

91223



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

2

SUPERVISOR'S USE ONLY

## Level 2 Economics, 2012

### 91223 Analyse international trade using economic concepts and models

2.00 pm Monday 12 November 2012  
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.**

**TOTAL**

ASSESSOR'S USE ONLY

You are advised to spend one hour answering the questions in this booklet.

**QUESTION ONE: THE NEW ZEALAND DOLLAR AND THE CURRENT ACCOUNT**

Complete questions (a)–(d) to comprehensively analyse factors that affect the New Zealand dollar and the current account.

(a) Identify TWO of the top four countries for New Zealand exports.

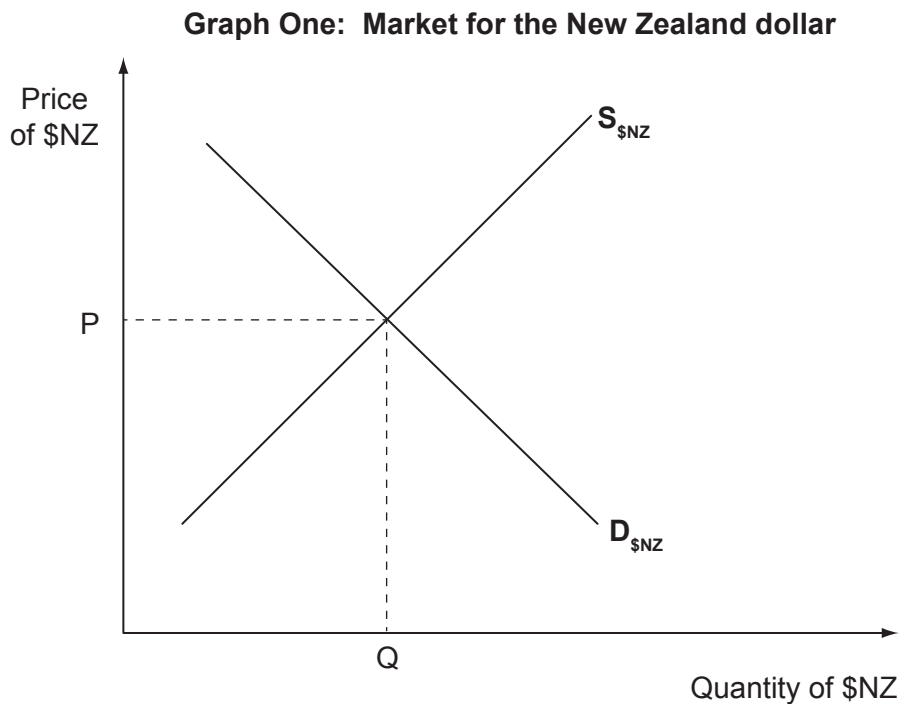
(1) \_\_\_\_\_

(2) \_\_\_\_\_

On 12 October 2011, the New Zealand currency weakened against most of its 16 major trading partners after commodity prices for New Zealand exports fell.

Source (adapted): <http://www.forexfactory.com/news.php?do=news&id=319803>

(b) On Graph One, show how a decrease in export commodity prices would affect the value of the New Zealand dollar.



(c) Explain in detail the change you made in (b).

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**QUESTION TWO: EFFECTS OF CHANGES IN TRADE**

Complete questions (a) and (b) to comprehensively analyse the effects of changes in lamb prices.

Lamb prices increased significantly from April 2010 to November 2011.

Source (adapted): <http://www.interest.co.nz/rural/sheep/lamb/price-trends>

(a) State the current account balance in which exports of lamb would be classified.

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(b) Discuss the impact an increase in the world price of lamb would have on the following:

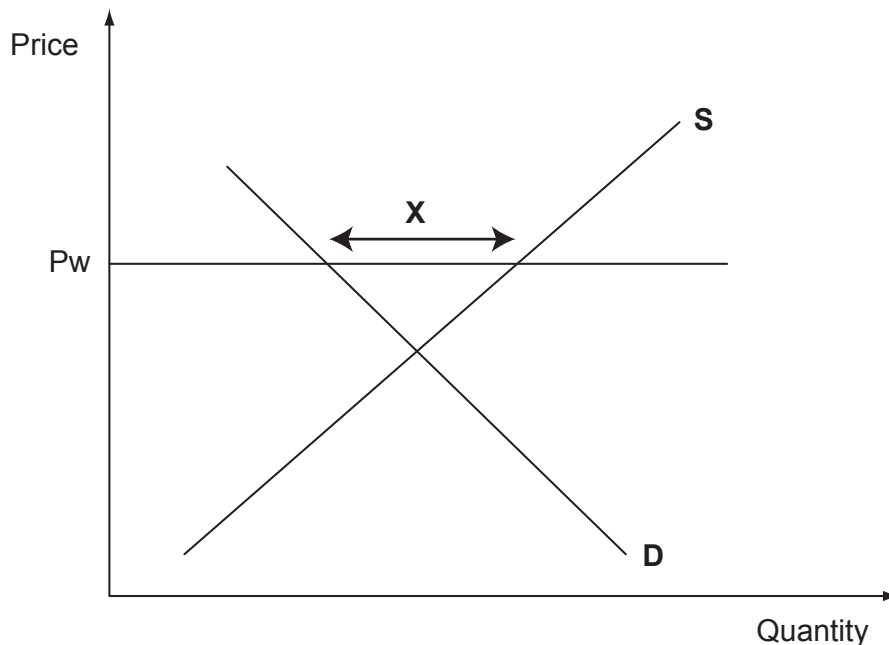
- New Zealand consumers
- sheep farmers
- farm employees
- the New Zealand Government.

In your answer, you should:

- on Graph Two, show the effect on New Zealand lamb exports of an increase in the world price of lamb. Clearly label the changes
- compare and contrast the effects on the four groups above by explaining in detail how each group would be better off or worse off from an increase in the world price of lamb.

You must refer to the changes you make to Graph Two to support your explanation.

**Graph Two: New Zealand lamb market**




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**QUESTION THREE: NEW ZEALAND IMPORTS AND THE PRICE-TAKER MODEL**ASSESSOR'S  
USE ONLY

Complete questions (a)–(d) to comprehensively analyse the New Zealand clothing market by using the price-taker model.

New Zealand imported over \$650 million worth of clothing and apparel accessories in 2010.

Source (adapted): <http://wdmzpub01.stats.govt.nz/wds/TableViewer/tableView.aspx>

- (a) Explain in detail why New Zealand could be considered a price-taker in the market for clothing.

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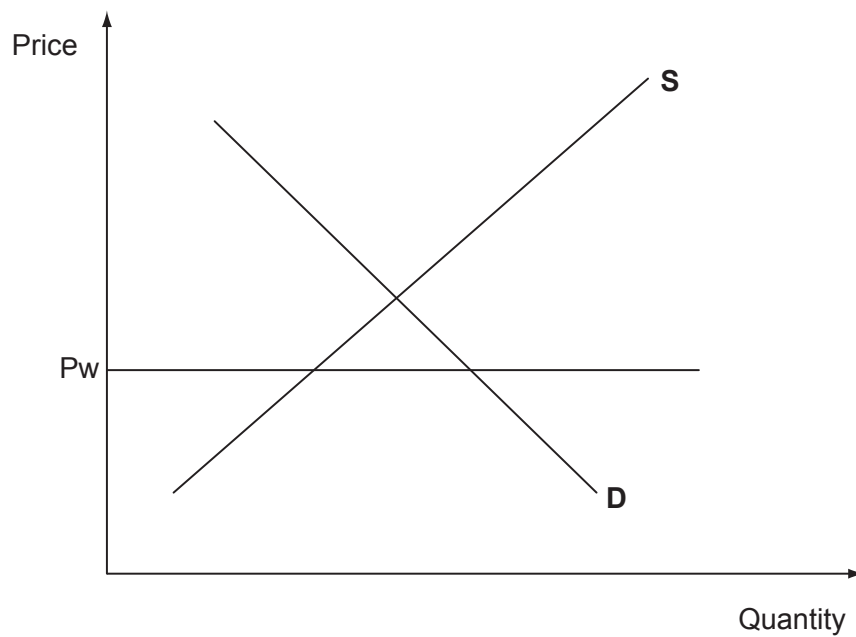
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During the last 30 years, there has been a significant decline in the number of New Zealand clothing manufacturers.

- (b) On Graph Three below, show:
- The **quantity demanded** of clothing by New Zealand consumers at  $P_w$ . Label as **Qd**.
  - The **quantity supplied** of clothing by New Zealand producers at  $P_w$ . Label as **Qs**.
  - The **quantity imported** of clothing if there is a reduction in the New Zealand supply of clothing. Label as **M1**.

**Graph Three: New Zealand market for clothing with  
New Zealand as a price-taker**



**Question Three continues on page 8 ►**

- (c) Explain in detail what would happen to New Zealand consumer spending on imported clothing as a result of the changes you made to Graph Three in (b) (iii).

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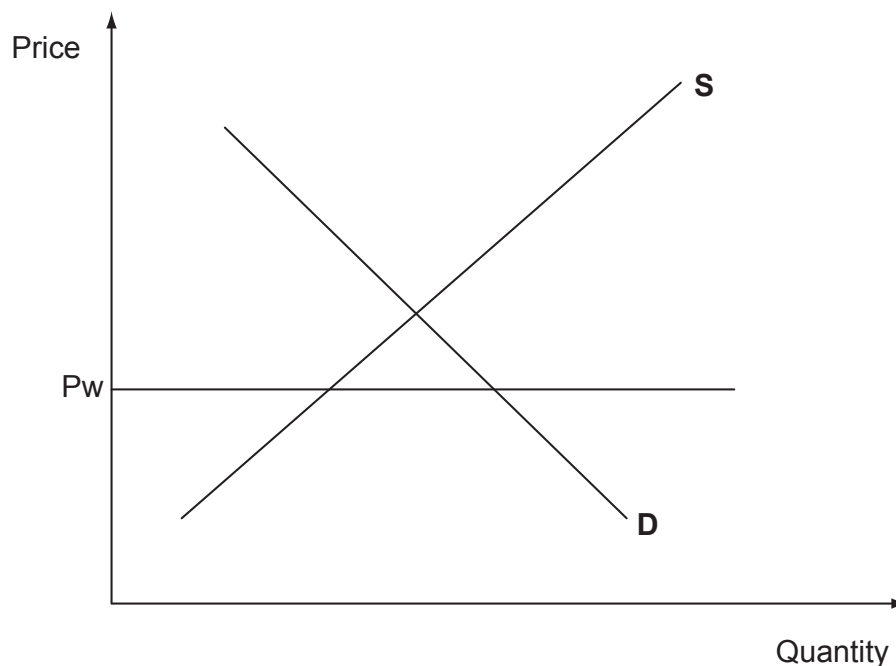


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- (d) Compare and contrast the impact on **New Zealand consumer spending on imported clothing** of a reduction in the New Zealand supply of clothing with a reduction in the world price of clothing. In your answer, you should:
- explain in detail the effect of a reduction in the world price of clothing on New Zealand consumer spending on imported clothing
  - explain in detail whether a reduction in the New Zealand supply of clothing or a reduction in the world price of clothing would have a greater effect on New Zealand consumer spending on imported clothing
  - on Graph Four, show the effects of a reduction in the world price of clothing. Label the original quantity imported as **M** and the new quantity imported as **M2**.

You must refer to the changes you make on Graph Four to support your explanation.

**Graph Four: New Zealand market for clothing with  
New Zealand as a price-taker**











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