91403M

914035

NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

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

3

SUPERVISOR'S USE ONLY

Ohaoha, Kaupae 3, 2015

91403M Te whakaatu māramatanga ki ngā awenga ohaoha whānui ki te ōhanga o Aotearoa

2.00 i te ahiahi Rāapa 18 Whiringa-ā-rangi 2015
Whiwhinga: Ono

Paetae	Kaiaka	Kairangi
Te whakaatu māramatanga ki ngā awenga ohaoha whānui ki te ōhanga o Aotearoa.	Te whakaatu māramatanga hōhonu ki ngā awenga ohaoha whānui ki te ōhanga o Aotearoa.	Te whakaatu māramatanga matawhānui ki ngā awenga ohaoha whānui ki te ōhanga o Aotearoa.

Tirohia mēnā e rite ana te Tau Ākonga ā-Motu (NSN) kei runga i tō puka whakauru ki te tau kei runga i tēnei whārangi.

Me whakamātau koe i ngā tūmahi KATOA kei roto i tēnei pukapuka.

Mēnā ka hiahia whārangi atu anō mō ō tuhinga, whakamahia te wāhi wātea kei muri o tēnei pukapuka.

Tirohia mēnā e tika ana te raupapatanga o ngā whārangi 2–23 kei roto i tēnei pukapuka, ka mutu, kāore tētahi o aua whārangi i te takoto kau.

ME HOATU RAWA KOE I TĒNEI PUKAPUKA KI TE KAIWHAKAHAERE Ā TE MUTUNGA O TE WHAKAMĀTAUTAU.

TAPEKE

MĀ TE KAIMĀKA ANAKE

© Mana Tohu Mātauranga o Aotearoa, 2015. Pūmau te mana.
Kia kaua rawa he wāhi o tēnei tuhinga e whakahuatia ki te kore te whakaaetanga tuatahi a te Mana Tohu Mātauranga o Aotearoa.

MĀ TE KAIMĀKA ANAKE

TŪMAHI TUATAHI: Ngā whakarerekētanga ki tētahi kaupapa here kāwanatanga

Kua whakarārangitia e te Kāwanatanga tana mahere kia whakahoutia Te Ture Whakahaere Rawa (RMA), e ai ki ana rangahau hou e whakaatu ana i ngā tāpiritanga utu o te $15 000 a ngā ture taiao ki te utu mō tētahi whare hou me te $30 000 ki te utu mō te hanga whare noho hou.

I hangaia ngā whakahoutanga taumata-teitei hei whakaiti i ngā utu hangatanga me te whakaheke i te kaketanga o ngā utu whare i Aotearoa, ā, e whakapae ana te Kāwanatanga nā ngā utu, ngā tōmuritanga, me ngā pāhekeheketanga i ahu mai i ngā ture e whakahaere ana i te taiao o tēnei whenua.

I kī te Minita Taiao a Nick Smith he mea tino nui te whakatikatika i te RMA hei whakarite i te putanga ā-whare, te whaiutu me te whakatenatena i te tipu o te ōhanga, me te whakahaere anō i te taiao.

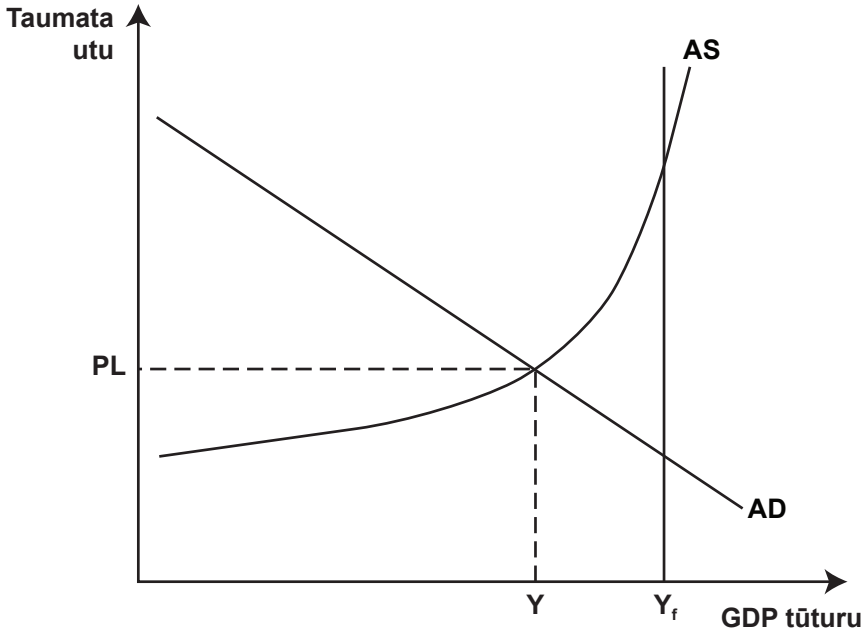
Mātāpuna (he mea urutau): http://www.nzherald.co.nz/property/news/article.cfm?c_id=8&objectid=11389827

Ko ngā whakarerekētanga ki Te Ture Whakahaere Rawa tētahi tauira o tētahi kaupapa here taha-putanga.

(a) Ki te Kauwhata Tuatahi, nekehia tētahi ānau KOTAHI hei whakaatu i te pānga o tētahi kaupapa here taha-putanga pēnei i te whakahou i te Ture Whakahaere Rawa ki te ōhanga whānui.
I tō tuhinga:

- tapaina te nekenga ānau
- tapaina te tauritenga hou

Kauwhata Tuatahi: Te ōhanga o Aotearoa



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QUESTION ONE: Changes in a government policy

The Government has outlined its plans to dramatically reform the Resource Management Act (RMA), armed with new research which showed environmental regulations added $15 000 to the cost of building a new home and $30 000 to the cost of building a new apartment.

The high-level reforms were designed to reduce building costs and reverse the skyrocketing price of housing in New Zealand, which the Government has blamed squarely on the costs, delays, and uncertainties caused by the laws which govern how this country's environment is managed.

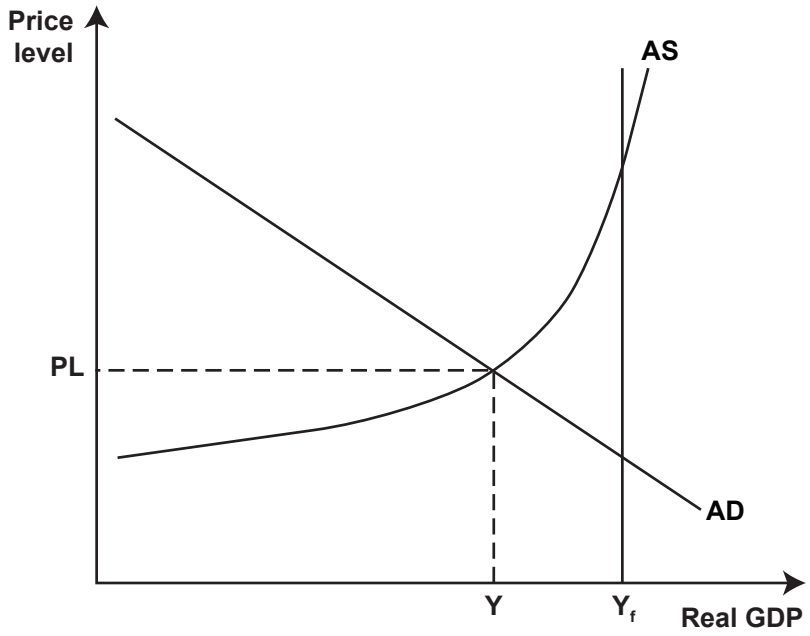
Environment Minister Nick Smith said overhauling the RMA was critical to addressing housing supply and affordability and encouraging economic growth, while also managing the environment.

Source (adapted): http://www.nzherald.co.nz/property/news/article.cfm?c_id=8&objectid=11389827

Changes to the Resource Management Act is an example of a supply-side policy.

(a) On Graph One, shift ONE curve to illustrate the impact that a supply-side policy such as the reform of the Resource Management Act may have on the macroeconomy.
In your answer:
- label the curve shift
- label the new equilibrium.

Graph One: The New Zealand economy



MĀ TE KAIMĀKA ANAKE

"He mea waihanga ngā whakahoutanga taumata-teitei hei whakaiti i ngā utu hangatanga me te whakaheke i te kaketanga o ngā utu whare i Aotearoa."

"I kī te Minita Taiao a Nick Smith he mea nui te whakatikatika i te Ture Whakahaere Rawa hei whakarite i te putanga ā-whare me te whaiutu."

Mātāpuna: ko ngā kīanga nō te rauemi ki te whārangi 2.

He wāhi nui tō ngā mahinga rawa ā-whare, ā-arumoni ki te tiputanga ōhanga me te whakawhiwhi mahi.

Tāpiri atu ki te tiputanga ōhanga, ko te whāinga o te Kāwanatanga ko te whakawhiwhi mahi mā te katoa.

(b) Whakatauritehia te whaikiko o te whakahoutanga o te Ture Whakahaere Rawa ki te tiputanga ōhanga me te whakawhiwhi mahi mā te katoa.
I tō tuhinga:

- whakamāramahia taipitopitotia te pānga o tētahi kaupapa here taha-putanga pēnei i te whakahoutanga o te Ture Whakahaere Rawa ki te GDP Tūturu
- whakamāramahia taipitopitotia ka pēhea te whakawhanake mahi a tētahi kaupapa here taha-putanga pēnei i te whakahoutanga o te Ture Whakahaere Rawa
- whakamāramahia mai te whaikikotanga o te kaupapa here mō te whakatutuki i ngā mea e RUA o te tiputanga ōhanga me te whakawhiwhi mahi mā te katoa
- me kōrero mō ngā whakarerekētanga ki te Kauwhata Tuatahi, me te rauemi.

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"The high-level reforms were designed to reduce building costs and reverse the skyrocketing price of housing in New Zealand."

"Environment Minister Nick Smith said overhauling the Resource Management Act was critical to addressing housing supply and affordability."

Source: quotes from resource material on page 3.

Residential and commercial property activity contributes a significant amount to economic growth and employment.

Along with economic growth, the Government has the goal of full employment.

(b) Compare and contrast the effectiveness of the reform of the Resource Management Act on both economic growth and full employment.
In your answer:

- explain in detail the impact that a supply-side policy such as the reform of the Resource Management Act could have on Real GDP
- explain in detail how a supply-side policy such as the reform of the Resource Management Act could create jobs
- explain the effectiveness of the policy in achieving BOTH economic growth and full employment
- refer to changes made to Graph One, and to the resource material.

MĀ TE KAIMĀKA ANAKE

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TŪMAHI TUARUA: Te pānga o te hekenga o ngā utu hinu me te heke haere o te ōhanga ā-ao ki te kaute onāianei

He hākerekere te Tirohanga Ōhanga ā-Ao a te IMF

Kua whakaheketia anō e te International Monetary Fund (IMF) ana matapae mō te tiputanga ōhanga ā-ao, me te kī ahakoa ka hīkina te nuinga o te ao i te heke o ngā utu hinu, kāore e tino nui rawa hei pare atu i te tirohanga pāheketanga i Haina.

I tētahi whakamōhiotanga hou ki tana Tirohanga Ōhanga ā-Ao i whakaputaina i te Rātū, i whakaheketia e te IMF tana matapae mō te tau 2015 mō Haina mai i te 7.1 ki te 6.8 ōrau. Mō te tau 2016, he iti ake tana matapae tiputanga o te 6.3 ōrau.

Ka whai pānga tēnei ki te katoa o Āhia me ngā whenua e hokohoko rawa atu ki Haina pēnei i Ahitereiria [me Aotearoa].

I poroa e te IMF tana matapae mō te tiputanga ōhanga mai i te 3.8 ki te 3.5 ōrau i te tau 2015.

Mātāpuna (he mea urutau): http://www.stuff.co.nz/business/world/65250567/imf-global-outlook-more-pessimistic

E kurehu mai ana te hekenga utu arowhānui i te hekenga o ngā utu hinu

Kua whakatārewatia e ngā kaimātai ōhanga a te BNZ ngā tūmanako mō tētahi whakapikitanga pāpātanga moni whaimana mō te Poutūterangi 2016 rā anō, ā, e kurehu mai ana te hekenga utu arowhānui i te hekenga haere tonu o ngā utu hinu.

Ahakoa ko te tirohanga tawhito mō te hekenga utu arowhānui koia te pūtake whakapōturi i ngā mahinga ōhanga, ko te kī a te kairangahau matua a Stephen Toplis kāore e hāngai tēnei ki te āhuatanga onāianei o Aotearoa.

"Ko te āhua nei he tino whiwhinga te hekenga o ngā utu hinu mō ngā kiritaki," tana kī. "He nui ake ngā moni a ngā whare i roto i ō rātau pūkoro hei whakapau kē ki ētahi atu rawa, ratonga hoki – e hiki ake ana i te mahinga anamata, kaua i te whakaheke."

Mātāpuna (he mea urutau): http://www.stuff.co.nz/business/industries/64765449/deflation-looms-as-oil-price-falls

Whakamāramatanga: Ko te **hekenga utu (deflation)** he hekenga tūmau o te taumata utu arowhānui.

QUESTION TWO: The impact of falling oil prices and slowdown in world economy on the current account

IMF World Economic Outlook pessimistic

The International Monetary Fund (IMF) has revised down its forecasts for global economic growth, saying that although lower oil prices will give much of the world a boost, it won't be enough to offset the deteriorating outlook in China.

In an update to its World Economic Outlook released on Tuesday, the IMF revised down its 2015 forecast for China from 7.1 to 6.8 per cent. For 2016, it forecast an even lower growth rate of 6.3 per cent.

This would in turn affect the rest of Asia and countries that sold to China such as Australia [and New Zealand].

The IMF cut its forecast for global growth from 3.8 to 3.5 per cent in 2015.

Source (adapted): http://www.stuff.co.nz/business/world/65250567/imf-global-outlook-more-pessimistic

Deflation looms as oil prices fall

BNZ economists have pushed back expectations of an official cash rate hike until March 2016, with deflation looming as oil prices continue to fall.

While deflation was traditionally seen as causing a vicious cycle of slowing economic activity, head of research Stephen Toplis said that did not apply to New Zealand's current situation.

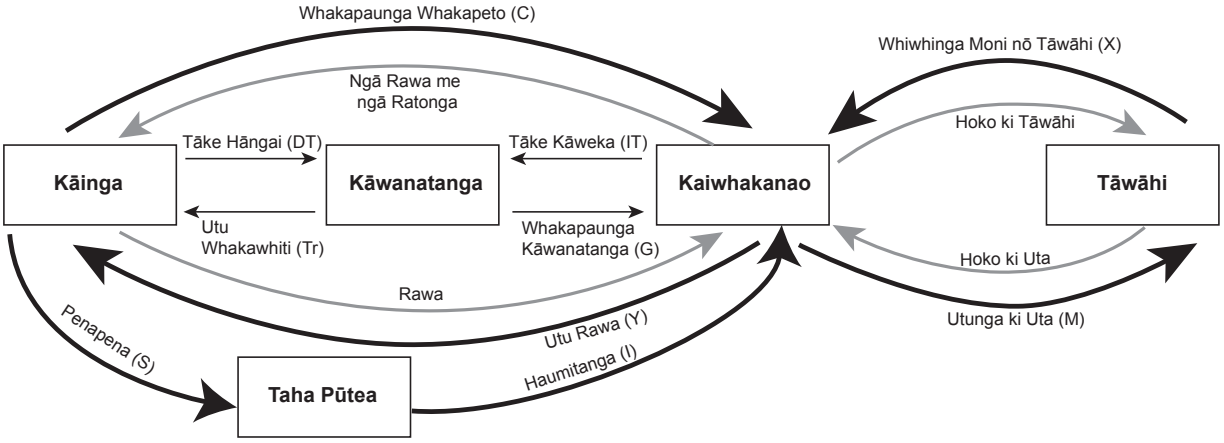
"The drop in oil prices is turning out to be a windfall gain for consumers," he said. "Households have ended up with extra money in their pockets to spend on other goods and services instead – boosting, rather than contracting, future activity."

Source (adapted): http://www.stuff.co.nz/business/industries/64765449/deflation-looms-as-oil-price-falls

Definition: **Deflation** is a persistent decrease in the general price level.

MĀ TE KAIMĀKA ANAKE

E whakaatu atu ana te hoahoa rerenga porowhita i te whanaungatanga i waenga i ngā rāngai rerekē o te ōhanga.



(a) Whakamāramahia taipitopitotia he pēhea te pā mai o te hekenga o ngā utu hinu ki te hekenga utu arowhānui.
I tō whakautu, me kōrero mō ngā rerenga tūturu hāngai me ngā rerenga moni hāngai mai i te hoahoa rerenga porohita hei whakamārama:

- i te pānga o ngā hekenga utu hinu ki te rāngai whakanao
- he pēhea te pānga ki te rāngai whakanao e pā mai ai pea ki te hekenga utu arowhānui.

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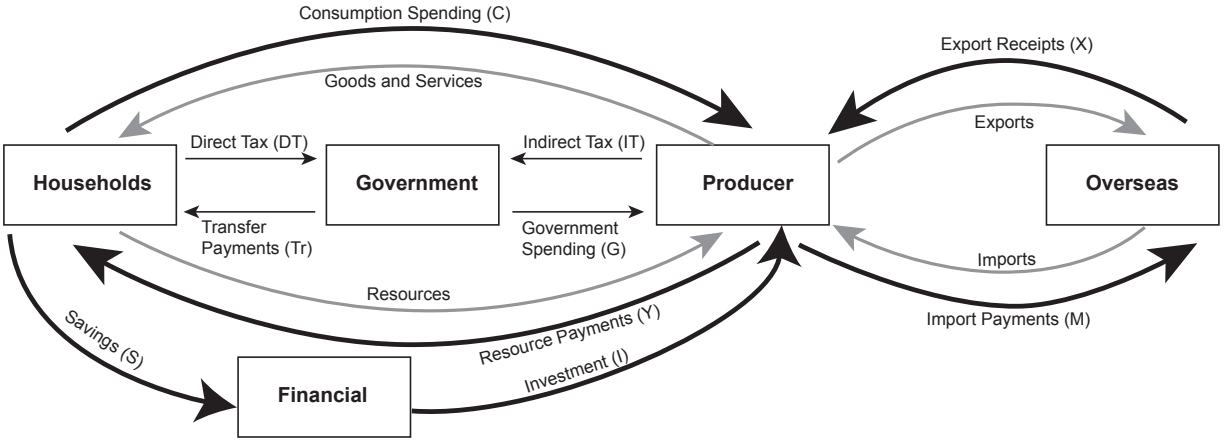
The circular flow diagram below illustrates the relationship between different sectors of the economy.



(a) Explain in detail how falling oil prices could lead to deflation.
In your answer, refer to the relevant real and money flows from the circular flow diagram to explain:

- the impact of falling oil prices on the producer sector
- how the impact on the producer sector could result in deflation.

He hoko hinu ki tāwāhi, ki uta hoki a Aotearoa engari he nui ake te hinu e hokona mai ki uta tēnā i te hokona ki tāwāhi.

MĀ TE KAIMĀKA ANAKE

(b) Whakatauritehia te pānga o te hekenga o ngā utu hinu me te heke haere o te ōhanga ā-ao ki te whāinga ōhanga whānui o tētahi kaute taurite onāianei.
I tō whakautu, me whakamahi ngā rerenga moni me ngā rerenga tūturu mai i te hoahoa rerenga porowhita hei whakamārama taipitopito:

- i te pānga o te hekenga o ngā utu hinu ki te whārite rawa, te whārite ratonga, me te kaute onāianei
- i te pānga o te heke haere o te ōhanga ā-ao ki te whārite rawa, te whārite ratonga, me te kaute onāianei
- he aha te take ka nui ake te pānga o te heke haere o te ōhanga ā-ao ki te kaute onāianei tēnā i te hekenga o ngā utu hinu.

New Zealand both imports and exports oil, but it imports far more than it exports.

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(b) Compare and contrast the impact falling oil prices and a slowdown in the world economy will have on the macroeconomic goal of a balanced current account.
In your answer, use money flows and real flows from the circular flow diagram to explain in detail:

- the impact falling oil prices will have on the balance on goods, the balance on services, and the current account
- the impact the slowdown in the world economy will have on the balance on goods, the balance on services, and the current account
- why the slowdown in the world economy will have a bigger impact on the current account than falling oil prices.

MĀ TE KAIMĀKA ANAKE

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MĀ TE KAIMĀKA ANAKE

TŪMĀHI TUATORU: Ngā whakapaunga kiritaki me te hurihanga pakihi

E whakaatu ana ngā whakapaunga kāri hokohoko i te pikitanga iti

I whakapikihia e ngā tāngata o Aotearoa ā rātau whakapaunga ki ngā kāri nama me ngā kāri tāwere i te Hakihea, me ngā whiwhinga mai i ngā kākahu, ngā rawa o ia rā, me ngā ratonga manaakitanga …

Mātāpuna (he mea urutau): http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11386314

He tohu ngā taumata whakapaunga kāri tāwere i te māiatanga o ngā kaiwhakapeto.

(a) Tātaitia, mā te whakamahi i te tātai kaiwhakarea whakapaunga $\frac{1}{1 - \text{MPC}}$, te rerekētanga ki te Whakanaonga Tapeke ki Uta (GDP) mēnā ka piki ngā whakapaunga kaiwhakapeto mā te $200 miriona me te aha ka penapenahia e ngā kāinga o Aotearoa te 6 ōrau o ā rātau moni whiwhi. (Me whakaawhiwhi tō whakautu ki te $ miriona tata rawa.)

(b) Whakamāramahia taipitopitotia nā te piki o te whakapaunga kaiwhakapeto o te $200 miriona i puta ai te rerekētanga ki te GDP i tātaitia e koe. I tō tuhinga, me whakapuaki kōrero mō te kaiwhakarea whakapaunga.

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QUESTION THREE: Consumer spending and the business cycle

Retail card spending shows slight rise

New Zealanders increased their spending on debit and credit cards in December, with gains in apparel, consumables, and hospitality …

Source (adapted): http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11386314

Levels of credit card spending are an indicator of consumer confidence.

(a) Calculate, using the spending multiplier formula $\frac{1}{1 - \text{MPC}}$, the change in Gross Domestic Product if consumer spending increased by $200 million and New Zealand households save 6 per cent of their income. (Round your answer to the nearest $ million.)

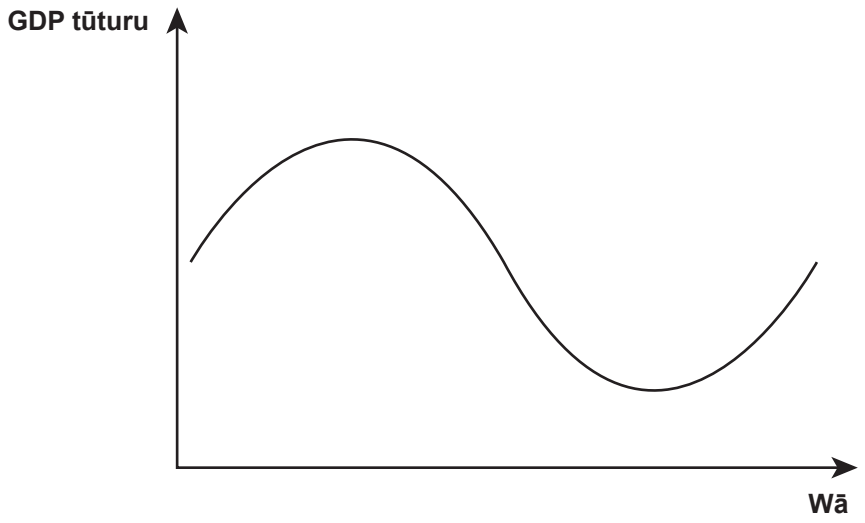
(b) Explain in detail how an increase in consumer spending of $200 million can lead to the change in GDP you have calculated. In your answer, refer to the spending multiplier.

MĀ TE KAIMĀKA ANAKE

(c) Whakatauritehia te pānga o tētahi pikitanga o te whakapaunga kaiwhakapeto ki te whāinga ōhanga whānui o te pūmautanga utu i te wā o tētahi pāheketanga ōhanga ME tētahi wāhanga whakahauora ōhanga HOKI o te hurihanga pakihi.
I tō tuhinga:

- āta tautohua tētahi pāheketanga ōhanga ME tētahi whakahauora ōhanga ki te Kauwhata Tuarua
- whakamāramahia taipitopitotia te pānga o tētahi pāheketanga ōhanga ki ngā taumata utu
- whakamāramahia taipitopitotia te pānga o tētahi whakahauora ōhanga ki ngā taumata utu
- whakamāramahia taipitopitotia mēnā he nui ake te pānga o te pikitanga o te whakapaunga kaiwhakapeto ki ngā taumata utu i tētahi pāheketanga ōhanga, i tētahi whakahauora ōhanga rānei.

Kauwhata Tuarua: Te hurihanga pakihi o ngā mahinga ōhanga

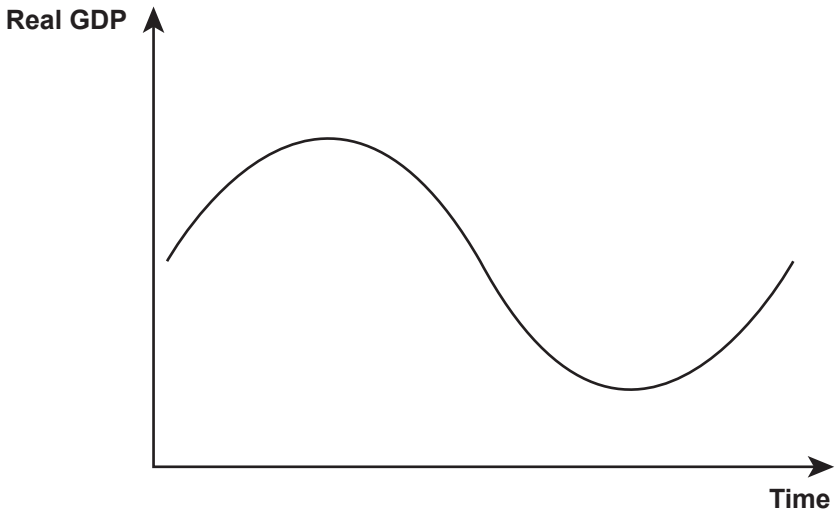


ASSESSOR'S USE ONLY

(c) Compare and contrast the impact an increase in consumer spending will have on the macroeconomic goal of price stability during BOTH a recession phase AND a recovery phase of the business cycle.
In your answer:

- clearly identify a recession AND a recovery on Graph Two
- explain in detail the impact of a recession on price levels
- explain in detail the impact of a recovery on price levels
- explain in detail whether an increase in consumer spending is more likely to have a bigger impact on price levels in a recession or a recovery.

Graph Two: The business cycle of economic activity



MĀ TE KAIMĀKA ANAKE

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He whārangi anō ki te hiahiatia.
Tuhia te (ngā) tāu tūmahi mēnā e tika ana.

TAU TŪMAHI

MĀ TE KAIMĀKA ANAKE

Extra paper if required.
Write the question number(s) if applicable.

QUESTION NUMBER

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English translation of the wording on the front cover

Level 3 Economics, 2015

91403M Demonstrate understanding of macro-economic influences on the New Zealand economy

2.00 p.m. Wednesday 18 November 2015
Credits: Six

91403M

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of macro-economic influences on the New Zealand economy.	Demonstrate in-depth understanding of macro-economic influences on the New Zealand economy.	Demonstrate comprehensive understanding of macro-economic influences on the New Zealand economy.

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 2–23 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.