

91224



912240



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

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

2

SUPERVISOR'S USE ONLY

Level 2 Economics, 2019

91224 Analyse economic growth using economic concepts and models

2.00 p.m. Friday 22 November 2019
Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Analyse economic growth using economic concepts and models.	Analyse economic growth in depth using economic concepts and models.	Analyse economic growth 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

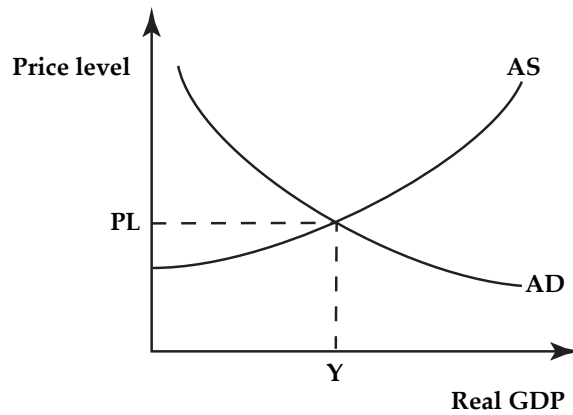
QUESTION ONE: THE AD/AS MODEL

International tourist arrivals to New Zealand are expected to grow 4.8% a year, reaching 4.9 million tourists in 2023, from 3.5 million in 2016. Total international tourist spending is expected to reach \$15 billion in 2023, up 52% from 2016. Flow-on effects of tourism will also increase economic growth.

Source: <https://www.mbie.govt.nz/immigration-and-tourism/tourism-research-and-data/international-tourism-forecasts/previous-international-tourism-forecasts/2017-2023/>.

- (a) (i) On Graph One, below, show the impact of increasing tourist arrivals on the AD curve.

Graph One: AD / AS model of the New Zealand economy



- (ii) Referring to Graph One, fully explain the impact on economic growth if tourist arrivals continue to increase.

The government increased the minimum wage by \$1.20 an hour on April 1, 2019. The minimum wage was increased by 75 cents in 2018. After the 2019 increase was introduced, minimum-wage workers earned \$4056 more a year, before tax.

Workplace Relations and Safety Minister Iain Lees-Galloway said: "The government is determined to improve the well-being and living standards of all New Zealanders as we build a productive, sustainable and inclusive economy."

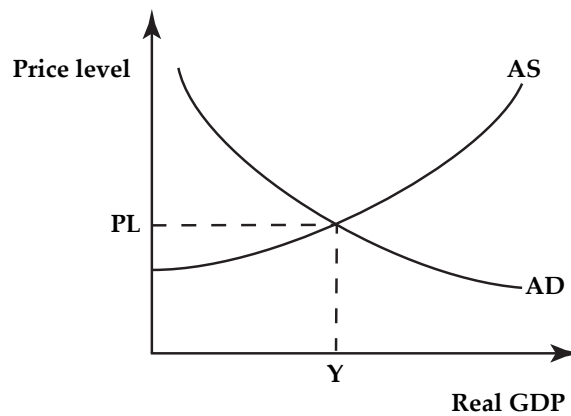
The government wants the minimum wage to reach \$20 an hour by 2021, with proposals for it reaching \$18.90 by April 1, 2020.

The latest increase was welcomed by some, but political parties in opposition to the government said it would cost jobs.

Source (adapted): <https://www.newshub.co.nz/home/money/2018/12/how-much-the-minimum-wage-increase-will-add-to-kiwi-wallets.html>.

- (b) (i) On Graph Two, below, show the impact of an increase in the minimum wage of New Zealand workers on the AS curve and the AD curve.

Graph Two: AD / AS model of the New Zealand economy



- (ii) Referring to Graph Two, fully explain the impact on economic growth of an increase in the minimum wage of workers in New Zealand.

The unemployment rate in New Zealand fell to 3.9 percent in the three months to the end of September 2018. This was down from 4.4 percent during the preceding three-month period (quarter) to the end of June 2018. It is the lowest unemployment rate since the June 2008 quarter, when it was 3.8 percent.

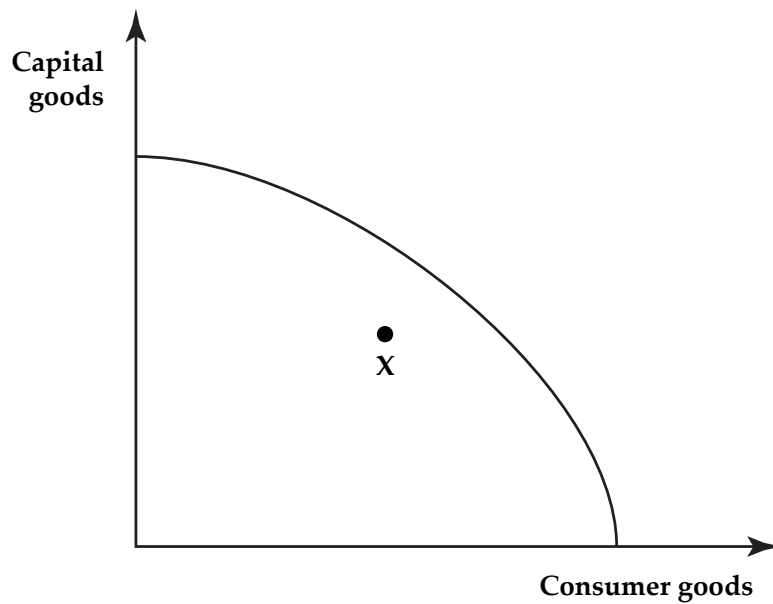
The fall in the unemployment rate reflected a fall in the number of unemployed people (down 13 000) and a strong rise in employment (up 29 000).

The fall in unemployment was key to the underutilisation rate falling to 11.3 percent.

Source (adapted): <https://www.stats.govt.nz/news/unemployment-rate-falls-to-3-9-percent>.

- (b) (i) On Graph Four, below, show the impact of the fall in unemployment on the production possibility frontier.

Graph Four: Production Possibility Frontier



Note: Point X shows the current combination of capital goods and consumer goods produced in New Zealand.

- (ii) Referring to Graph Four, fully explain the impact on economic growth of a fall in unemployment.

91224