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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.**

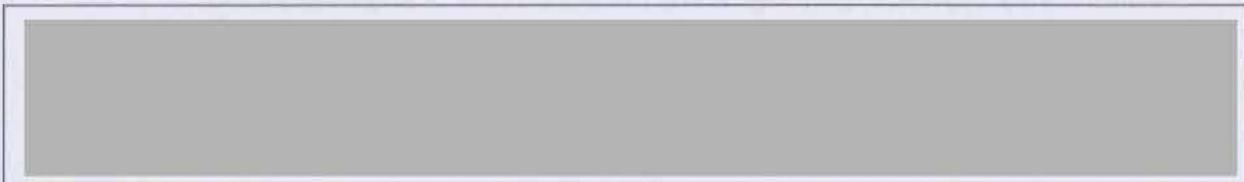
Merit

TOTAL 16

**QUESTION ONE: The two-country model**

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

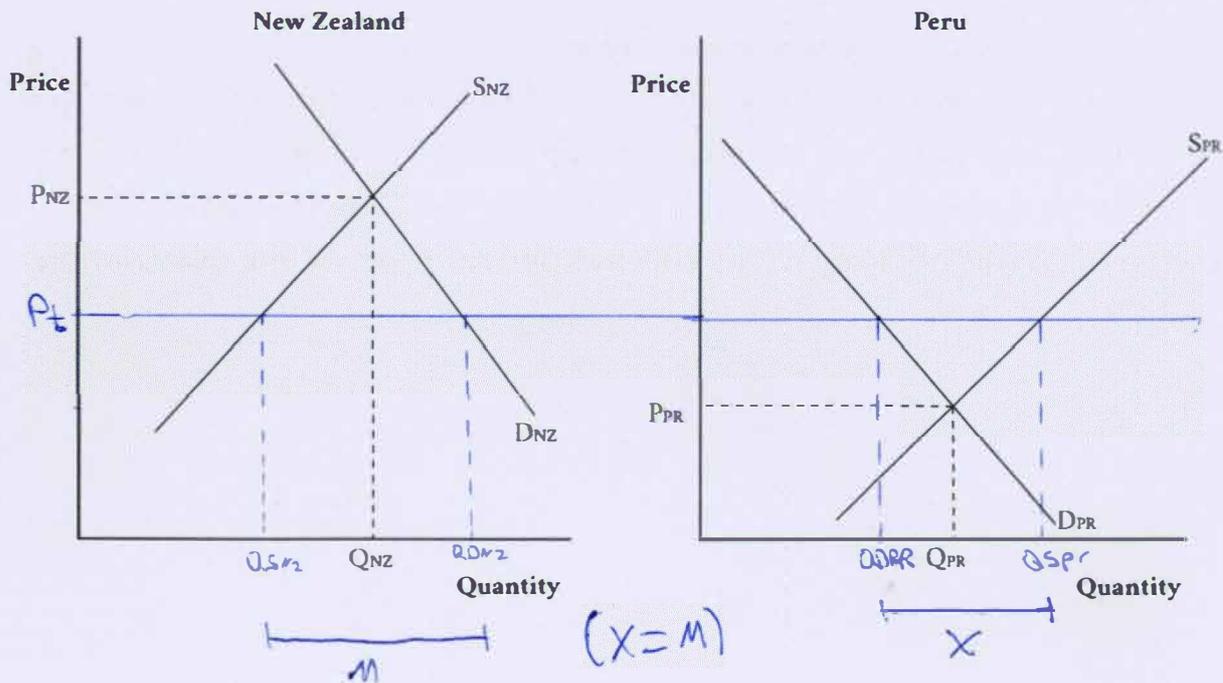
New Zealand exports some types of fruit and imports other types due to whether or not we have a comparative advantage in producing that type of fruit. For example, we have a comparative advantage in producing Kiwi fruit as we have a low opportunity cost of growing these compared to others and so we export these whilst we import other fruits as they do not suit our climate.



(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.

This change in trade of Oranges lowers the price for New Zealand consumers from  $P_{NZ}$  to  $P_t$  as Peru can produce them at a lower price. This lower price causes the demand in NZ for Oranges to increase from  $Q_{NZ}$  to  $Q_{DNZ}$  meaning the total quantity purchased has increased ( $Q_{NZ} - Q_{DNZ}$ ) and total spending has changed from  $(P_{NZ} \times Q_{NZ})$  to  $(P_t \times Q_{DNZ})$ .



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

The CPTPP free trade agreement means that New Zealand and Peru will trade more due to decreased barriers to trade. This means Peru's fruit exports such as grapes and blueberries will become more competitive in the New Zealand market as they can now lower their prices. This means that New Zealand producers of blueberries and grapes will be worse off as they will have to lower their prices to compete with the Peruvian exports, which decreases their profit margin and total revenue, meaning they have less money to pay workers and keep their business running and may even lead to them having to shut down. Whilst on the other hand, New Zealand producers of fruit such as kiwifruit, apples, avocados

Answer space continues over ►

and melons have a positive impact from this CPTPP free trade agreement. This is because they no longer have this 9% tariff meaning they can lower their prices to become more competitive and sell more fruit whilst still keeping the same profit margin which increases their revenue which they can use to invest back into their business.

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The assessment continues on the following page.**

**QUESTION TWO: The price taker model**

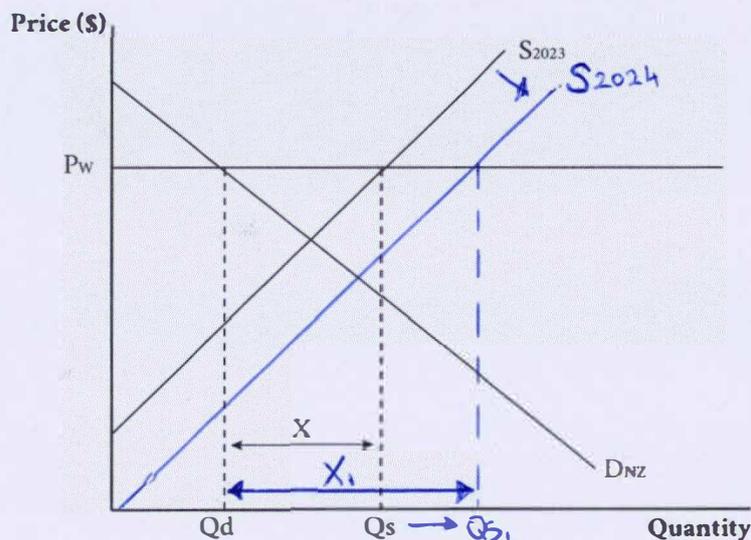
- (a) Explain why the world price in the price taker model is shown as a horizontal line.

This is ~~the~~ because the price remains the same, no matter what quantity is sold or demanded, meaning it is unaffected by the forces of supply and demand.



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.

New Zealand Consumers' Spending on kiwifruit is unchanged as this is calculated by  $P_w \times Q_d$ , neither of which change, meaning NZ consumers' spending on kiwifruit did not change due to the improved harvest.

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

The Current account balance is calculated by exports - imports ( $X - M$ ) and due to the improved harvest ( $S_{2023} - S_{2024}$ ), our exports ( $X$ ) have increased from  $X$  to  $X_1$ . This means our current account balance has increased/gone more positive due to an increase in exports.

- (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.

Kiwifruit growers are positively impacted by the improved harvest as this increased the supply from  $S_{2023}$  to  $S_{2024}$ . This increase in the supply curve allowed New Zealand kiwifruit growers to supply more to the world market at the current world price ( $P_w$ ). This increased their total revenue from  $(P_w \times Q_s)$  to  $(P_w \times Q_{s1})$ , and assuming nothing else has changed their profit margin has stayed the same, meaning their profits have also increased. This benefits them as they can spend it by investing back into their business which helps it grow and make more money or spending it on themselves to increase their living standards. Workers who pick kiwifruit are also benefited by this improved harvest because as I explained before, the business will have greater profits which the business owners will then spend on investing back in their business. This could benefit the workers as this investment could be increased wages/salary for workers or it could be better working conditions, both having a positive impact on the workers who pick kiwifruit.

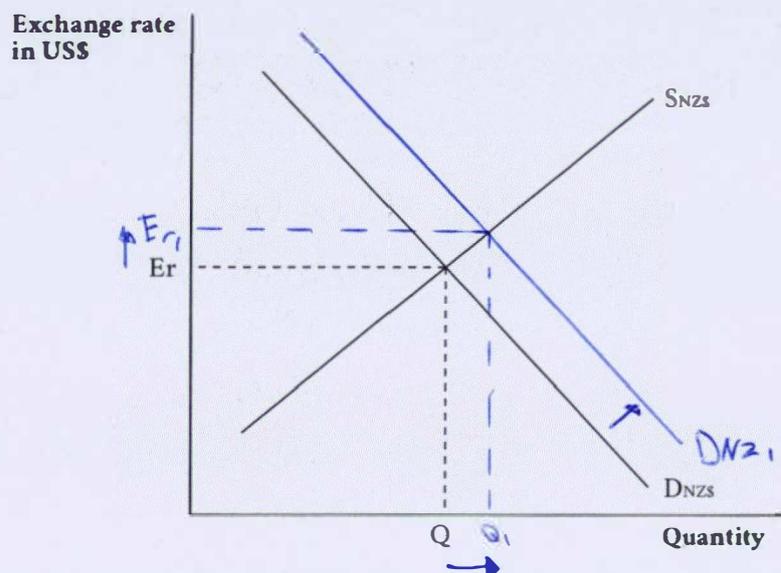
**QUESTION THREE: Trade and the exchange rate**

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

Exports to China

Imports from Japan

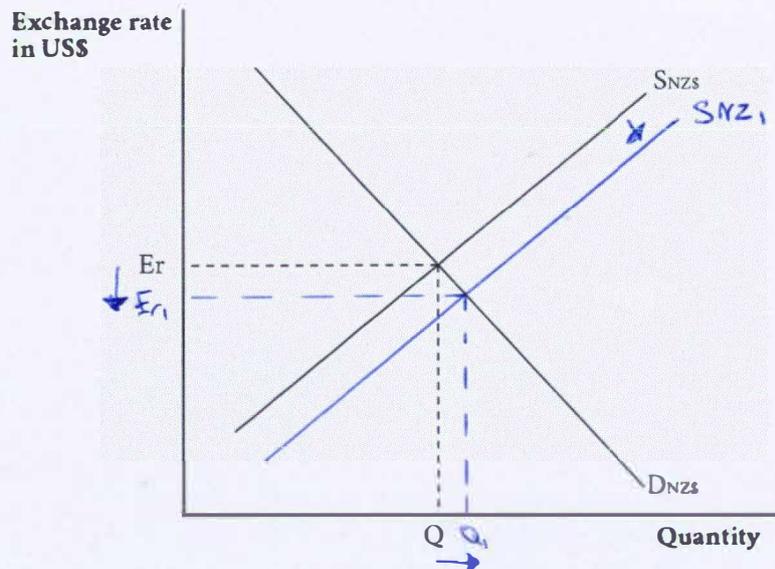
**Graph Three: The market for the NZ\$  
with an increase in exports**



- (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.

Increased exports means more Americans are demanding the NZD as they buy our goods and services, which increased  $DNZ - DNZ_1$ , which causes our exchange rate to appreciate from  $E_r$  to  $E_{r1}$ .

**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.

Increased imports means New Zealanders are buying US Goods and Services with NZD, essentially meaning we are supplying more NZD which increases  $SNZ - SNZ_1$  which causes our exchange rate to ~~depreciate~~ depreciate from  $Er - Er_1$ .

- (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.

New Zealand tourists visiting the USA are negatively impacted by the NZD depreciating against the USD. This is because before, \$1 NZ could buy you \$0.80 US but now \$1 NZ can only buy you \$0.60 US. This means we have essentially lost our purchasing power in USD, making every thing for these NZ tourists in the

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USA more expensive. Whilst New Zealand businesses importing consumer products from the USA are also negatively impacted because as I explained before, it is more expensive to buy things in USD with NZD as NZD has become worth less against USD. This increased import price for NZ firms means their cost of production has increased meaning they are going to have to raise their price to keep their profit margin, decreasing their revenue and profits.



**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>

## Merit

**Subject:** Economics

**Standard:** 91223

**Total score:** 16

Q	Grade score	Marker commentary
One	M6	<p>The candidate:</p> <ul style="list-style-type: none"><li>• in part (a), provided a detailed explanation linking to comparative advantage and lower costs of production</li><li>• in part (b), completed both graphs correctly</li><li>• in part (c), explained that consumption of oranges will increase, referring to the graph</li><li>• in part (d), explained that some producers will be negatively affected and some be positively affected.</li></ul>
Two	M5	<p>The candidate:</p> <ul style="list-style-type: none"><li>• in part (a), did not identify that New Zealand producers are too small to impact world price</li><li>• in part (b), drew the new supply curve and level of exports on the graph</li><li>• in part (c), explained that spending is unchanged, referring to the graph</li><li>• in part (d), explained that the current account has improved, referring to the graph</li><li>• in part (e), explained in detail why kiwifruit growers and workers will be positively affected, with reference to some graph labels.</li></ul>
Three	M5	<p>The candidate:</p> <ul style="list-style-type: none"><li>• in part (a), identified one exporter and one importer</li><li>• in part (b), showed an increase in demand on the graph and explained why the demand for NZ\$ increases</li><li>• in part (c), did not show an increase in supply on the graph, but explained why the supply for NZ\$ increases</li><li>• in part (d), explained in detail why New Zealand tourists and New Zealand businesses will be negatively affected.</li></ul>