

91222



NEW ZEALAND QUALIFICATIONS AUTHORITY  
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## Level 2 Economics 2022

### 91222 Analyse inflation using economic concepts and models

Credits: Four


Achievement	Achievement with Merit	Achievement with Excellence
Analyse inflation using economic concepts and models.	Analyse inflation in depth using economic concepts and models.	Analyse inflation 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 2–12 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.

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The examination continues on the following page.**

**QUESTION TWO: Inflation and the government**

Inflation in New Zealand is measured using the Consumers Price Index (CPI).

(a) Define inflation.

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(b) Explain why the Consumers Price Index (CPI) is a weighted index.

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Interest rates are forecast to rise in New Zealand during 2022. This is expected to lower inflation.

(c) Explain one reason why higher interest rates could lead to lower inflation.

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**QUESTION THREE: Impacts of inflation**

The 7.3% inflation rate experienced in New Zealand is expected to lead to some groups and occupations asking for higher wages.

- (a) Explain the impact of a 7.3% inflation rate on the purchasing power of a worker who receives a 4.3% increase in their nominal wages.

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- (b) Explain one reason why high inflation rates may cause income distribution to become more unequal.

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