

SUPERVISOR'S USE ONLY

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Mana Tohu Mātauranga o Aotearoa
New Zealand Qualifications Authority

Level 2 Economics 2023

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 (DO NOT WRITE). This area will be cut off when the booklet is marked.

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The assessment continues on the following page.**

QUESTION TWO: Quantity theory of money

New Zealand's annual inflation rate was 7.2% in the December 2022 quarter. This is considered to be a high level of inflation.

- (a) Explain one reason why a high inflation rate would have a negative impact on the New Zealand economy.

One option for the Reserve Bank of New Zealand to manage the inflation rate is to reduce the money supply, which has been at a record high as a result of the COVID-19 recovery.

- (b) Identify the variables in the quantity theory of money.

M: _____

V: _____

P: _____

Q: _____

- (c) Use the quantity theory of money formula to explain how a 2% decrease in the money supply would impact the inflation rate in New Zealand, assuming the other variables remain constant.
