# Assessment Schedule – 2024

## Economics: Demonstrate understanding of macro-economic influences on the New Zealand economy (91403)

### Assessment Criteria

| Achievement | Achievement with Merit | Achievement with Excellence |
|---|---|---|
| *Demonstrating **understanding** of macro-economic influences on the New Zealand economy* involves*:* | *Demonstrating **in-depth understanding** of macro-economic influences on the New Zealand economy* involves*:* | *Demonstrating **comprehensive understanding** of macro-economic influences on the New Zealand economy* involves*:* |
| • providing an explanation of the current state of the New Zealand economy in relation to macro-economic goals<br>• identifying, defining, calculating, and describing or providing an explanation of macro-economic influences on the New Zealand economy | • providing a detailed explanation of macro-economic influences on the New Zealand economy | • comparing and / or contrasting:<br>- the effectiveness of one government policy in achieving different macro-economic goals and / or the effectiveness of different government policies in achieving one macro-economic goal<br>- the impacts of one macro-economic influence on the New Zealand economy in relation to different macro-economic goals and / or the impacts of different macro-economic influences on the New Zealand economy in relation to one macro-economic goal |
| • using an economic model(s) to illustrate concepts relating to macro-economic influences on the New Zealand economy. | • using an economic model(s) to illustrate complex concepts and / or support detailed explanations of macro-economic influences on the New Zealand economy. | • integrating an economic model(s) into explanations of macro-economic influences on the New Zealand economy that compares and / or contrasts the impacts on macro-economic goal(s). |

## Evidence

| Q1 | Sample evidence | Achievement | Achievement with Merit | Achievement with Excellence |
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| (a)(i) | See Appendix. | ONE of:<br>• increase in AD, labelled increase in Y and PL<br>• increase in AS, labelled increase in Y and decrease in PL<br>• increase in both AD and AS, increase in Y, PL may be an increase, decrease, or stay the same. | • Increased AD and AS, increase in Y and PL, fully labelled.<br>AND<br>• Increase in AD should more than offset increase in AS. | |
| (ii) | Higher net migration means more people are coming to live in New Zealand than leaving.<br>This will increase the number of households in the economy and lead to an increase in consumption as more households demand goods and services such as food, transport, accommodation, and education services.<br>With higher consumption, aggregate demand will increase from AD to $AD_1$ on Graph One. This will cause real GDP to increase from Y to $Y_1$, meaning an increase in economic growth.<br>Higher net migration means there will be an increase in the supply of labour, leading to downwards pressure on wages (lower wage demands). This will help many firms, reducing their wage costs (recruitment costs) and lead to greater profitability, leading to an increase in aggregate supply from AS to $AS_1$. As a result, real GDP will increase from Y to $Y_1$, meaning an increase in economic growth.<br>The resource box indicates that the increase in aggregate demand from AD to $AD_1$ should outweigh the increase in Aggregate Supply from AS to $AS_1$ on Graph One. This is likely to be due to increased consumption from more households outweighing the potential downward pressure on wages for firms. (Or relevant response, e.g. C = 60% AD). This will mean there is a large increase in real GDP from Y to $Y_1$. | Explains ONE of:<br>• AD increases with reference to an increase in consumption<br>OR<br>• AS increases with reference to lower costs (costs of production) for firms<br>OR<br>• economic growth will increase as seen by the increase in RGDP from Y to $Y_1$. | Explains in detail:<br>• an increase in AD with reference to consumption increasing and a valid reason why e.g. food, accommodation. Could also refer to investment spending.<br>OR<br>• AS increases with reference to lower costs (costs of production) and higher profitability and / or explains why costs will decrease<br>AND<br>• explains net migration will increase economic growth as seen by the increase in **real GDP from Y to $Y_1$**<br>AND<br>• refers to Graph One. | Explains in detail:<br>• an increase in AD with reference to consumption increasing and a valid reason why, including examples<br>AND<br>• AS increases with reference to lower costs (costs of production) and higher profitability and explains why costs will decrease<br>AND<br>• net migration will increase economic growth by quite a lot as both AD and AS increase and the increase in AD should be larger, with a reason<br>AND<br>• uses correct economic terminology and makes accurate references to Graph One. |

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| (b) | As indicated by Graph One, the increase in aggregate demand is greater than the increase in aggregate supply, which leads to an increase in the price level from PL to $PL_1$ – demand pull inflation.<br>This increase in the price level may push inflation too high and well out of the RBNZ's target band, i.e. the PTA of 1–3% on average, over the medium term.<br>This could make it harder for the RBNZ to meet its core function of maintaining price stability. Therefore, the RBNZ is likely to increase the OCR. | Explains ONE of:<br>• Increase in PL, increase in inflation<br>OR<br>• decrease in PL, could cause deflation, (also allow possibility of PL remains stable, or lower PL helps price stability)<br>AND<br>• states PTA (1–3%)<br>• RBNZ increases OCR (also allow RBNZ decreases OCR / keeps OCR stable). | Explains:<br>• increase in PL, increase in inflation<br>OR<br>• decrease in PL, could cause deflation, (also allow possibility of PL remains stable, or lower PL helps price stability).<br>AND<br>• states PTA<br>AND<br>• RBNZ increases OCR (also allow RBNZ decreases OCR / keeps OCR stable)<br>AND<br>• refers to Graph One. | Explains in detail:<br>• increase in PL (with reason why), increase in inflation so price stability not achieved. Increase in AD larger than increase in As, causing increase in PL.<br>AND<br>• links PTA to explanation of RBNZ increasing OCR (or not decreasing the OCR yet, i.e. keeping it high)<br>AND<br>• uses correct economic terminology and makes accurate references to the Graph One. |

| N1 | N2 | A3 | A4 | M5 | M6 | E7 | E8 |
|---|---|---|---|---|---|---|---|
| Very little Achievement evidence. | Some Achievement evidence, partial explanations. | Most Achievement evidence. | Nearly all Achievement evidence. | Some Merit evidence. | Most Merit evidence. | Excellence evidence.<br>One part may be weaker. | All points covered. |
| | | | | Must refer to Graph One. | | Integrates relevant information from Graph One and the resource box into answer. | |

**N0** = No response; no relevant evidence.

| Q2 | Sample evidence | Achievement | Achievement with Merit | Achievement with Excellence |
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| (a) | The multiplier 1/(1 − MPC) is 1/0.17 = 5.88<br><br>Accept:<br>$14.525b × 5.88 = $85.407b increase in real GDP<br>OR<br>5.88 × $17.5b = $102.9b<br><br>If $85.407b<br>Tax cut = a withdrawal, i.e. before the tax cut is spent, 0.17 of each $1 received (or 17%) will be saved.<br>So, increase in C (injection) will be:<br>$17.5b × 0.83 = $14.525b.<br>This is because every additional dollar spent in the economy will create further income as employment increases to meet the extra demand. Households will receive further income, spending 83% or 0.83 of each extra dollar earned until RGDP has increased by $85.407b / $102.9b. | ONE of:<br>• Identifies the multiplier and correctly calculates the final change in RGDP<br>• explains the multiplier being the idea of the money spent being income for others.<br>Explains:<br>• tax cuts are spent, which then can create income for others. | Both of:<br>• identifies the multiplier and correctly calculates the final change in RGDP<br>• explains the multiplier being the idea of the money spent being income for others.<br>AND<br>Explains in detail:<br>• tax reduction / cuts are spent creating more income and spending, etc. | ALL of:<br>• identifies the multiplier and correctly calculates the final change in RGDP<br>AND<br>• explains the multiplier being the idea of the money spent being income for others.<br>AND<br>Explains in detail:<br>• tax reduction / cuts are spent creating more income and spending, etc.<br>AND<br>• uses correct economic terminology and makes accurate references to Model One. |
| (b)(i) | The increase in infrastructure spending is a direct injection into the economy and an increase in the flow of G or I. None of the spending will be saved so the increase in RGDP will be higher.<br>A tax cut is not a direct injection into the circular flow. Before it is spent, some of the increased disposable income will be saved (17c per extra $1), so the increase in consumption and then income will be less. | Explains that infrastructure spending is a bigger increase by identifying ONE of:<br>• infrastructure is an increase in G or I<br>• is a direct injection into the CFM / Model One<br>• tax cut is not a direct injection into the CFM / Model One.<br>OR<br>• All spending will enter the CFM with spending on infrastructure as none will leak into saving, so this will have a greater impact. | Explains in detail that infrastructure spending is a bigger increase by identifying TWO of:<br>• infrastructure is an increase in G or I components of AD<br>• is a direct injection into the CFM / Model One<br>• tax cut is not a direct injection into the CFM / Model One<br>AND<br>• refers to Model One. | Explains in detail that infrastructure spending is a bigger increase by identifying ALL of:<br>• infrastructure is an increase in G or I components of AD<br>• is a direct injection into the CFM / Model One<br>• tax cut is not a direct injection into the CFM / Model One.<br>• infrastructure will not incur leakage so all into CF<br>AND<br>• uses correct economic terminology and makes accurate references to the multiplier / Model One. |

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| (ii) | Infrastructure spending increases the economy's capacity through increased capital goods, especially roads, telecommunications, bridges etc. These all increase national productivity as not only households get access to education and healthcare increasing human capital but also firms find it easier to do business with improved transport and telecommunication links.<br>Increased productivity will increase the real flows of goods and services with a correspondingly smaller increase in the flow of income, as firms can produce more with less costs (resources).<br>This will lead to a greater increase in the real flow of goods and services in the future, increasing economic growth.<br>Accept other valid response. | Explains:<br>• infrastructure spending increases long-run economic growth by increasing capacity / productivity in the future.<br>• Or other explanation why it could be long term, e.g. impacts more areas of economy / creating jobs/providing income / increasing labour health/education / productivity | Explains in detail:<br>• infrastructure spending increases long-run economic growth by increasing capacity / productivity in the future, with a reason.<br>For example, lower costs, produce more with less so greater real flows possible<br>• spending on further income producing items.<br>AND<br>• refers to Model One / multiplier. | Explains in detail:<br>• infrastructure spending increases long-run economic growth by increasing capacity / productivity in the future, with a reason and examples (i.e. refers to resource material).<br>For example, roads, trains, schools, or hospitals.<br>AND<br>• Uses correct economic terminology and makes accurate references to the multiplier / Model One (not ADAS). |
| (c) | Signing an FTA, such as the one with the EU, could lead to an increase in spending on imports, increasing the flow of import payments.<br>This is a withdrawal in the CFM, Model One, leading to the increases in income and consumption from infrastructure spending or tax reduction leaking out of the economy, reducing the final increase in RGDP.<br>Multiplier becomes (1/mps + mpm) | Explains multiplier slows down and the final increase in RGDP lower because:<br>• FTAs could lead to increased flow on import payments<br>OR<br>• import payments are a leakage (withdrawal) from CFM / Model One. | Explains in detail multiplier slows down and the final increase in RGDP lower because:<br>• FTAs could lead to increased flow on import payments<br>AND<br>• import payments are a leakage (withdrawal) from CFM / Model One<br>AND<br>• refers to Model One. | Explains in detail multiplier slows down and the final increase in RGDP lower because:<br>• FTAs could lead to increased flow on import payments<br>AND<br>• import payments are a leakage (withdrawal) from CFM / Model One<br>AND<br>• uses correct economic terminology and makes accurate references to the multiplier / Model One. |

| N1 | N2 | A3 | A4 | M5 | M6 | E7 | E8 |
|---|---|---|---|---|---|---|---|
| Very little Achievement evidence. | Some Achievement evidence, partial explanations. | Most Achievement evidence. | Nearly all Achievement evidence. | Some Merit evidence. | Most Merit evidence. | Excellence evidence.<br>One part may be weaker. | All points covered. |
| | | | | Must refer to Model One and the multiplier. | | Integrates relevant information from Model One, the multiplier, and the resource box into answer. | |

**N0** = No response; no relevant evidence.

| Q3 | Sample evidence | Achievement | Achievement with Merit | Achievement with Excellence |
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| (a)(i) | See Appendix. | Plots X correctly (must be below 0). | | |
| (ii) | X is plotted below zero / where RGDP % change is negative indicating a recession.<br>A recession is two consecutive quarters of negative real GDP.<br>The resource material states economic activity declined for three out of four quarters, or all if using RGDP per capita, therefore New Zealand is in a recession. | Explains:<br>• New Zealand is in a recession, with reference to RGDP being negative / below zero<br>OR<br>• correct definition of a recession | Explains in detail:<br>• New Zealand is in a recession, with reference to RGDP being negative / below zero<br>AND<br>• Correct definition of recession being negative not just declining.<br>AND<br>• refers to the resource material. | Explains in detail:<br>• New Zealand is in a recession, with reference to RGDP being negative / below zero<br>AND<br>• Use of correct definition.<br>AND<br>• refers to the resource material<br>AND<br>• uses correct economic terminology and makes accurate references to Model Two. |
| (b)(i) | See Appendix. | Shows and correctly labels a decrease in AD, lower output (Y), and price level (PL). | Shows and correctly labels a decrease in AD, lower output (Y) and price level (PL).<br>Labels change in RG, RG to $RG_1$, | |
| (b)(ii) | Consumption is likely to fall. House prices falling decreases households' wealth (i.e. value of major asset) leading to decreased confidence and increased savings and / or decreased spending on goods and services.<br>Lower C will decrease aggregate demand from AD to $AD_1$.<br>Lower aggregate demand decreases inflation as the price level falls from PL to $PL_1$.<br>Real GDP also falls from Y to $Y_1$, increasing the recessionary gap from Y to YF to $Y_1$ to YF or RG to $RG_1$, leading to employment decreasing as the demand for labour falls with lower production. | Explains ONE of:<br>• fall in AD due to a fall in C from house prices falling<br>• lower AD leads to a fall in inflation / PL falling /deflation/disinflation<br>• lower AD leads to a fall in employment due to Y falling / Y to Yf increasing/increase unemployment | Explains in detail:<br>• fall in AD due to a fall in C from house prices falling with a valid reason eg decreased confidence, neg wealth<br>OR<br>• lower AD leads to a fall in inflation<br>AND<br>• lower AD leads to a fall in employment due to Y falling / Y to YF increasing and the idea of less | Explains in detail:<br>• fall in AD due to a fall in C from house prices falling. Explain why C declines eg negative wealth effect<br>AND<br>• lower AD leads to a fall in inflation<br>AND<br>• lower AD leads to a fall in employment due to Y falling / Y to YF increasing and the idea of less |

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| | | | produced / less demand for resources / derived demand. | produced / less demand for resources/derived demand<br>AND<br>• uses correct economic terminology and makes accurate reference to Graph Two. |
| (c)(i) | See Appendix. | Shows and labels correctly a fall in AS, output should fall (Y) and price level increase (PL). | Shows and labels correctly a fall in AS, output should fall (Y) and price level increase (PL).<br>Labels change in RG, RG to $RG_1$. | |
| (ii) | Higher fuel costs will cause costs of production to increase for many firms as it costs more to transport goods and services. This will lead to lower profitability for many firms, leading to a fall in AS from AS to $AS_1$.<br>A fall in AS increases the price level from PL to $PL_1$, leading to cost push inflation.<br>Employment falls as with less produced, real GDP falls from Y to $Y_1$, the recessionary gap increases from Y to YF to $Y_1$ to Yf, or RG to $RG_1$.<br>NB: Could allow a very good explanation of AD falls, less discretionary spending, more spent on necessity – petrol / transport. | Explains ONE of:<br>• fall in AS due to an increase in costs (costs for production) for firms<br>• lower AS leads to an increase in inflation / PL increasing<br>• lower AS leads to a fall in employment due to Y falling / Y to Yf increasing. | Explains in detail:<br>• fall in AS due to an increase in costs (costs for production) for firms, leading to reduced profitability / includes example of transport costs rising<br>AND<br>• lower AS leads to an increase in inflation / PL increasing<br>OR<br>• lower AS leads to a fall in employment due to Y to YF increasing, and the idea of less produced / less demand for resources. | Explains in detail:<br>• fall in AS due to an increase in costs (costs for production) for firms, leading to reduced profitability and includes example of transport costs rising or how it is used on production<br>AND<br>• lower AS leads to an increase in inflation / PL increasing<br>AND<br>• lower AS leads to a fall in employment due to Y to YF increasing, and the idea of less produced / less demand for resources<br>AND<br>• uses correct economic terminology and makes accurate reference to Graph Three. |

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| (d) | **Employment.** Both lower house prices and higher petrol prices are likely to cause employment to fall, as seen by the increase in the recessionary gap from Yf to Y to Yf to $Y_1$ or RG to $RG_1$ on both Graph Two and Graph Three.<br>This is because both situations cause output to fall, which means less demand for resources like labour.<br><br>**Inflation / price stability.** Lower house prices cause deflationary pressure, as seen by the fall in PL to $PL_1$ on Graph Two. Higher fuel prices cause inflation, as seen by the increase in PL to $PL_1$ on Graph Three.<br><br>**Which has a greater impact:**<br>Fuel prices will have less of an effect on New Zealand's declining economic activity because they might not affect all firms and / or some may absorb the cost, especially as the country comes out of the pandemic, as they don't want to lose customers. The fall in aggregate supply from AS to $AS_1$ in Graph Three is small, so the effect on inflation and employment is smaller.<br>Falling house prices are likely to have a greater effect as around 60% of New Zealand households own homes and / or since C is the largest part of AD this can cause quite a large fall in AD, while the decrease in AS may be smaller. This means the deflationary pressure and decrease in employment is larger.<br><br>**Or another valid response.** | Explains:<br>• both situations cause employment to fall, with a reason or refers to Graph Two and Graph Three<br>OR<br>• lower house prices cause deflationary pressure (deflation, disinflation, reduce inflation), while higher fuel prices cause inflation, with a reason or refers to Graph Two and Graph Three. | Explains:<br>• both situations cause employment to fall, with a reason and refers to Graph Two and Graph Three<br>AND<br>• lower house prices cause deflationary pressure (deflation, disinflation, reduce inflation), while higher fuel prices cause inflation, with a reason and refers to Graph Two and Graph Three<br>OR<br>• which situation will have a greater impact on economic activity with a valid reason why. | Explains in detail:<br>• which situation will have a greater impact on economic activity with a valid reason why<br>AND<br>• links this to the change in employment and price stability<br>AND<br>• uses correct economic terminology and makes accurate reference to Graph Two and Graph Three. |

| N1 | N2 | A3 | A4 | M5 | M6 | E7 | E8 |
|---|---|---|---|---|---|---|---|
| Very little Achievement evidence. | Some Achievement evidence, partial explanations. | Most Achievement evidence. | Nearly all Achievement evidence. | Some Merit evidence. | Most Merit evidence. | Excellence evidence.<br>One part may be weaker. | All points covered. |
| | | | | Must refer to Graph Two or Graph Three. | | Integrates relevant information from Graph Two, Graph Three, and the resource information into the answer. | |

**N0** = No response; no relevant evidence.

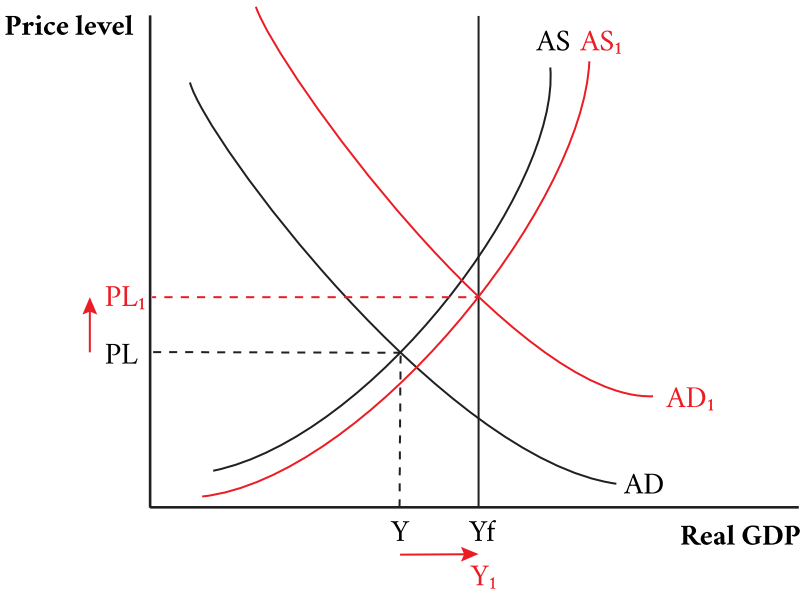
## Cut Scores

| Not Achieved | Achievement | Achievement with Merit | Achievement with Excellence |
|---|---|---|---|
| 00–07 | 08–12 | 13–18 | 19–24 |

## Appendix

### Question One (a)(i)

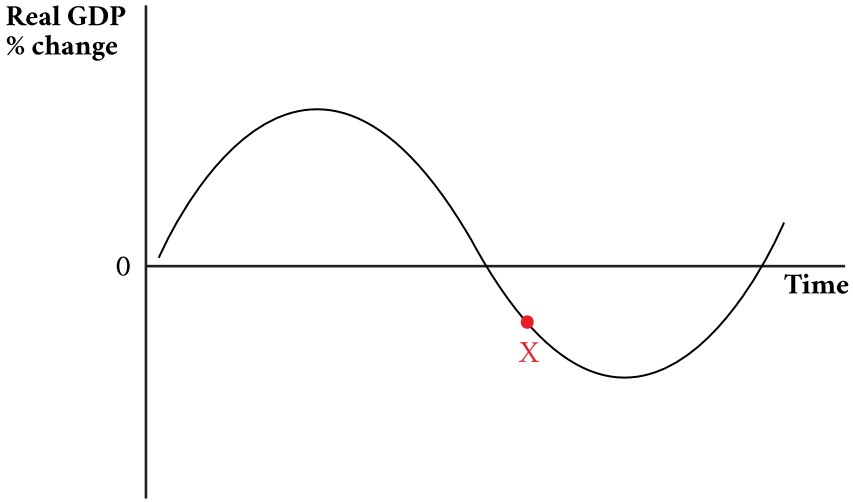
**Graph One: The New Zealand economy**




Okay if student has increased Yf to show increased capacity.

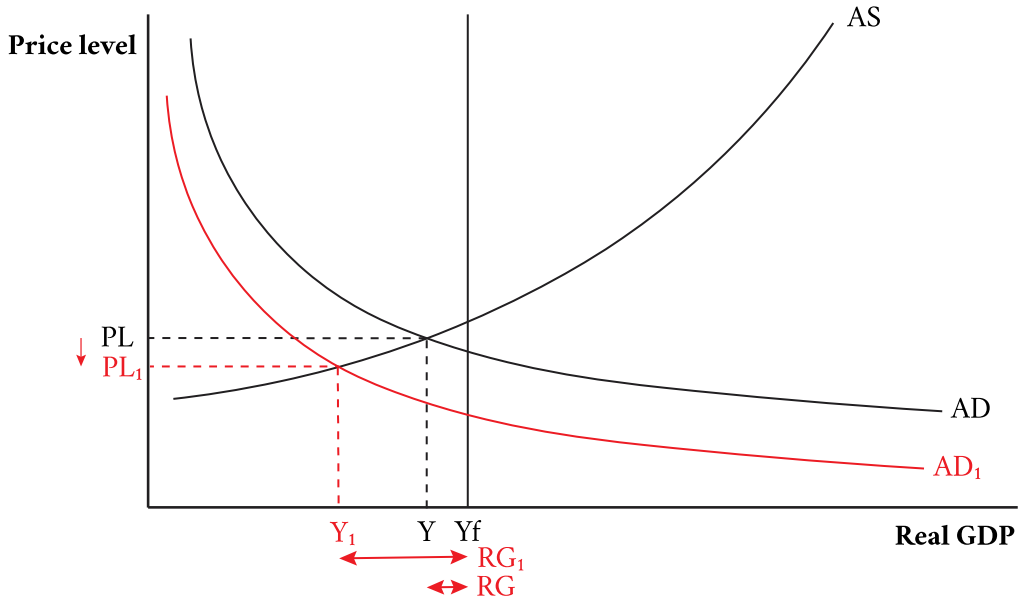
### Question Three (a)(i)

**Model Two: The business cycle**



**Question Three (b)(i)**

**Graph Two: The New Zealand economy with falling house prices**




**Question Three (c)(i)**

**Graph Three: The New Zealand economy with higher fuel prices**