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NZQA | Mana Tohu Mātauranga o Aotearoa
New Zealand Qualifications Authority

Level 3 Economics 2026

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 (////). This area will be cut off when the booklet is marked.

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QUESTION ONE: Influences on the current account balance

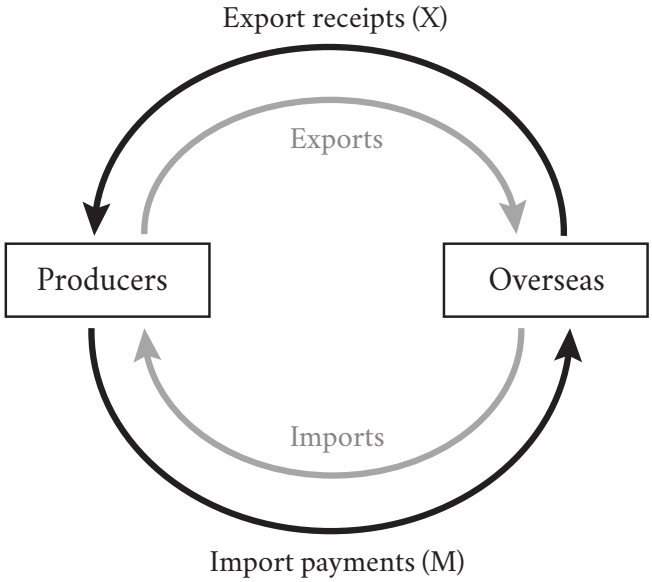
The overall terms of trade fell by 2.1% in the September 2025 quarter.

For the year September 2024 to September 2025, total imports were $30.7b, and total exports $25b.

Refer to the resource material above in your answer to part (i) below.

(a) (i) Define the terms of trade, and explain its fall in the September 2025 quarter.

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



Refer to Model One above and the resource material on page 2 to answer part (ii) below.

(ii) Define the current account, and explain how the fall in the terms of trade could affect the balance of the current account.

Question continues on the next page ➤

An increase in global tariffs poses a major threat for small economies, like New Zealand, that are heavily dependent on the export sector. Specific exports that could suffer include lamb, beef, and dairy.

Refer to Model One on page 3 and the resource material above to answer part (b) below.

(b) Explain how an increase in global tariffs could affect the balance of the current account.

While both the terms of trade and the increase in global tariffs can affect the balance of the current account, their effect may be temporary.

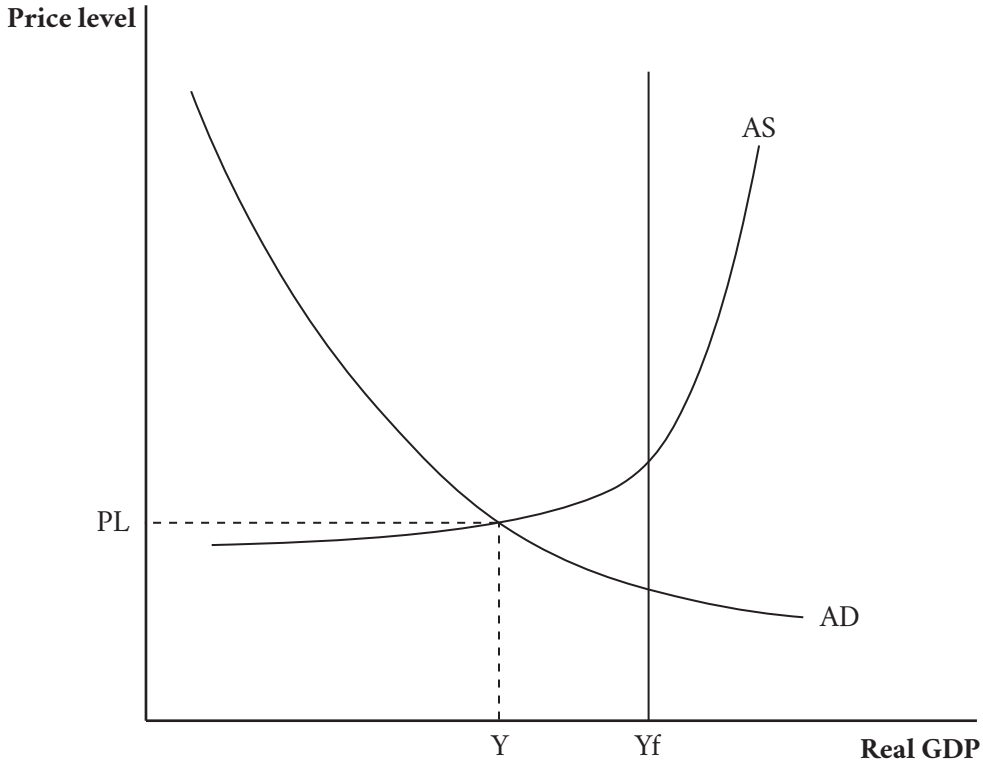
Refer to Model One on page 3 and the resource material to answer part (c) below.

(c) Compare and contrast the fall in the terms of trade and an increase in global tariffs on the current account balance. In your answer, include why the effects of both may be temporary.

QUESTION TWO: Policies to increase employment

Resource management reform is a supply side policy for governments to try and encourage more economic activity, including boosting employment. The Government predicts that changes to resource management in New Zealand will save $13.3b in administrative and compliance costs over the next 30 years.

Graph One: The New Zealand economy

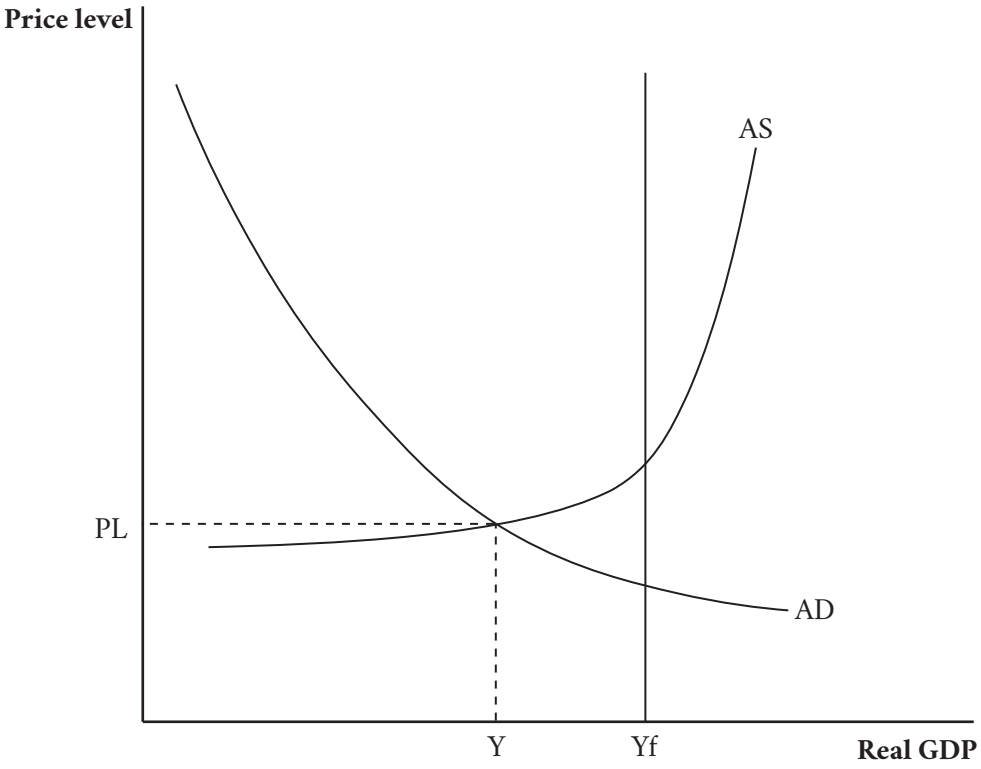


(a) (i) On Graph One above, show the effect resource management changes may have on the New Zealand economy. Fully label all changes, including to the recessionary gap.

(ii) Using your changes to Graph One and the resource material above, explain how resource management changes could affect employment.

Another policy to boost employment is a Government investment fund, which uses Government funds to invest directly in New Zealand based business and infrastructure. A major focus of the investment fund is to create well paid jobs.

Graph Two: The New Zealand economy



(b) (i) On Graph Two above, show the effect a Government investment fund may have on the New Zealand economy. Fully label all changes, including to the recessionary gap.

Question continues on the next page ➤

(ii) Using your changes to Graph Two and the resource material, explain how a Government investment fund could affect employment.

The New Zealand Government strives to achieve a macroeconomic goal of full employment.

Refer to Graph One on page 6 and Graph Two on page 7, and the resource material to answer part (c) below.

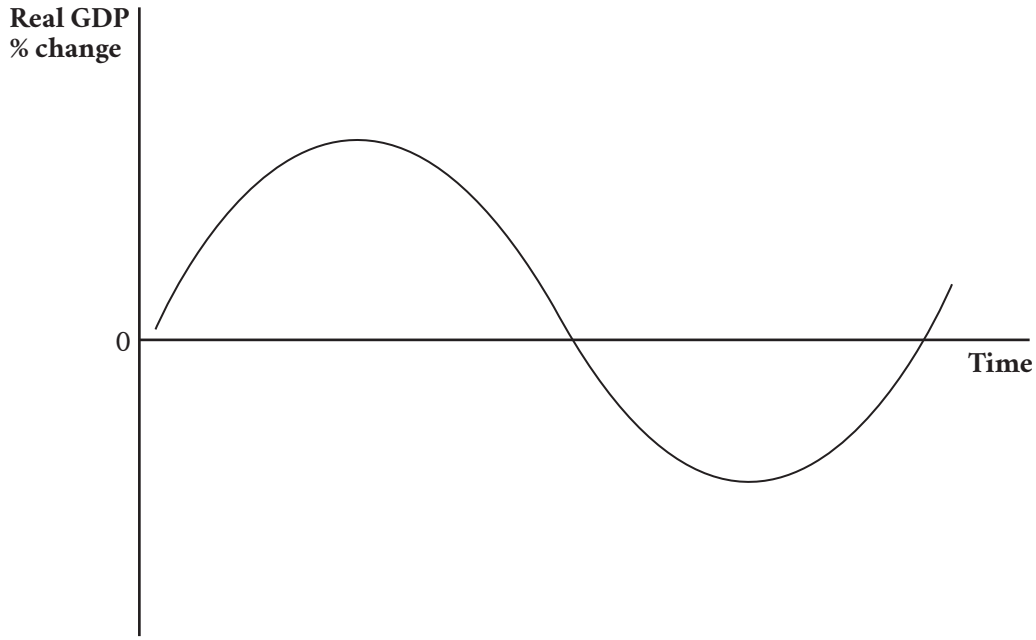
(c) Compare and contrast the effectiveness of resource management changes and a Government investment fund in achieving full employment.

QUESTION THREE: Consumer confidence and its impact on economic growth and price stability

Economic activity rose by 1.1% in the September 2025 quarter, with increases in 14 out of 16 industries, compared to the June 2025 quarter when GDP decreased in 10 industries.

Consumer confidence rose to its highest point but was still a little below long-term averages.

Model Two: The business cycle



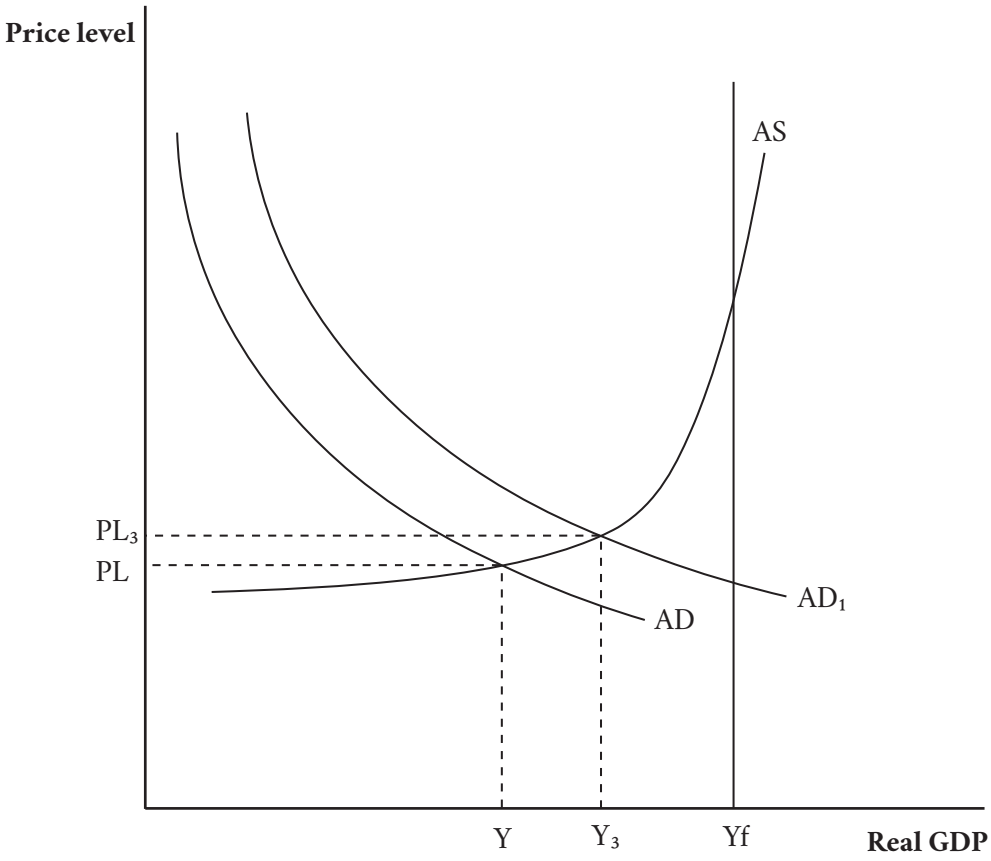
(a) (i) Use the resource material above to identify the likely position of the New Zealand economy at the end of 2025 by marking an X on Model Two above.

(ii) Explain your choice of location of the New Zealand economy on Model Two.

Lower interest rates are encouraging spending in the economy.

Consumer confidence is at its highest, but still down on previous years.

Graph Three: The New Zealand economy



Refer to Graph Three above and the resource material in your answer to part (b) below.

(b) Explain how an increase in consumer confidence could affect economic growth.

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The position of an economy on the business cycle will influence how much increases in consumer confidence will affect both economic growth and price stability.

The official cash rate (OCR) held at 2.25%, and no further cuts are expected. Inflation is at 3.1%, but expected to get back within the 2% target over the next 12 months.

Refer to Model Two on page 10, Graph Three on page 11, and the resource material in your answers to parts (i) below and (ii) on page 13.

(c) (i) Explain how the increase in consumer confidence might affect the Government's goal of price stability.

(ii) Explain why the Reserve Bank planned to keep the OCR at its current level for some time.

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Write the question number(s) if applicable.

QUESTION NUMBER

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

QUESTION NUMBER

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

Question One
Stats NZ. (2025). *International trade: September 2025 quarter*. https://www.stats.govt.nz/information-releases/international-trade-september-2025-quarter/ (CC-BY-4.0)

Question Two
Willis, Nicola & Bishop, Chris. (2025). *Planning overhaul to unlock growth*. https://www.national.org.nz/news/20251209-hon-nicola-willis-planning-overhaul-to-unlock-growth
The Labour Party. (n.d.). *A Future Made in New Zealand*. https://www.labour.org.nz/media/vbyf0pxe/the-new-zealand-future-fund.pdf
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Question Three
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Reserve Bank of New Zealand. (2026). *The official cash rate (OCR).* https://www.rbnz.govt.nz/monetary-policy/about-monetary-policy/the-official-cash-rate