

91224



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

Tick this box if you  
have NOT written  
in this booklet

## Level 2 Economics 2021

### 91224 Analyse economic growth using economic concepts and models

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.

Do not write in any cross-hatched area (///). This area may be cut off when the booklet is marked.

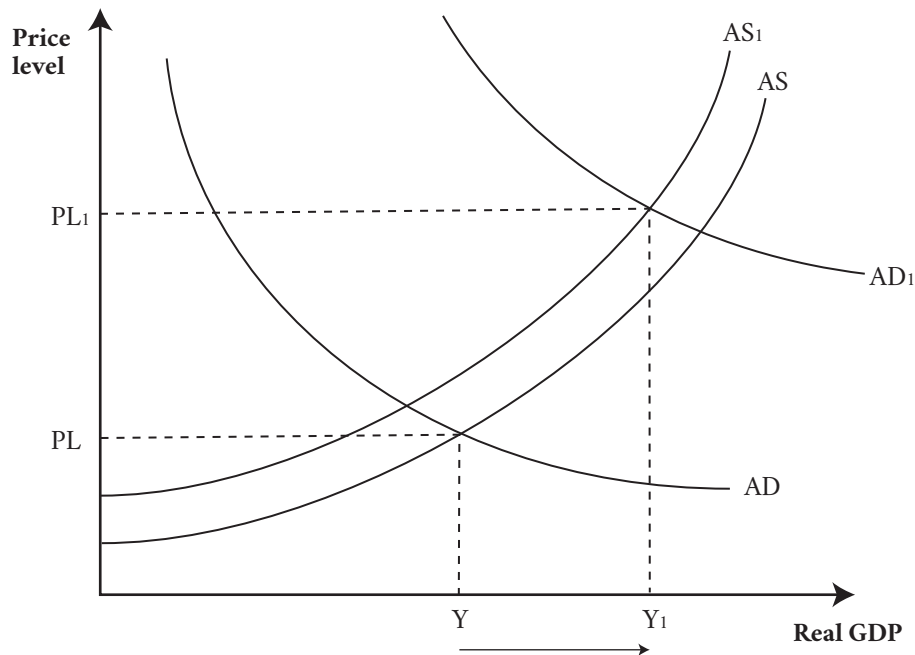
**YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.**

### QUESTION ONE: Aggregate demand and aggregate supply

On 1 April 2021, the minimum wage in New Zealand increased from \$18.90 to \$20, increasing workers' weekly pay by \$44 before tax. There are about 175 500 full-time workers on the minimum wage in New Zealand.

Source: <https://www.interest.co.nz/news/108444/minimum-wage-increase-58-20-hour-april-labours-pre-covid-commitment>

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



- (a) Provide an explanation for each shift (aggregate demand curve and aggregate supply curve) as shown in Graph One, due to the increase in the minimum wage in New Zealand.

---



---



---



---



---



---



---



---



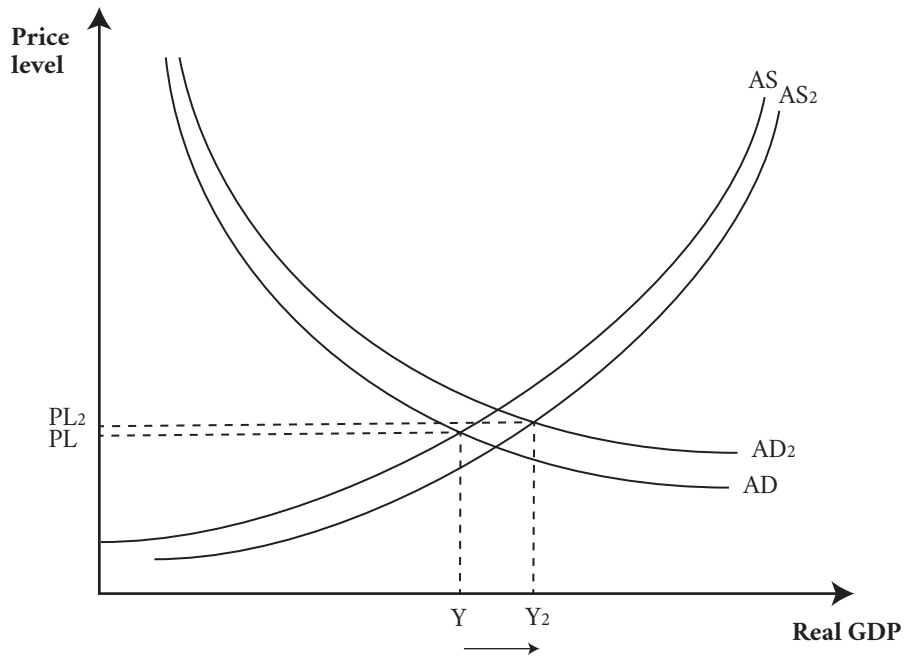
---



---

A New Zealand salmon farming company would like to expand its operation. The initial investment would be about \$35 million. This is expected to increase sustainable salmon production by 8 000 tons. It would provide valuable export receipts and is expected to create hundreds of new permanent jobs in the region, as well as flow-on jobs in other areas.

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



- (b) Provide an explanation for each shift (aggregate demand curve and aggregate supply curve), as shown in Graph Two, resulting from the salmon farming company expanding their operation.

---



---



---



---



---



---



---



---



---



---



**This page has been deliberately left blank.  
The examination continues on the following page.**





### QUESTION THREE: GDP and positive and negative output gaps

- (a) State the difference between real and nominal GDP. Why is real GDP a better measurement of growth than nominal GDP?

---



---



---



---



---



---



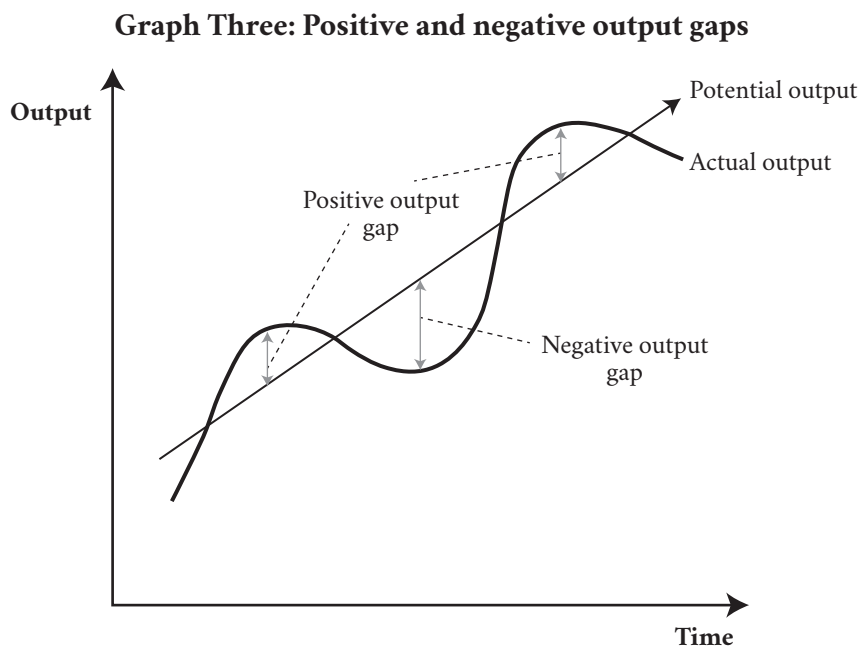
---



---

#### Definitions

- A **positive output gap** is when actual output due to high demand is greater than full capacity (or potential) output.
- A **negative output gap** is when actual output due to low demand is less than full capacity (or potential) output.











91224