

91403



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 3 Economics 2025

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.

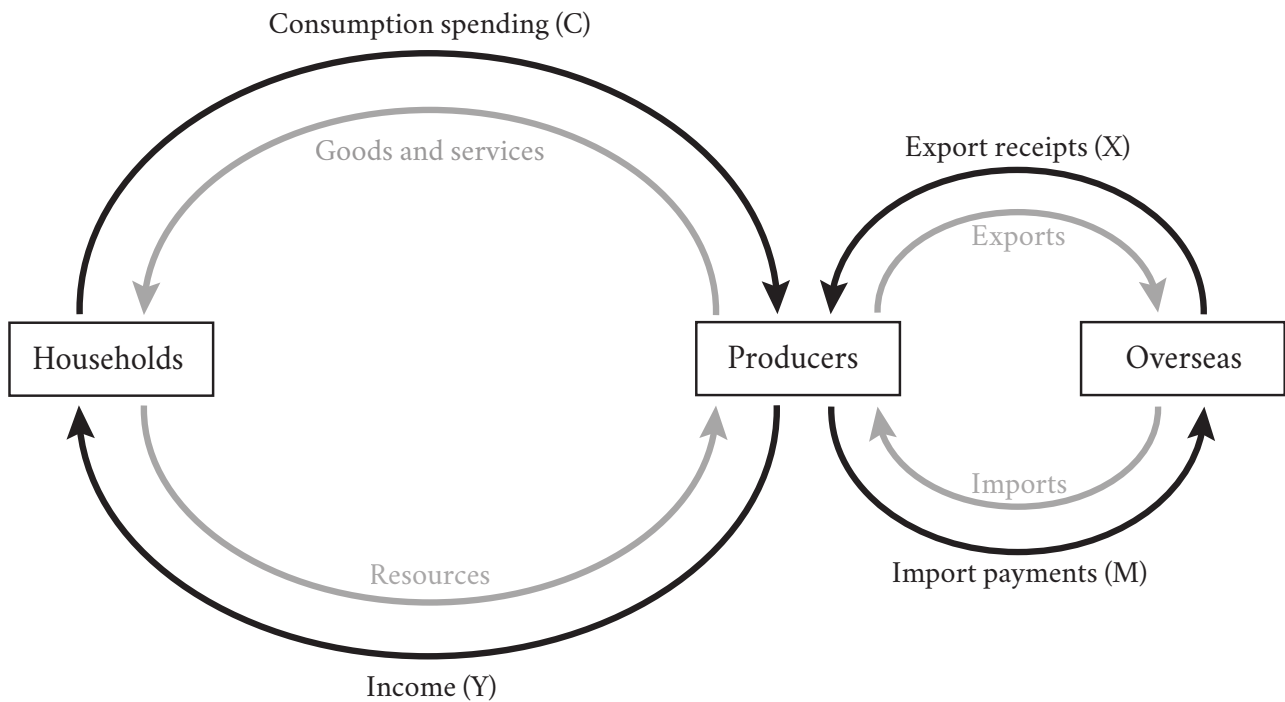
Check that this booklet has pages 2–16 in the correct order and that none of these pages is blank.

Do not write in the margins (X/X/X/X). 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.

[REDACTED]

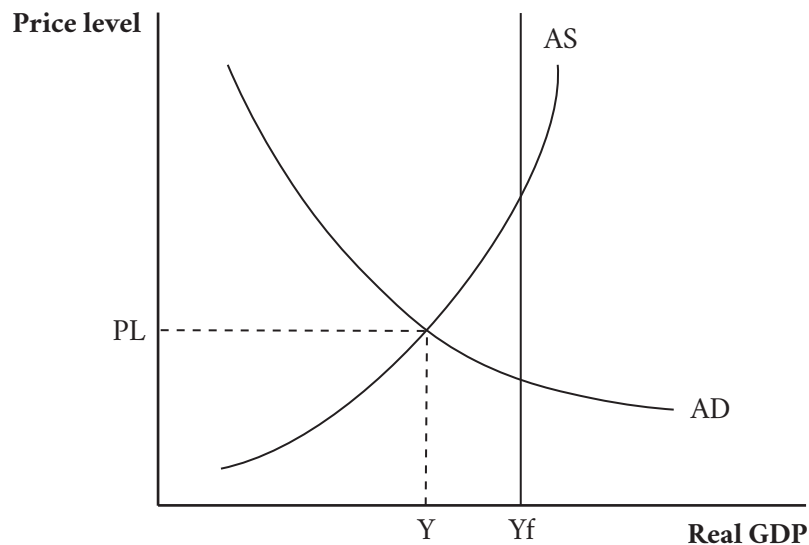
Model One: A simple circular flow model of New Zealand producers, households, and the overseas sector



- (a) (i) Using Model One above, explain how a recession in China and Australia could negatively affect New Zealand's economy.

- (ii) Explain how a recession in both China and Australia could negatively affect the New Zealand Government's macroeconomic goal of a balanced current account. In your answer, refer to the components of the current account, and relevant flows from Model One on page 2.

Graph One: The New Zealand economy



- (b) (i) On Graph One above, show the effect on the New Zealand economy of China and Australia being in recession. Label all changes, including to the recessionary gap.
- (ii) Using your changes to Graph One, explain how China and Australia entering a recession could affect the New Zealand Government's goal of full employment.

Answer space continues on the next page ➤

[REDACTED]

Response	Percentage
Appropriate	65%
Not Appropriate	35%

(b) (i) Use the MPS of 0.15 to calculate the final change in real GDP from the fall in export receipts.

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(c) Referring to the resource material above, explain the potential long term positive effects on economic growth of **both** the increased spending on health and education and the increase in the IVL.

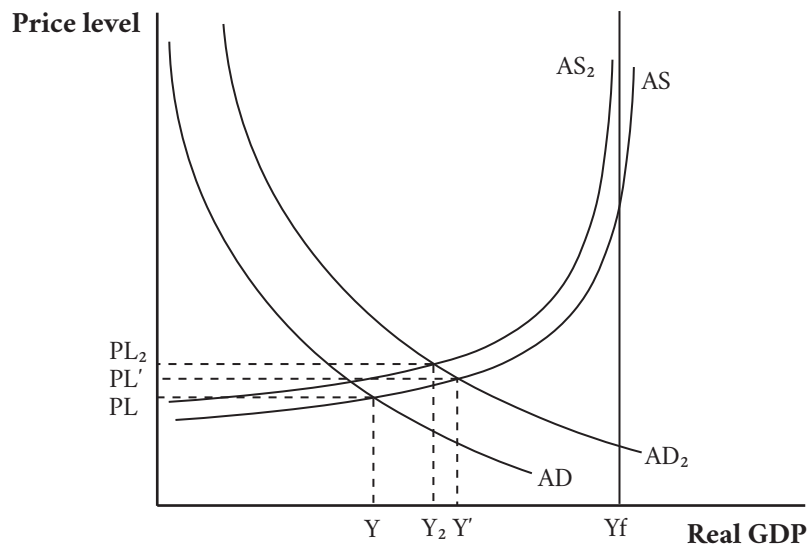
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The assessment continues on the following page.**

QUESTION THREE: Impact of expansionary monetary policy on price stability and employment under different recessionary gaps



- (a) Explain how expansionary monetary policy affects interest rates in New Zealand.

Graph Two: The New Zealand economy with a large recessionary gap



- (b) (i) Referring to Graph Two above, explain how expansionary monetary policy will affect households, businesses, and inflation.

(ii) Referring to Graph Two on page 10, explain how a depreciation of the exchange rate will affect inflation.

**Extra space if required.
Write the question number(s) if applicable.**

QUESTION
NUMBER

Extra space if required.
Write the question number(s) if applicable.

Acknowledgements

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

Question One

Econfix. (2019). *AS Revision – TWI and Floating Exchange Rates*. <https://econfix.wordpress.com/2019/10/01/as-revision-twi-and-floating-exchange-rates/>

Question Two

The Treasury. (2024). *Budget Economic and Fiscal Update 2024*. <https://www.treasury.govt.nz/publications/efu/budget-economic-and-fiscal-update-2024>. CC-BY-4.0

The Treasury. (2024). *Budget at a Glance*. <https://budget.govt.nz/budget/2024/at-a-glance/health-education.htm>. CC-BY-4.0.
McCulloch, Craig. (2024). Tourists will have to pay \$100 to enter NZ. *Stuff.co.nz*. <https://www.nz.co.nz/news/national/526894/tourists-will-have-to-pay-100-to-enter-nz>

Klingensmith, J. Zachary. (n.d). *Introduction to Macroeconomics*. <https://psu.pb.unizin.org/introductiontomacroeconomics>. CC-BY-SA-4.0.

Question Three

Reserve Bank of New Zealand. (2024). *Monetary Policy Statement November 2024*. <https://www.rbnz.govt.nz/hub/publications/monetary-policy-statement/2024/monetary-policy-statement-291124>

Reserve Bank of New Zealand. (2024). *The Official Cash Rate*. <https://www.rbnz.govt.nz/monetary-policy/about-monetary-policy/the-official-cash-rate>