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91223



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Mana Tohu Mātauranga o Aotearoa
New Zealand Qualifications Authority

Level 2 Economics 2025

91223 Analyse international trade using economic concepts and models

Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Analyse international trade using economic concepts and models.	Analyse international trade in depth using economic concepts and models.	Analyse international trade 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.

Excellence

TOTAL 24

QUESTION ONE: The two-country model

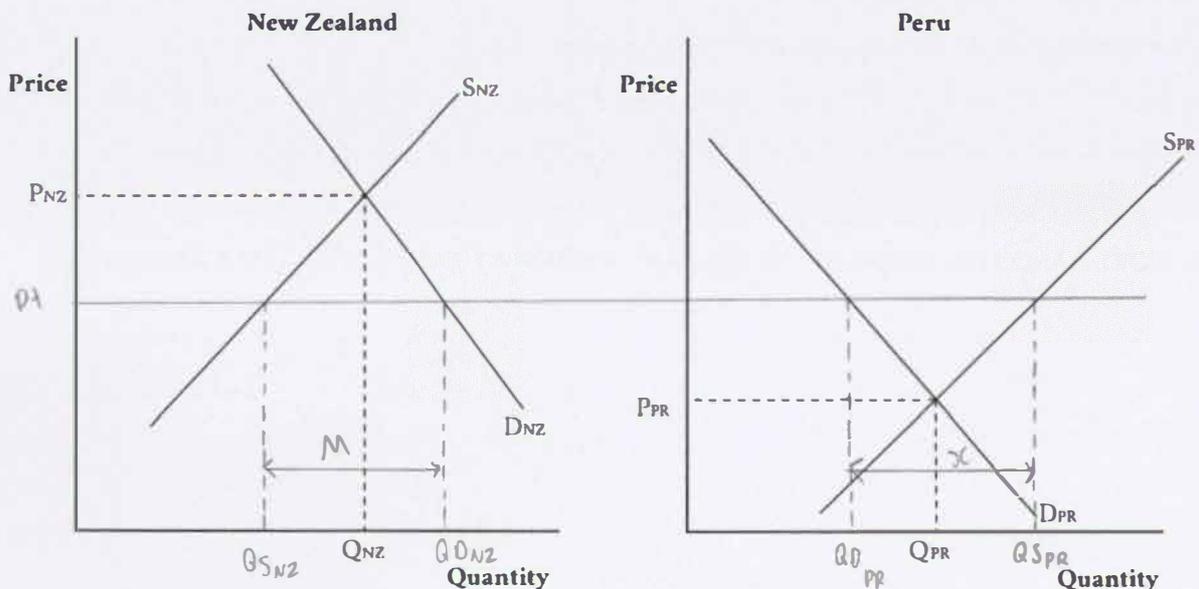
- (a) Explain why New Zealand exports some types of fruit and imports other types.

NZ is an agricultural economy, so its main exports are based around NZ climate. For example, NZ climate is ideal for kiwifruit production, ~~and~~ so it is much more cheaper to produce and export kiwifruit compared to other countries. However, there are some fruits such as mango that are imported from other countries like Philippines because it is much cheaper to import it than produce it themselves.



- (b) On Graph One, label the:
- trade price (P_t)
 - amounts of exports and imports in each country (X and M).

Graph One: The market for oranges



- (c) Explain the impact of the trade in oranges on the quantity purchased and total spending on oranges by New Zealand consumers. Refer to Graph One in your answer.

The trade price between NZ and Peru has decreased the price in NZ for oranges (from P_{NZ} to P_T). Because the price has decreased, oranges are now relatively more affordable for NZ consumers. Quantity ~~at~~ purchased increases from Q_{NZ} to Q_{DNZ} , which increases consumers' total spending from $(Q_{NZ} \times P_{NZ})$ to $(Q_{DNZ} \times P_T)$.



- (d) Compare and contrast the impact of the CPTPP free trade agreement with Peru on growers of different types of fruit in New Zealand.

Free trade agreements between countries eliminate barriers to trade such as tariffs, quotas, and ~~and~~ subsidies. For the CPTPP free trade agreement, the 9% tariff placed by Peru on NZ kiwifruit, apples, avocados, and melons was eliminated. This benefits growers of these different types of fruit in NZ as their exported products of fruit to Peru are now relatively more affordable for Peru consumers of those fruit. As ~~it~~^{the} fruits imported from NZ are ~~cheaper~~ ^{local} cheaper, Peru consumers may switch towards the imported fruits rather than locally produced kiwifruit, apples, avocados, and melons, increasing their revenue and profit margins from exports. However, although those fruit growers will be benefited ~~from~~ from the eliminated tariff, ~~once~~ once Peru gains permission to export blueberries to NZ, then domestic blueberry growers in NZ will be negatively affected. If the ~~exported~~ imported blueberries from Peru are cheaper than the blueberries

Answer space continues over ➔

domestically produced, then more local consumers will be purchasing the imported blueberries rather than domestically produced ones. This decreases the revenue for ^{NZ} blueberry growers, and to compete with Peru's blueberries, NZ ^{growers} producers would either increase their prices but sell less, or ~~decrease~~ keep their prices the same and have lower profit margins. Ultimately, the eliminated tariff would have a larger impact on NZ kiwifruit, apples, avocados, and melon producers as their revenue and profit margins would increase. They could then use their profits in investments to improve future productivity. The NZ blueberry growers would be less impacted as many consumers may still purchase the local blueberries if the imported Peru blueberries are lower-quality or too expensive.

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QUESTION TWO: The price taker model

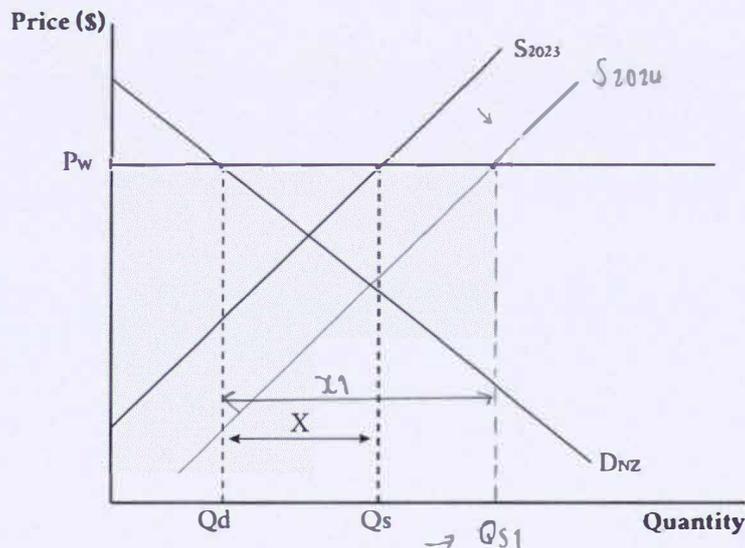
- (a) Explain why the world price in the price taker model is shown as a horizontal line.

The world price in the price taker model is shown as a horizontal line because it is a fixed price for that product ^{for every country.} ~~every country~~. A world price higher than a country's equilibrium price would encourage them to export, whereas a world price lower would encourage them to import.



The 2023 exports are labelled as X on Graph Two below.

Graph Two: The market for kiwifruit



- (b) On Graph Two, show the effect of the improved harvest in 2024 on kiwifruit exports by labelling:
- the new supply curve S_{2024}
 - the new level of kiwifruit exports as X_1 .

- (c) Explain how the improved harvest impacts New Zealand consumers' spending on kiwifruit. Refer to Graph Two in your answer.

The improved harvest for kiwifruits increased production from ~~Q_s to Q_s1~~ ^{as to Q_s1.}
 This increased exports from X to X_1 as ~~quantity~~ it is relatively more profitable to sell kiwifruit. The supply curve shifted from S_{2023} to S_{2024} . However, since the world price remained the same, NZ consumers' spending did not change and stayed at $(Q_d \times P_w)$ as NZ is a price-taker. NZ is so small that it doesn't affect the world price, and NZ can import and export as much as they want without impacting the world price.

- (d) Explain the impact of the improved harvest on the current account balance. Refer to Graph Two in your answer.

NZ's current account balance is measured by NZ's ^{net} export receipts of goods and services minus NZ's ^{net} import payments of goods and services. As exports for kiwifruit increased from x to x_1 , the current account balance improves as export receipts increase. This will either increase the current account surplus or decrease the current account deficit.

- (e) Compare and contrast the impact of the improved harvest on kiwifruit growers and on workers who pick kiwifruit. Refer to Graph Two in your answer.

The improved harvest positively impacted both kiwifruit growers and workers who pick kiwifruit. As the harvest increased supply from ~~Q_0 to Q_1~~ Q_0 to Q_1 , kiwifruit production ~~also~~ shifted the supply curve from S_{2023} to S_{2024} . This increased production then allowed for more exports from x to x_1 , increasing kiwifruit growers' revenue from $(Q_0 \times P_w)$ to $(Q_1 \times P_w)$. This allows kiwifruit growers to then invest more into ~~the~~ technologies and construction like factories to improve future productivity and gain higher returns. Increased investments then increase employment as more workers are needed to ~~work~~ produce kiwi fruit in the factories. Furthermore, kiwifruit growers may even be able to fund pay increases for their current kiwifruit pickers. For these pickers, they are able to purchase more goods and services for their families or themselves as their purchasing power increases. They are most likely willing to work more hours as kiwifruit production grows, which not only increases their personal income, but improves harvest for kiwifruit growers. Ultimately, kiwifruit growers would be more ~~the~~ positively impacted from the kiwifruit harvest than workers who pick kiwifruit, as their increased revenue and profit margins from increased exports allowed them to invest and allocate more resources to aid their production for higher returns. It is also ~~also~~ likely that the harvest will improve even more along the years as kiwifruit growers are able to afford ~~to~~ improving their growing conditions.

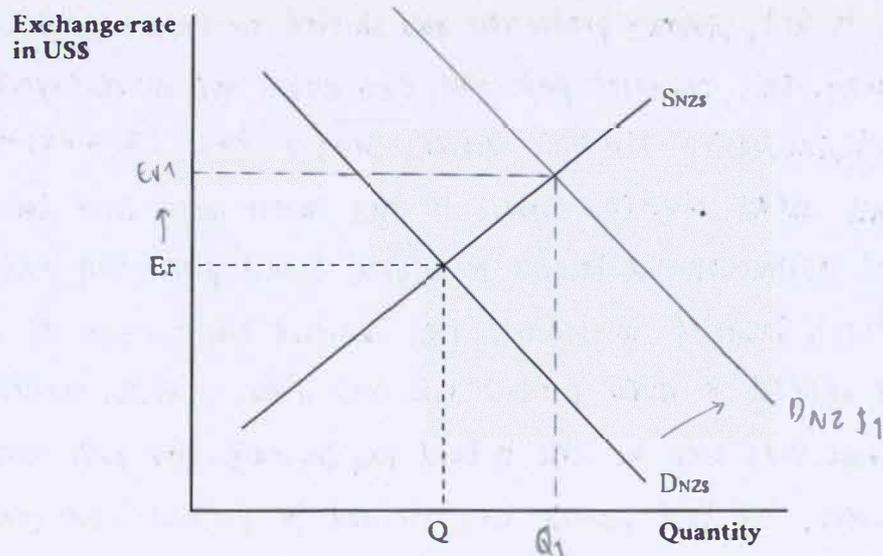
QUESTION THREE: Trade and the exchange rate

(a) Apart from the USA and Australia, name one of the top five countries New Zealand:

Exports to China

Imports from Japan

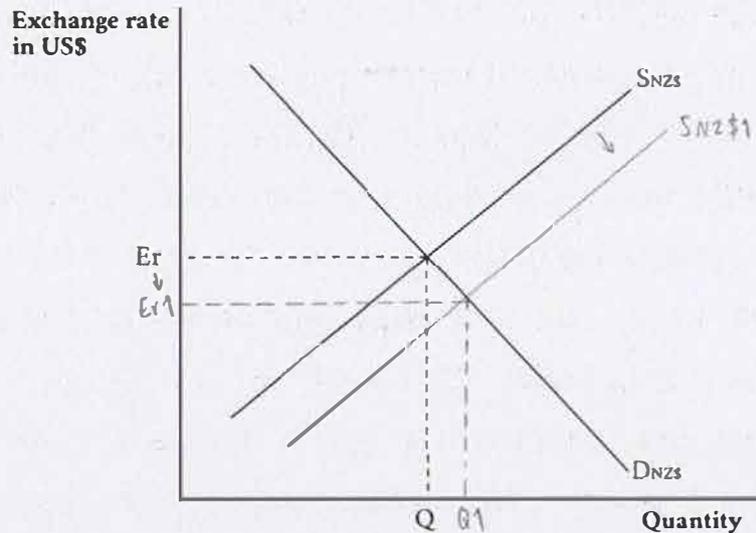
Graph Three: The market for the NZ\$ with an increase in exports



- (b) (i) On Graph Three, show the effect of increased exports to the USA.
- (ii) Explain how an increase in exports affects the NZ\$ exchange rate. Refer to Graph Three in your answer.

The increase in exports increased the demand for NZ\$ as more USD wanted to be swapped for NZ\$ (DNZ\$ to DNZ\$1). This increase in demand appreciated the exchange rate from Er to Er1. ✓✓

Graph Four: The market for the NZ\$ with an increase in imports



- (c) (i) On Graph Four, show the effect of increased imports from the USA.
- (ii) Explain how an increase in imports affects the NZ\$ exchange rate. Refer to Graph Four in your answer.

The increase in imports increased the supply of NZ\$ as more NZ\$ wanted to be swapped for USD (SNZ\$ to SNZ\$1). This increase in supply depreciated the exchange rate from E_r to E_{r1} .

- (d) Compare and contrast the impact of a depreciation of the NZ\$ on New Zealand tourists visiting the USA and on New Zealand businesses importing consumer products from the USA.

NZ\$ depreciation is a decrease in the value of NZ\$ relative to USD. Each NZ\$ now buys less NZ\$. This depreciation negatively impacts NZ tourists visiting the USA as it is now more expensive to swap NZ\$ for USD. The goods and services the tourists purchase in USA will be more expensive, which may lead to them cutting back their spending or purchasing cheaper or lower quality goods and services. Comparably, the depreciation of NZ\$ negatively affects

Answer space continues over >

NZ businesses importing consumer products from the USA as it is now relatively more expensive. ~~to import~~ This flows on to consumers as they now have to pay a higher price for the imported USA ~~goods~~ products. ~~that~~ Ultimately, the depreciation of NZD negatively impacts ^{local} consumers more than tourists visiting the USA as tourists travelling is usually only an annual thing. Tourists won't necessarily stop spending their money as a whole, but would rather just purchase cheaper goods and services such as a cheaper hotel or ~~to~~ fast food rather than a fancy restaurant meal. ~~that~~ NZ consumers however are largely impacted as the imported goods from USA are usually vehicles and ~~the~~ oil/petroleum. Since vehicles and oil and petroleum are used in everyday life, consumers may struggle to afford ~~the~~ oil/petroleum ~~or~~ or import cars.

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

QUESTION
NUMBER

91223

Acknowledgements

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

Question One (b)

Freshfruit portal.com. (2024). *Peru finalizes agreement to export citrus to New Zealand*. <https://www.freshfruitportal.com/news/2024/09/17/peru-finalizes-agreement-to-export-citrus-to-new-zealand/>

Question One (d)

Ministry of Foreign Affairs and Trade. (2025). *Goods market access*. <https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-in-force/cptpp/understanding-cptpp/goods-market-access>

Question Two (b)

Whitaker, S. (2024). *Kiwifruit harvest: Record 2024 harvest follows meagre 2023*. *Te Puke Times*. <https://www.nzherald.co.nz/bay-of-plenty-times/te-puke-times/kiwifruit-harvest-record-2024-harvest-follows-meagre-2023/FYX3NQEEPREDTE4REMJKT6SRCI/>

Question Three (a)

Ministry of Foreign Affairs and Trade. (2024). *NZ exports to the US: strong growth continues*. <https://www.mfat.govt.nz/assets/Trade-General/Trade-Market-reports/NZ-exports-to-the-US-strong-growth-continues-June-2024.pdf>

Question Three (b) and (c)

StatsNZ. (2025). *Overseas merchandise trade: December 2024*. <https://www.stats.govt.nz/information-releases/overseas-merchandise-trade-december-2024/>

Question Three (d)

Trading Economics. (2025). *New Zealand Dollar*. <https://tradingeconomics.com/new-zealand/currency>

Excellence

Subject: Economics

Standard: 91223

Total score: 24

Q	Grade score	Marker commentary
One	E8	<p>The candidate:</p> <ul style="list-style-type: none"> • in part (a), provided a detailed explanation linking comparative advantage and lower costs of production • in part (b), completed both graphs correctly • in part (c), explained that consumption of oranges will increase, referring to the graph • in part (d), explained in detail how the FTA will impact different New Zealand producers, including the importance of Peru and blueberry production.
Two	E8	<p>The candidate:</p> <ul style="list-style-type: none"> • in part (a), identified that New Zealand producers are too small to impact world price • in part (b), drew the new supply curve and level of exports on the graph • in part (c), explained that spending is unchanged, with reference to the graph • in part (d), explained that the current account has improved, with reference to the graph • in part (e), compared and contrasted the impact of the improved harvest on growers and workers, integrating the graph into their answer and explaining that the growers will be impacted most and why.
Three	E8	<p>The candidate:</p> <ul style="list-style-type: none"> • in part (a), identified one exporter and one • in part (b), showed an increase in demand on the graph and explained in detail why the demand for NZ\$ increases, with reference to the exchange of currency and the graph • in part (c), showed an increase in supply on the graph and explained in detail why the supply for NZ\$ increases, with reference to the exchange of currency and the graph • in part (d), provided a comprehensive explanation of why New Zealand tourists and businesses will be negatively affected, and identified that the NZ businesses would be affected the most.