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91224



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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.

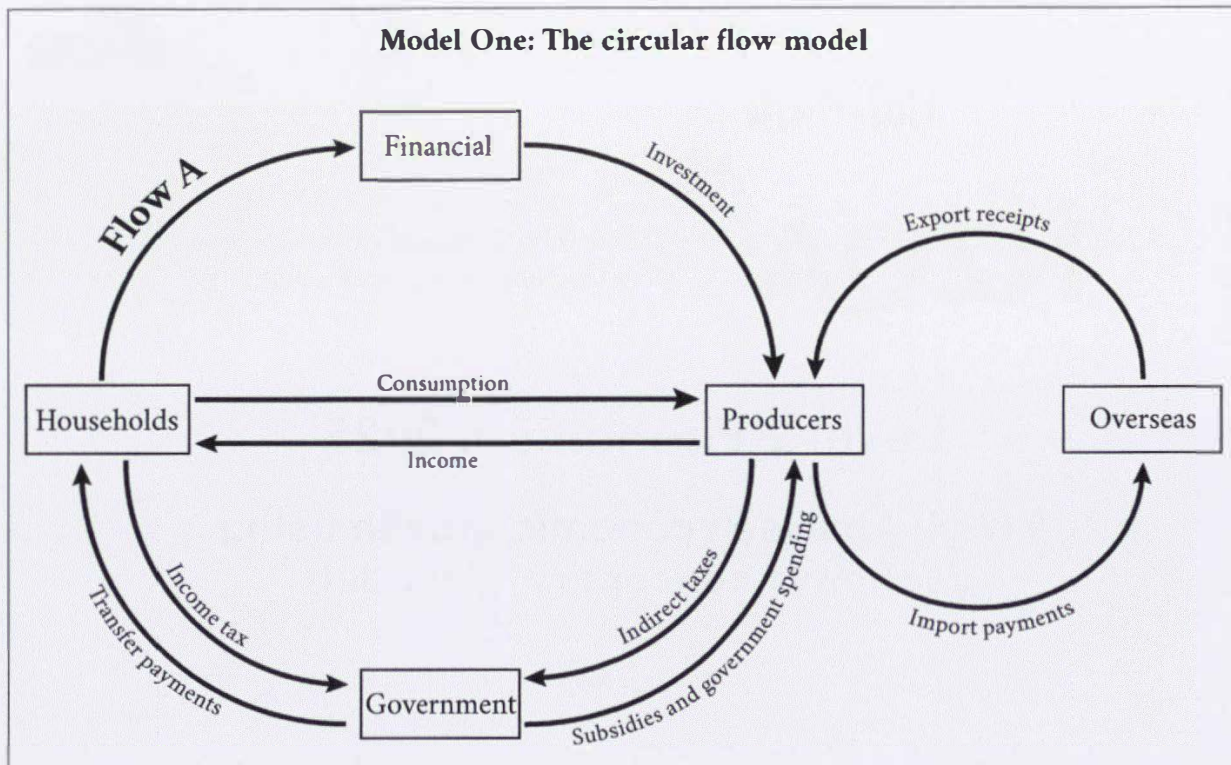
Do not write in the margins (//////). This area will be cut off when the booklet is marked.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

Achievement

TOTAL 11

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.

Savings

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

If consumption increases people will be spending more so will put less into savings decreasing in value.
~~people~~ If ^{lots} more people loss the jobs or decrease in wages people will be using the money they saved and putting less into saving decreasing in value.

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

export receipts

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

as we produce more goods or overseas demand more we will be able to sell more overseas therefore export receipts will increase in value.

- (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.

As PICs peanut butter could get the entire supply from Northland farms it will mean more people in the region will be employed, so less people will be unemployed, this will help increase economic growth ~~people~~^{because} as more people are employed (household) consumption will increase and ~~as~~ more people will have disposable income. It will also increase economic growth because government will receive more income tax as more people get jobs working for farms supplying PICs peanut butter. It will also decrease our import payment as they will no longer need to import 2500 tons of peanut butter as it will be grown locally now increasing economic growth.

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

The successful trial on government's operating balance will mean they will be receiving more revenue than expenditure, so they the government will be creating a positive operating balance so they will be able to do things in the future and will benefit the economy as it is most likely to result in economic growth.

QUESTION TWO: Aggregate demand and aggregate supply

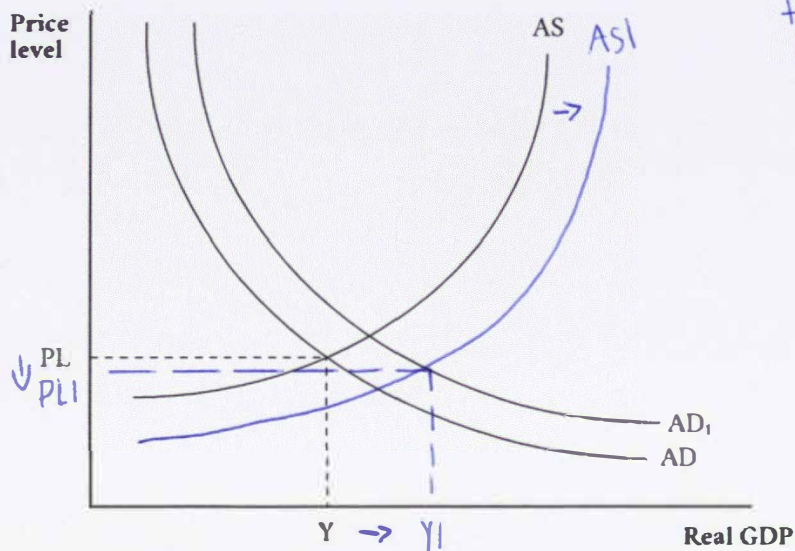


- (a) Use the formula for aggregate demand to explain why the purchase of the battery powered aircraft will decrease short-term aggregate demand.

aggregate demand formula = $C + I + G + (X - M)$
~~It will decrease~~ It will decrease short term Ad beuse It was a high expenss for government and for the first year whail Its being tested It will not help the country.

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

As the new aircraft will lower costs for Air New Zealand it will be more profitable. The cost of production will be decreasing and as they bring in new technology AS will be increasing to AS1.

(ii) Economic growth

With AS increasing to AS1 due to decrease in cost of production and AD increasing to AD1 due to ~~consumption~~ ^{consumption} increasing this causes Real GDP to increase from Y to $Y1$ which is economic growth.



(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.

The government making SAF compulsory for domestic flights will benefit economic growth because it will create hundreds of jobs, creating a revenue up to \$430 million per year. As more people have jobs household consumption will increase as they will have more disposable income, AS ^{household consumption} C increases it will cause AD to increase and will create economic growth. It will also benefit the environment if SAF is compulsory for domestic flights because it will not be using fossil fuels and

Answer space continues over ►

Instead using left over timber/wood so air pollution will improve benefiting the environment, it will improve greenhouse gas emissions on domestic flights up to 90%. compared to using jet fuel. So over all it will have economic growth and help improve the environment.

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The assessment continues on the following page.**

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

It will increase GDP as households buy seeds as they need seeds to start their garden, as they will need to produce seeds for households to ~~buy~~ buy.

(ii) Long-term

It will decrease GDP because after the first year of a household growing their own garden they will no longer need to purchase seeds as they can collect them from the plants they already have, so ~~can~~ they won't need to produce as many seeds, GDP going down.

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

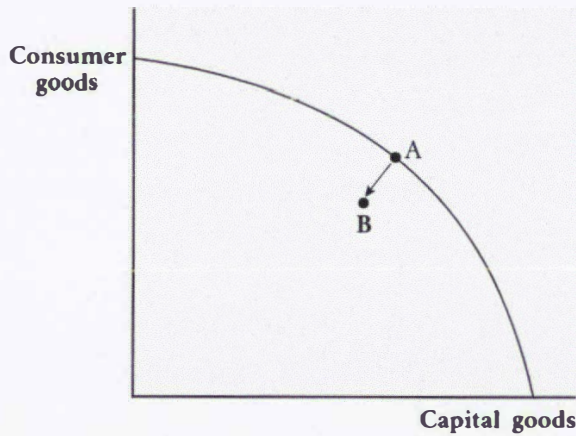
(b) Explain one situation when GDP could increase but net social welfare decreases.

where more is produced and purchased but factors of quality of life aren't improved or worsen eg, schools ~~don't~~ don't get new resources or hospitals don't upgrade or get new beds.

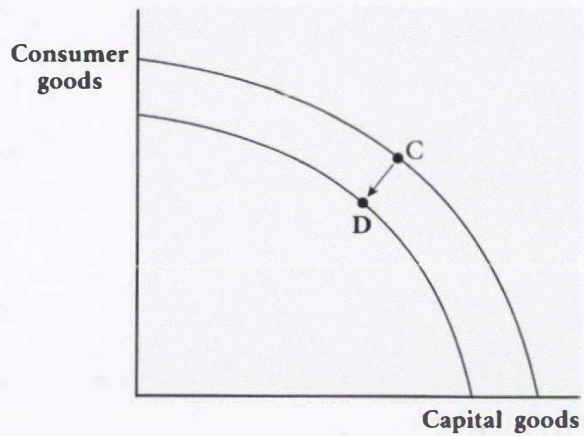
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Graph Two and Graph Three show two situations in which economic growth has decreased.

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.

In graph two ~~the shift~~ point A shows that they are producing at mass compacity, they are using all the resources that are available the shift from a to B shows that they are no longer using all the resusurses that are available so are not opperating at their highest potentail, resulting in negative growth no longer producing as much. On graph three point C shows that all the available resourses to be able to produce consumer and capital goods the curv shifting Inwards to point D shows that they have less resouse avatable now so ~~can~~ do not have the opportunity to produce as much consumer and capital goods, ~~resulting~~ ^{resulting} in ^{negative} economic growth. Graphs 2 change could be caused by not having

Answer space continues over ►

as much demand so don't need to produce as much, or broken machinery so can't use all of the available resources.

Graph 3 Change could be caused by a natural disaster eg, fire and burnt down forestry so have less wood to make things, eg, earthquake and buildings and roads got destroyed. So curve shifts inwards as have less resources.

Over all graph 3 will have worse off long term effect as it ~~takes~~ is hard and takes time to be able to get more resources, it is worse to have less resources because it ^{means} ~~means~~ you don't have the opportunity or resources to ~~make~~ be able to make more goods so you are limited to what goods and services you can make. Where as graph 2 is better off as ~~they~~ ~~it~~ it is easier to find ways to be able to use more resources to make more goods and services.

Extra space if required.
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.mz.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/VPMCRUAEIJAPJOJZORTU2ZHLYY/

Achievement

Subject: Economics

Standard: 91224

Total score: 11

Q	Grade score	Marker commentary
One	A4	<p>The candidate correctly identified Flow A on the circular flow model. The explanation of why export receipts increase was brief and would have been improved by including a context in which production might increase (e.g. good weather increasing the harvest) or overseas demand might increase (e.g. depreciation of the exchange rate).</p> <p>To be awarded a Merit grade, the candidate could have explained the impact of the trial on the Government's operating balance using the relevant flows from Model One, in particular income tax and transfer payments.</p>
Two	A3	<p>The candidate used the correct formula for AD but did not refer to the imports component. The effect on growth was explained with clear reference to the model.</p> <p>The positive impacts of a decision to make the use of sustainable aviation fuel compulsory were explained in terms of economic growth and the environment. For Merit, the explanation could also have covered the potential negative impacts on economic growth, using the information in the resource material as a prompt.</p>
Three	A4	<p>The candidate explained how short-term GDP can be affected by market activities, but the long-term effect was not explained in the context of fruit and vegetables.</p> <p>Two causes of a decrease in economic growth were explained, although a stronger explanation of Graph Two would include the idea of underutilisation or unemployment of resources.</p> <p>To be awarded a Merit grade, incorporating a specific reason into the explanation of why GDP would increase but net social welfare would decrease was required.</p>