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**Mana Tohu Mātauranga o Aotearoa**  
New Zealand Qualifications Authority

## Level 2 Economics 2025

### 91224 Analyse economic growth using economic concepts and models

Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Analyse economic growth using economic concepts and models.	Analyse economic growth in depth using economic concepts and models.	Analyse economic growth 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.**

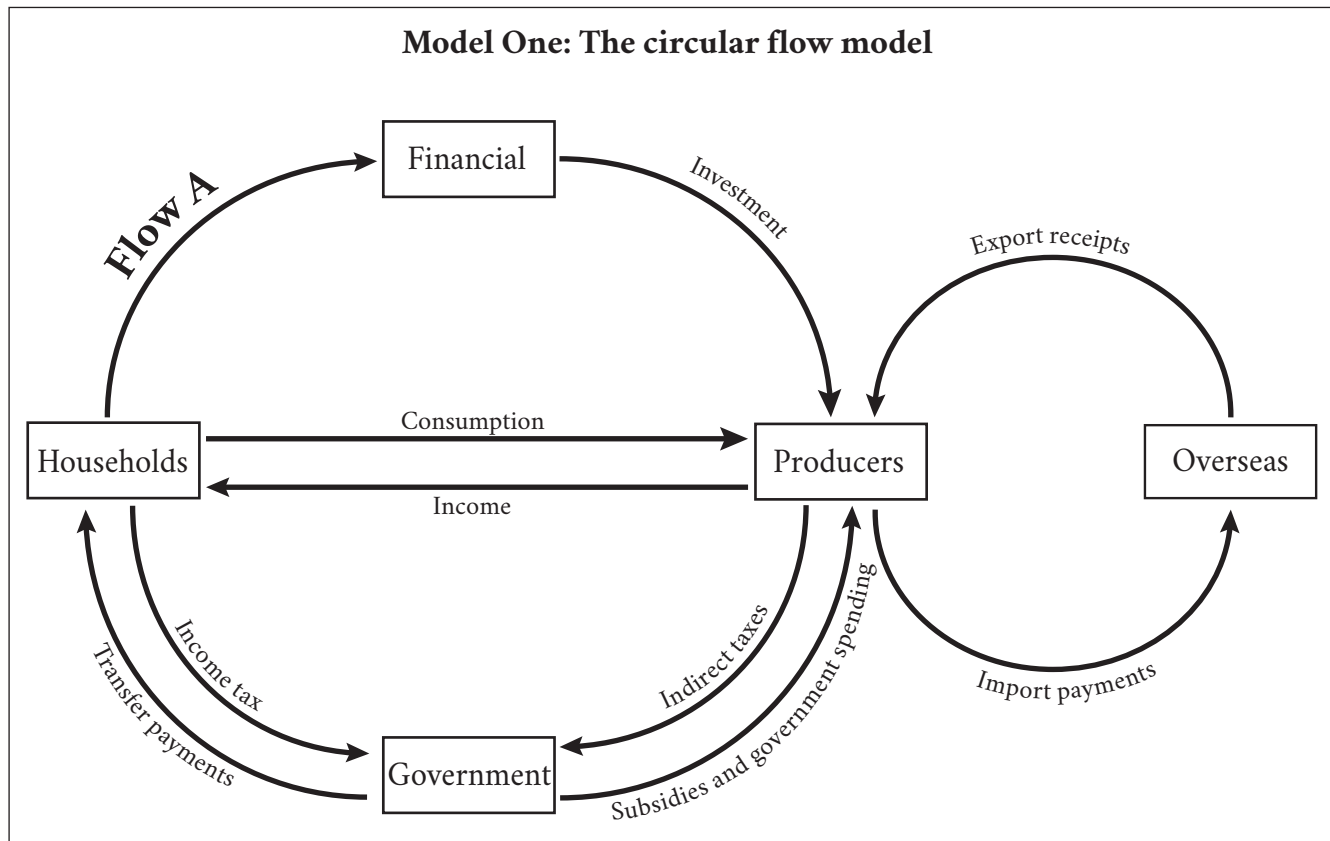
If you need more room for any answer, use the extra space provided at the back of this booklet.

Check that this booklet has pages 2–12 in the correct order and that none of these pages is blank.

Do not write in 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: The circular flow model and impacts on economic growth



(a) Use Model One to answer the following questions.

(i) Identify money **Flow A** on the model.

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(ii) Explain one reason why money Flow A might decrease in value.

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(iii) Identify one injection into the circular flow model.

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(iv) Explain one reason why this injection might increase in value.

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- (b) Explain why economic growth would increase if the Northland trial is successful. Refer to at least two of the flows from Model One in your answer.

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- (c) Discuss the impact of a successful trial on the government's operating balance (revenue – expenditure).

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## QUESTION TWO: Aggregate demand and aggregate supply

- (a) Use the formula for aggregate demand to explain why the purchase of the battery powered aircraft will decrease short-term aggregate demand.

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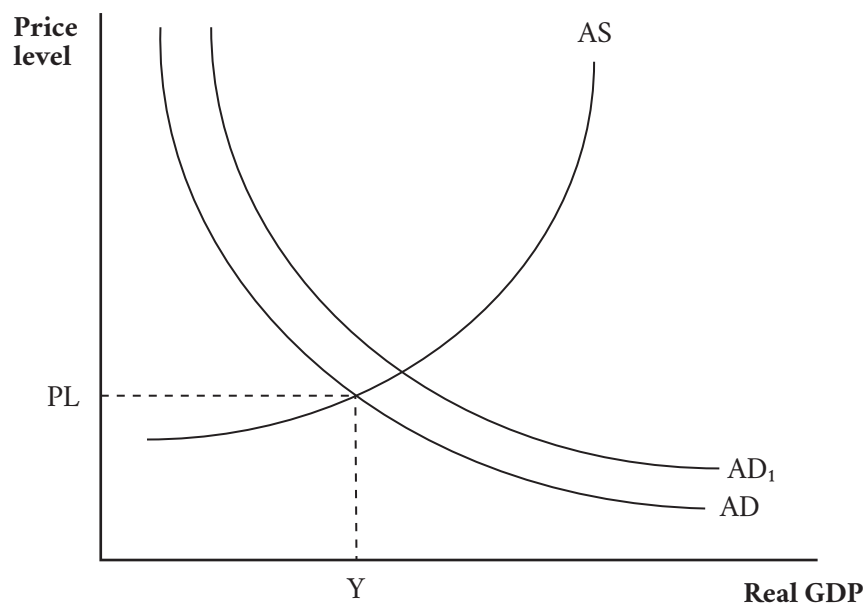
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Graph One shows the longer term increase in aggregate demand that results from the increase in consumption spending due to operating the new aircraft.

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



- (b) On Graph One, show the long-term impact of operating the new aircraft on the aggregate supply curve and economic growth.

(c) Referring to Graph One, explain how operating the new aircraft changes the following.

(i) Aggregate supply

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(ii) Economic growth

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(d) Compare and contrast the impact of the government making it compulsory to use SAF for domestic flights on economic growth and on the environment.

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**QUESTION THREE: Measures of economic growth**

Gross domestic product (GDP) is the total value of goods and services produced in New Zealand in a year.

Some households buy fruit and vegetables from shops, while others grow their own from seeds they have bought.

(a) How will GDP be affected in the short-term and long-term if more people choose to buy seeds to grow their own fruit and vegetables?

(i) Short-term

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(ii) Long-term

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Net social welfare is a broad measure of economic growth that uses a combination of economic indicators and quality of life indicators.

(b) Explain one situation when GDP could increase but net social welfare decreases.

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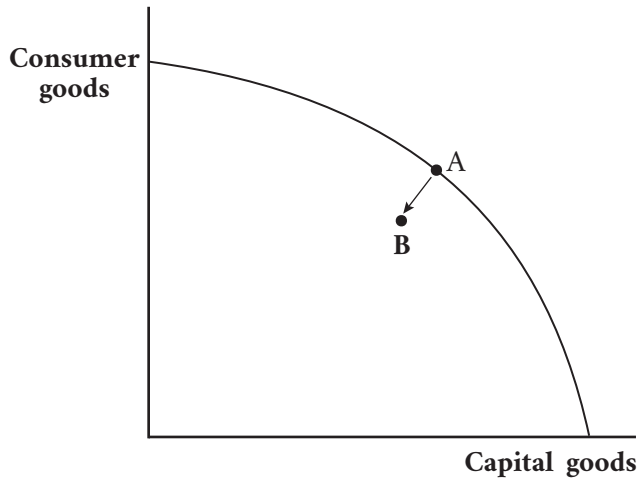
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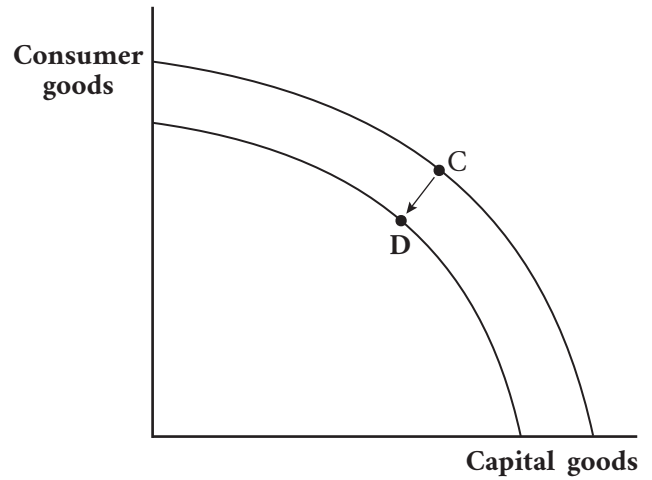


Graph Two and Graph Three show two situations in which economic growth has decreased.

### Graph Two: A decrease from A to B



### Graph Three: A decrease from C to D



- (c) Compare and contrast the causes and effects of the decreases in economic growth shown in Graph Two and Graph Three.

In your answer, explain:

- what could cause the changes shown on the graphs
- which change would be worse for long-term economic growth in New Zealand.

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Write the question number(s) if applicable.

QUESTION  
NUMBER

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#### Acknowledgements

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

#### Question One (b)

SCARLATTI. (2024). *Evaluating the financial feasibility of a Northland peanut industry*. <https://www.northlandnz.com/assets/Files-for-Download/Corporate-Library-Documents/Evaluating-the-financial-feasibility-of-a-Northland-peanut-industry-FINAL.pdf>

NorthlandInc. (n.d.). *Peanut trials*. <https://www.northlandnz.com/northland-inc/what-we-do/regional-infrastructure-and-investment/primary-sector-projects/peanut-trials/>

#### Question Two (a)

RNZ. (2023). *Air New Zealand purchases its first battery-powered electric aircraft*. <https://www.rnz.co.nz/news/business/504050/air-new-zealand-purchases-its-first-battery-powered-electric-aircraft>

#### Question Two (d)

Bradley, G. (2024). *Aviation fuel from waste wood viable in Aotearoa, says Air New Zealand, Lanzajet*. New Zealand Herald. [www.nzherald.co.nz/business/future-fuel/VPMCRUAELJAPJOJZORTU2ZHLYY/](http://www.nzherald.co.nz/business/future-fuel/VPMCRUAELJAPJOJZORTU2ZHLYY/)