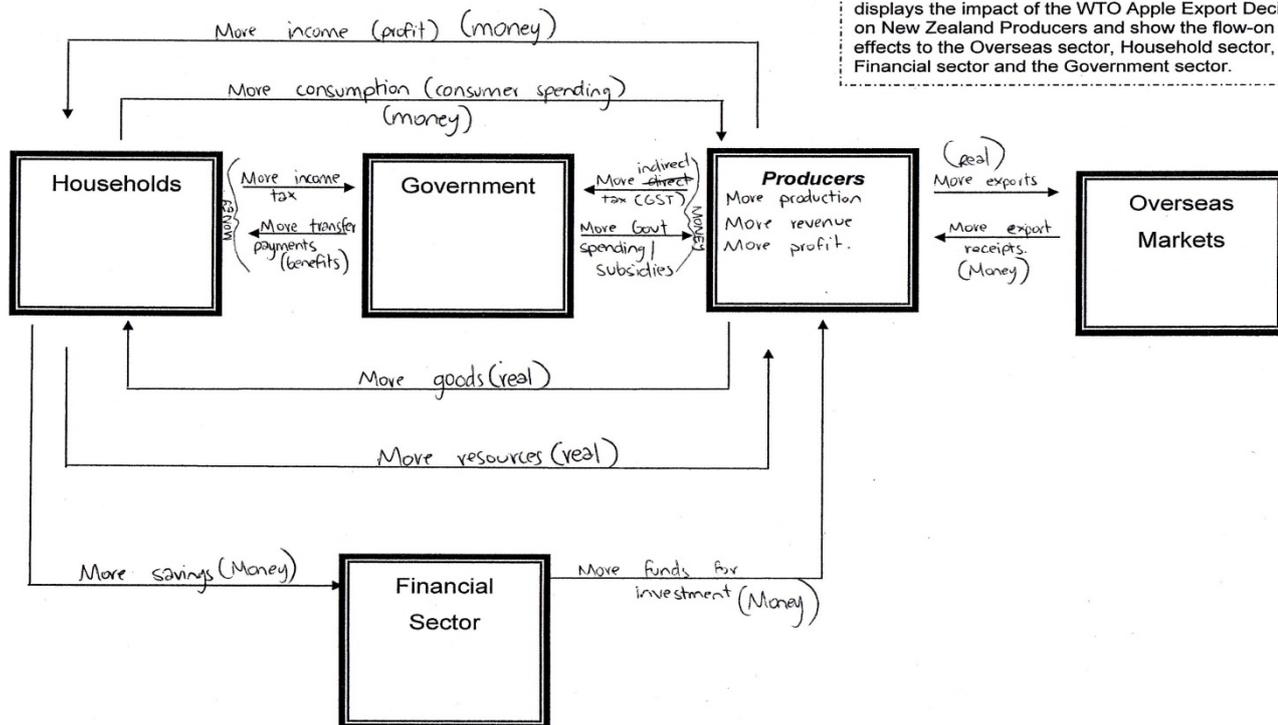


## Student 2 – High Merit

Diagram 2: Circular flow model

**Part 3: Complete the following diagram**

You must complete a simple model (Diagram 2) that displays the impact of the WTO Apple Export Decision on New Zealand Producers and show the flow-on effects to the Overseas sector, Household sector, Financial sector and the Government sector.

6

The impact of the World Trade Organisation's decision about lifting the Australian ban on NZ apple exports could lead to more buyers and could lead to an increase in revenue and profit for NZ apple producers. This could lead to apple producers **hiring more employees** because of the bigger demand for apples. Apple producers will be able to gain more revenue from more consumers of apples and more employees and profit because of this decision and they could then decide to make an **investment** and expand their production line.

7

The flow-on effects of the WTO apple export decision within the sector could lead to an impact on other sectors like the transport companies that deliver apples to buyers, they will gain more revenue and profit because they will also have to transport more apples overseas. This could lead to transport companies employing more workers or giving existing employees more hours of work and maybe a wage rise. Supermarkets may receive fewer apples because NZ apple producers have taken on other supermarket producers in Australia and have less to supply to the NZ supermarkets. The NZ cannery producers will receive less NZ apples because more apples have been exported to Australia, which could reduce their revenue as they may have to pay more for imported apples so their costs of production may increase. Therefore, the WTO decision has both negative and positive flow-on effects on other producers within the sector.

NZ apple producers will be exporting more apples to the overseas sector (real flow) because of the WTO decision and this will lead to an increase in export receipts (money flow) because of Australia purchasing our apples. The WTO decision leads to more exports of apples and also imports of more goods NZ do not or cannot produce here which also increases import payments.

8

The financial sector receives savings from households and gives investment to producers and will be receiving more savings from households because they have more disposable income because of the WTO decision which caused production in the producer sector to increase. The savings they receive from households is the money they have left over after spending their income to satisfy needs and wants. The financial sector will also be increasing funds available for apple producers for investment as there is an increase in production, revenue and profit (money flow). This also means the bank will also be giving out more interest to households as their savings are increasing (money flow).

**Example:** Increasing the **real flow of human labour** between the household and producer sectors could be added to "hiring more employees". And **increasing the money flow** between the financial sector and NZ apple producers could be added to "investment".

9