

91222



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SUPERVISOR'S USE ONLY

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 (
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). This area may be cut off when the booklet is marked.

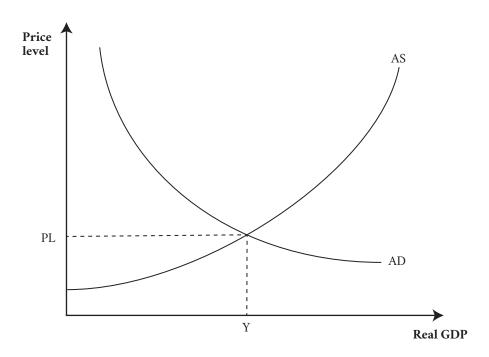
YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

QUESTION ONE: The aggregate demand/aggregate supply model

(ii)

(a) (i) On Graph One, shift the AD or AS curve to illustrate demand-pull inflation.

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



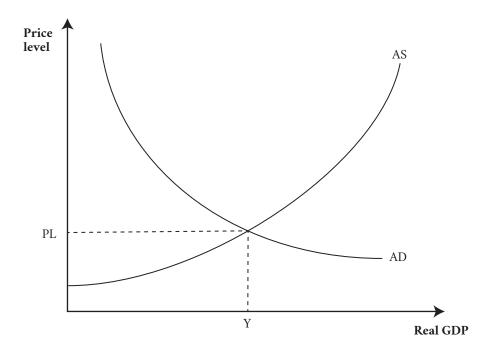
Using Graph One, e	Using Graph One, explain two causes of demand-pull inflation.				

(b) (i) On Graph Two, shift the AD or AS curve to illustrate cost-push inflation.

Using Graph Two, explain two causes of cost-push inflation.

(ii)

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



N	ew Zealand's inflation rate was 7.3% in the June 2022 quarter.
(c)	Discuss whether demand-pull inflation or cost-push inflation has had the bigger impact on the price level in New Zealand over the last two years.
	Refer to Graphs One and Two on pages 2 and 3 in your answer.

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QUESTION TWO: Inflation and the government

Inf	flation in New Zealand is measured using the Consumers Price Index (CPI).
(a)	Define inflation.
(b)	Explain why the Consumers Price Index (CPI) is a weighted index.
	terest rates are forecast to rise in New Zealand during 2022. This is expected to lower lation.
(c)	Explain one reason why higher interest rates could lead to lower inflation.

 contrast the impact erating balance.		

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.

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