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91403



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Level 3 Economics 2022

91403 Demonstrate understanding of macro-economic influences on the New Zealand economy

Credits: Six

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of macro- economic influences on the New Zealand economy.	Demonstrate in-depth understanding of macro-economic influences on the New Zealand economy.	Demonstrate comprehensive understanding of macro-economic influences on the New Zealand economy.

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 2–16 in the correct order and that none of these pages is blank.

Do not write in any cross-hatched area (
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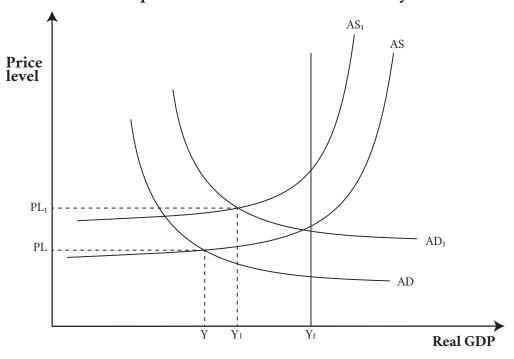
YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

QUESTION ONE: Supply-side policies and price stability

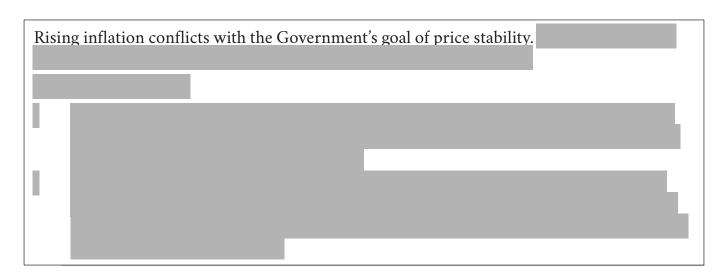
COVID-19 is still affecting the New Zealand economy.

(a)

Graph One: The New Zealand economy

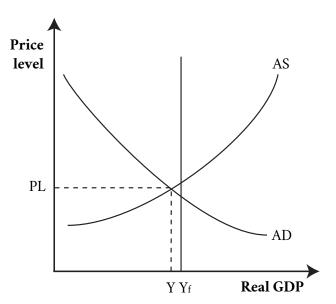


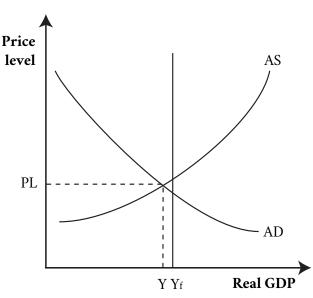
iflation. Refer to Gi	raph One in your a	answer.		



Graph Two: Resource management reform

Graph Three: Research and development tax credits





- (b) (i) On Graph Two above, show the impact of resource management reform.
 - (ii) On Graph Three above, show the impact of research and development tax credits.
 - (iii) Explain how each of resource management reform and research and development tax credits would impact New Zealand's aggregate demand and aggregate supply. Refer to the resource material, Graph Two, and Graph Three in your answer.

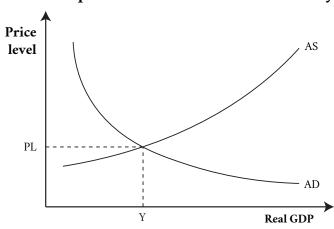
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QUESTION TWO: International trade and economic growth

In October 2021, New Zealand and the United Kingdom agreed in principle

Graph Four: The New Zealand economy



- (a) A free trade agreement with the United Kingdom could be positive for New Zealand's economic growth and trade balance.
 - (i) On Graph Four above, show how a free trade agreement with the United Kingdom could boost New Zealand's GDP.

(ii)	Explain how the free trade agreement will affect economic growth. Refer to Graph Four and the resource material in your answer.

The pandemic is in its third year	ar,	

(b) Discuss the effectiveness of the free trade agreement with the United Kingdom in achieving a balanced current account when there is a global pandemic.

resource materi	al in your answer.		

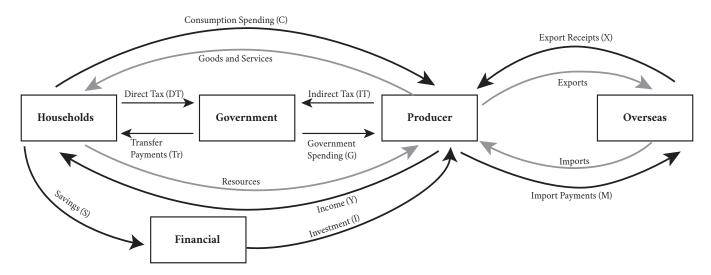
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QUESTION THREE: Macro-economic influences and employment

The loss of international tourism

(i)

Model One: Circular flow model of the New Zealand Economy



- (a) A decline in one sector can have multiplied effects on the economy leading to a much larger fall in real GDP than the initial decline.
 - Explain how a decline in tourism can lead to an overall decline in real GDP. Refer to Model One and the concept of the multiplier in your answer, and include a definition of the marginal propensity to consume and the marginal propensity to save.

Despite	the continued loss of international tourists,
(ii)	Explain how a rise in domestic spending will affect the marginal propensity to save and therefore the effect of the multiplier. Refer to Model One in your answer.

De	spite	the economic concerns,
(b)	(i)	Explain how a fall in international tourism could affect employment. Refer to Model One in your answer.
Bu	siness	s confidence
	(ii)	Explain why the continued slide in business confidence is likely to have a greater impact on employment than the decline in international tourism. Refer to Model One in your answer.

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Acknowledgements

Material from the following sources has been adapted for use in this assessment:

Question One

https://www.stats.govt.nz/news/inflation-highest-in-over-a-decade

https://environment.govt.nz/what-government-is-doing/areas-of-work/rma/resource-management-system-reform/

https://businessdesk.co.New Zealand/article/economy/rma-reform-benefits-outweigh-costs-probably

https://www.business.govt.New Zealand/news/r-and-d-tax-incentive-2019

https://www.newshub.co.New Zealand/home/shows/2021/10/industry-warns-New Zealand-s-surging-video-game-sector-will-be-stifled-without-support.html

Question Two

https://www.beehive.govt.New Zealand/release/new-zealand-secures-historic-free-trade-deal-united-kingdom https://www.stats.govt.New Zealand/news/increase-in-imported-goods-values-drives-trade-deficit

Question Three

https://www.asb.co.New Zealand/documents/economic-research/economic-note/impact-of-covid-19-on-the-New Zealand-tourism-sector.html

ANZ Business Outlook Survey Dec 2021 https://www.anz.co.nz/content/dam/anzconz/documents/economics-and-market-research/2021/ANZ-BusinessOutlook-20211217.pdf