

SUPERVISOR'S USE ONLY

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91403



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Mana Tohu Mātauranga o Aotearoa  
New Zealand Qualifications Authority

## Level 3 Economics 2023

### 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 2–15 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.

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



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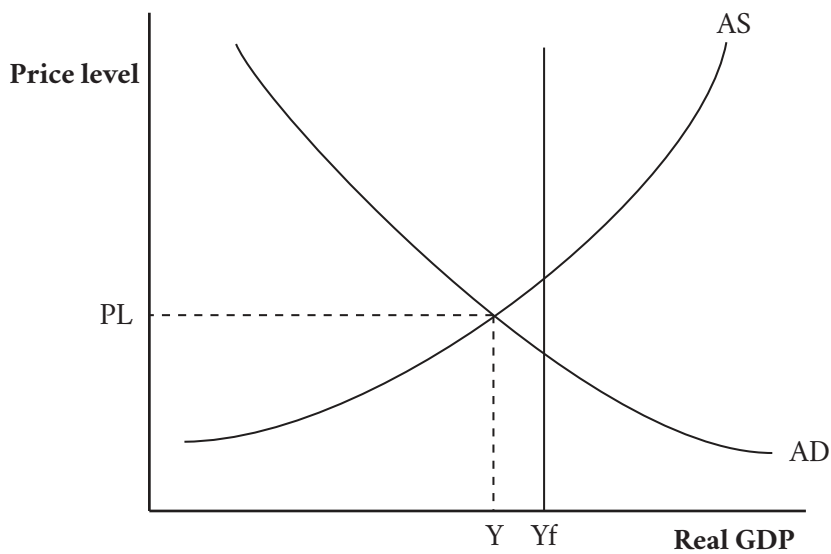
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**Graph Two: The New Zealand economy**



- (b) (i) On Graph Two above, show the impact on the economy of the increasing OCR. Fully label the changes.
- (ii) Explain how the increase in the OCR will affect the New Zealand economy and price stability. Refer to Graph Two in your answer.

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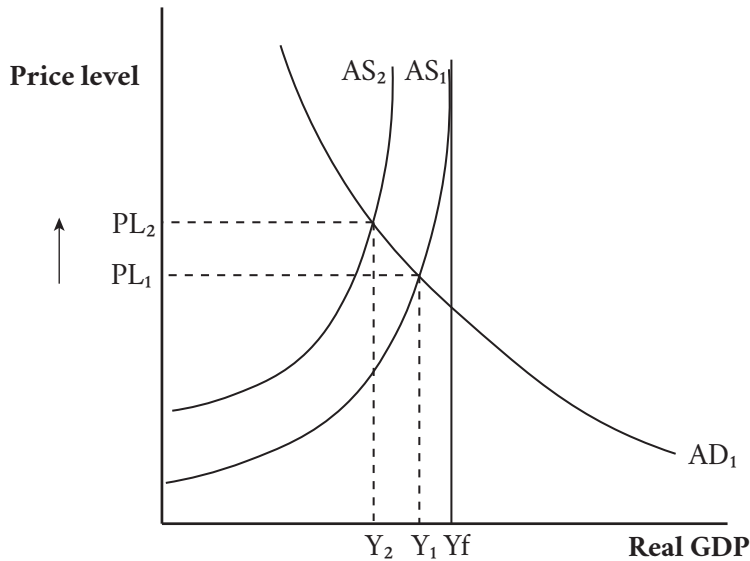
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## QUESTION TWO: Risk of stagflation and a recession

Stagflation is a situation where inflation is high, economic growth slows, and unemployment remains steadily high. It presents a dilemma for economic policy because actions intended to lower inflation may worsen unemployment.

Sharp increases in fuel and commodity prices along with increasing wage pressure make for significant cost pressures for businesses.

**Graph Three: The New Zealand economy facing significant cost pressures**



- (a) Explain how the significant cost pressures will affect economic growth. Refer to Graph Three and the resource material in your answer.

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## Acknowledgements

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

### Question One

Reserve Bank of New Zealand. (2022). *Monetary Policy Statement*. <https://www.rbnz.govt.nz/hub/-/media/project/sites/rbnz/files/publications/monetary-policy-statements/2022/mps-nov-22/mpsnov22.pdf>

### Question Two

Wikipedia. (2023). *Stagflation*. <https://en.wikipedia.org/wiki/Stagflation>, CC BY-SA 3.0.

Treasury. (2022, October 28). *Fortnightly Economic Update*. <https://www.treasury.govt.nz/sites/default/files/2022-10/feu-28oct22.pdf>, CC BY-SA 4.0

Stuff. (2022, December 20). *Business confidence sinks to a fresh record low as firms prepare for a recession next year*. <https://www.stuff.co.nz/business/money/300770468/>.

Gray, J. (2022). *NZ consumer confidence falls to lowest point on record - Westpac*. New Zealand Herald. <https://www.nzherald.co.nz/business/nz-consumer-confidence-falls-to-lowest-point-on-record-westpac/R2KYG2NN3NDZXPXWZ53ZQ52DYA/>.

### Question Three

Treasury. (2022, December 9). *Fortnightly Economic Update 9 December 2022*. <https://www.treasury.govt.nz/sites/default/files/2022-12/feu-9dec22.pdf>

Hickey, B. (2022). *Govt expands 'green list' for work-to-residency visas to include nurses, construction workers and teachers; expands straight-to-residency visa list to midwives and auditors*. interest.co.nz. <https://www.interest.co.nz/public-policy/118861/govt-expands-green-list-work-residency-visas-include-nurses-construction>.

