

91222



Draw a cross through the box (X) if you have NOT written in this booklet

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Mana Tohu Mātauranga o Aotearoa

New Zealand Qualifications Authority

Level 2 Economics 2024

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

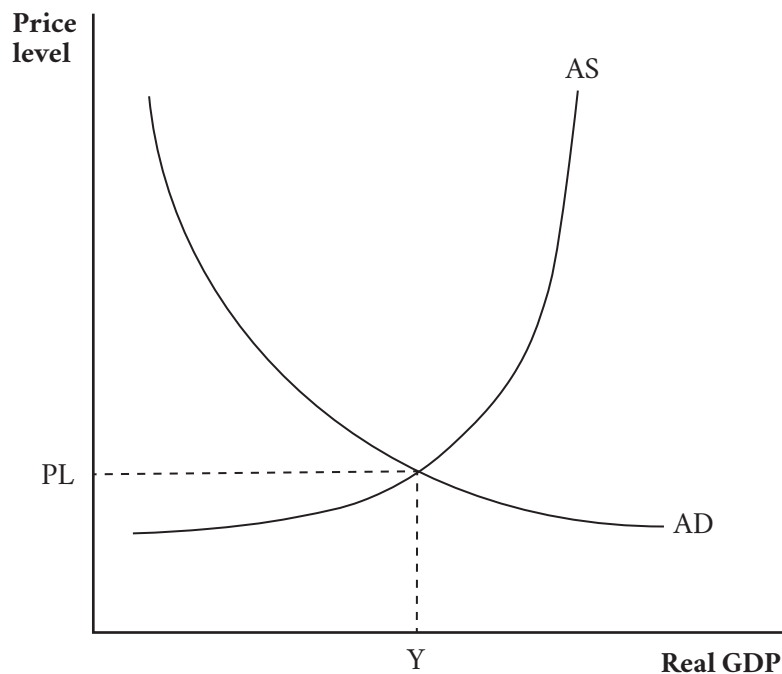
Do not write in the margins (// // //). This area will be cut off when the booklet is marked.

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

**QUESTION ONE: Causes of inflation**

- (a) On Graph One below, show the impact on aggregate demand of the Fieldays event being held in the Waikato region in 2024.

**Graph One: AS/AD model of the New Zealand economy**



- (b) Explain the impact on inflation of the Fieldays event being held in the Waikato region in 2024. Refer to Graph One in your answer.

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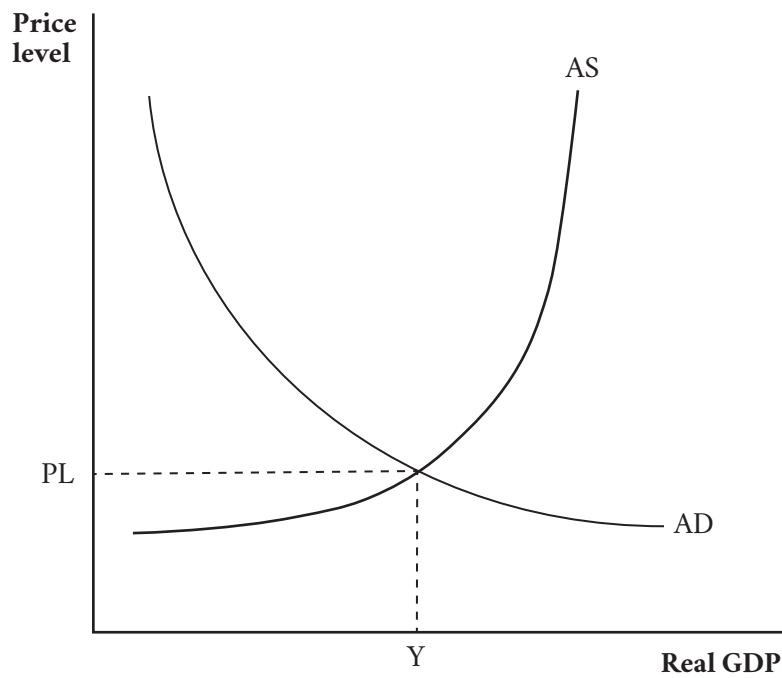
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- (c) On Graph Two below, show the impact on aggregate supply of Cyclone Gabrielle and the higher production and insurance costs for New Zealand businesses.

**Graph Two: AS/AD model of the New Zealand economy**



- (d) Explain the impact on inflation of Cyclone Gabrielle and the higher production and insurance costs for New Zealand businesses. Refer to Graph Two in your answer.

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- (e) Discuss whether Fieldays or Cyclone Gabrielle is likely to have had the more significant impact on New Zealand's current inflation rate. Refer to Graphs One and Two in your answer.

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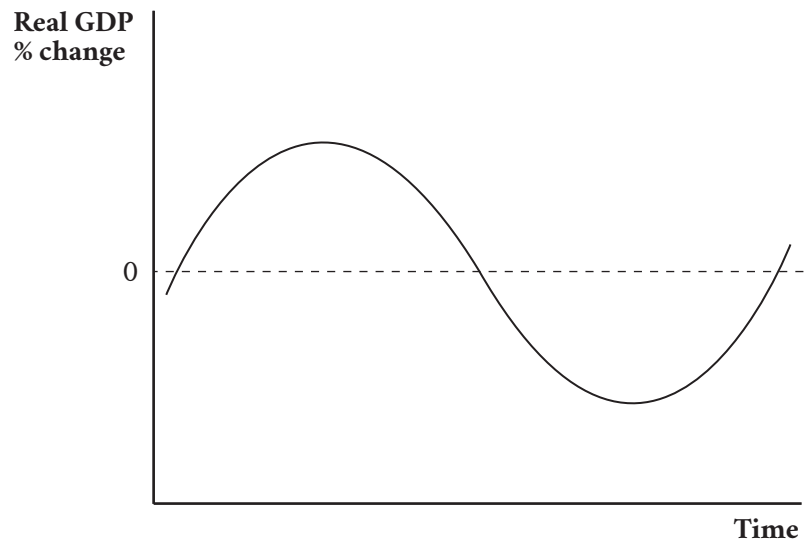
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## QUESTION TWO: Quantity theory of money and a recession

- (a) Identify and mark with an X the point on Model One that best represents a recession.

**Model One: The business cycle**



- (b) State the components of the quantity theory of money.

M: \_\_\_\_\_

V: Velocity of circulation

P: \_\_\_\_\_

Q: \_\_\_\_\_

- (c) Explain why the velocity of circulation is likely to decrease during a recession.

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(e) Use the quantity theory of money and the business cycle to explain how a recession may impact overall inflation.

- why real output may decrease during a recession
- how the change in velocity of circulation as well as real output will impact the price level in the economy.

Economics 91222, 2024





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**QUESTION THREE: Impacts of inflation**

New Zealand's annual inflation rate in 2023 was 4.7 per cent. This is a decrease from the annual rate in 2022, when it was 7.2 per cent.

(a) Define inflation.

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(b) Explain whether workers on the minimum wage would prefer a lower or higher inflation rate.

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(c) Explain whether savers would prefer a lower or higher inflation rate.

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New Zealand's annual inflation rate of 4.7 per cent in 2023 was higher than all of our major trading partners. Annual inflation was 4.0 per cent in the United Kingdom and 3.1 per cent across the European Union.

- (d) Compare and contrast the impact of New Zealand's higher inflation rate on New Zealand importers and exporters to the United Kingdom and the European Union.

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Write the question number(s) if applicable.

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QUESTION  
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**Acknowledgements**

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

**Question One**

University of Waikato. (2019). *2019 Fieldays in New Zealand: Economic impacts for Waikato region and New Zealand*. [https://www.hugheseconomics.com/\\_files/ugd/8f4bb1\\_d963cabb753b4d7c8aab6f89908b32fd.pdf](https://www.hugheseconomics.com/_files/ugd/8f4bb1_d963cabb753b4d7c8aab6f89908b32fd.pdf)

Uys, G. (2022, March 15). *Fieldays' new November date will come with big economic cost*. Stuff. <https://www.stuff.co.nz/business/farming/128046830/fieldays-new-november-date-will-come-with-big-economic-cost>

Ministry of Foreign Affairs and Trade. (2023, March). *Cyclone Gabrielle's impact on the New Zealand economy and exports - March 2023*. <https://www.mfat.govt.nz/en/trade/mfat-market-reports/cyclone-gabrielles-impact-on-the-new-zealand-economy-and-exports-march-2023>. CC-BY-4.0.

**Question Three**

Stats NZ. (2024, January 24). *Consumers price index: December 2023 quarter*. <https://www.stats.govt.nz/information-releases/consumers-price-index-december-2023-quarter/>. CC-BY-4.0.