

## Assessment Schedule – 2025

### Economics: Analyse inflation using economic concepts and models (91222)

#### Assessment Criteria

| Achievement   | Achievement with Merit   | Achievement with Excellence  |
|---|--|--|
| <p><i>Analyse inflation</i> involves:</p> <ul style="list-style-type: none"> <li>• <b>identifying, defining, or describing</b> inflation concepts</li> <li>• <b>explaining</b> the causes of changes in inflation using economic models</li> <li>• <b>explaining</b> the impacts of changes in inflation on various groups in New Zealand society.</li> </ul> | <p><i>Analyse inflation <b>in depth</b></i> involves:</p> <ul style="list-style-type: none"> <li>• <b>explaining, in detail</b>, the causes of changes in inflation, using economic models</li> <li>• <b>explaining, in detail</b>, the impacts of changes in inflation on various groups in New Zealand society.</li> </ul> | <p><i>Analyse inflation <b>comprehensively</b></i> involves:</p> <ul style="list-style-type: none"> <li>• <b>analysing</b> causes of changes in inflation by <b>comparing</b> and / or <b>contrasting</b> their impact on inflation</li> <li>• <b>analysing</b> the impacts of changes in inflation by <b>comparing</b> and / or <b>contrasting</b> the impact on various groups in New Zealand society</li> <li>• <b>integrating</b> changes shown on economic models into <b>detailed</b> explanations.</li> </ul> |

#### Cut Scores

| Not Achieved | Achievement | Achievement with Merit | Achievement with Excellence |
|--------------|-------------|------------------------|-----------------------------|
| 0–6          | 7–13        | 14–18                  | 19–24                       |



**Evidence**

| Q1  | Evidence  | Achievement  | Achievement with Merit  | Achievement with Excellence |
|-----|---|--|---|-----------------------------|
| (a) | AD decreases to AD <sub>1</sub> . See Appendix.   | Graph One correct and fully labelled.                                      |   |                             |
| (b) | A decrease in the number of people in New Zealand who are employed will result in a decrease in consumer spending, which is a component of aggregate demand. Therefore, AD decreases to AD <sub>1</sub> and price level decreases to PL <sub>1</sub> , resulting in a decrease in the rate of inflation (or deflation).   | Identifies that AD decreases due to a decrease in consumer spending.       | Explains the decrease in AD due to a decrease in consumer spending, with reference to Graph One.    |                             |
| (c) | AS increases to AS <sub>1</sub> . See Appendix.   | Graph Two correct and fully labelled.                                      |   |                             |
| (d) | Decreasing petrol prices result in a decrease in the costs of production for all businesses that utilise petrol / delivery in their production processes. Businesses will increase production to maximise their profitability, increasing AS to AS <sub>1</sub> . Price level will decrease to PL <sub>1</sub> , resulting in a decrease in the rate of inflation (or deflation). | Identifies that AS increases due to a decrease in the costs of production. | Explains the increase in AS due to the decreasing costs of production, with reference to Graph Two. |                             |

|     |   |  |  |  |
|-----|---|--|--|--|
| (e) | <p>Both decreasing petrol prices and job losses in New Zealand cause a decrease in the rate of inflation. However, the decrease in consumer spending because of job losses is likely to be temporary and less significant compared to the impact of falling petrol prices.</p> <p>People who have lost their jobs will only experience a decrease in their consumer spending while they search for new employment. Some may seek transfer payments to enable them to continue purchasing essential goods and services. Therefore, the decrease in consumer spending may not be significant or long lasting, resulting in a relatively smaller decrease in AD and rate of inflation.</p> <p>In comparison, petrol prices affect most businesses across New Zealand due to a reliance on transport and delivery services. The costs of production will thus be lower for many New Zealand businesses leading to a large increase in AS and relatively larger decrease in the price level.</p> <p><b>Note:</b> Arguments about job losses, with a reasoned argument, were also accepted.</p> |  |  | <p>Fully explains why job losses and the decrease in consumer spending may have a comparatively smaller impact on inflation than a decrease in petrol prices and costs of production, integrating changes made to Graph One and Graph Two.</p> |
|-----|---|--|--|--|

| N1                                | N2                         | A3                         | A4                               | M5                   | M6                   | E7                        | E8                        |
|-----------------------------------|----------------------------|----------------------------|----------------------------------|----------------------|----------------------|---------------------------|---------------------------|
| Very little Achievement evidence. | Some Achievement evidence. | Most Achievement evidence. | Nearly all Achievement evidence. | Some Merit evidence. | Most Merit evidence. | Some Excellence evidence. | Most Excellence evidence. |

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

| Q2  | Evidence  | Achievement  | Achievement with Merit  | Achievement with Excellence   |
|-----|---|--|---|---|
| (a) | Deflation is a decrease in the price level and is represented by a negative inflation rate. Disinflation is a decrease in the rate of inflation.<br>Although a 2.2% inflation rate is significantly lower than 7.3%, it is still an increase in the price level (disinflation) rather than a decrease (deflation).  | Defines deflation and disinflation.  | Explains the difference between deflation and disinflation, using the inflation rates given.                                      |   |
| (b) | Reasons could include: <ul style="list-style-type: none"> <li>Allows consumers and businesses to make better decisions about spending, saving, and investment as they have more confidence.</li> <li>Stable prices encourage investment and therefore economic growth.</li> </ul>   | Identifies one reason why lower inflation is good for the economy.   | Explains a reason why lower inflation is good for the economy.  |   |
| (c) | Decreasing interest rates make it easier for households and businesses to access funds, as the cost of borrowing is cheaper. This promotes greater spending by both households and businesses, increasing the velocity of circulation.  | Links lower interest rates with higher spending.   | Explains why the velocity of circulation will increase.   |   |
| (d) | The quantity theory of money states that $MV = PQ$ .<br>Decreasing interest rates causes an increase in the velocity of circulation. If money supply and real output are held constant, the increase in $V$ will cause a proportionate increase in the price level, and therefore inflation will rise.<br>However, if real GDP ( $Q$ ) increases, this will impact the relative size of the change in the price level and therefore inflation. If $V$ increases by a higher rate than $Q$ , then the price level will increase. If $V$ and $Q$ both increase by 2.5% then there will be no change in the price level. | Correctly identifies the equation of exchange.<br>Explains that an increase in $V$ will cause an increase in $P$ . | Uses the correctly identified equation of exchange to explain how an increase in $V$ will cause a proportionate increase in $P$ . | Fully explains that the size of the change in the price level and inflation will depend on how the forecasted change in $Q$ compares to change in $V$ . |

| N1                                | N2                         | A3                         | A4                               | M5                   | M6                   | E7                        | E8                        |
|-----------------------------------|----------------------------|----------------------------|----------------------------------|----------------------|----------------------|---------------------------|---------------------------|
| Very little Achievement evidence. | Some Achievement evidence. | Most Achievement evidence. | Nearly all Achievement evidence. | Some Merit evidence. | Most Merit evidence. | Some Excellence evidence. | Most Excellence evidence. |

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

| Q3  | Evidence   | Achievement  | Achievement with Merit  | Achievement with Excellence  |
|-----|--|--|---|--|
| (a) | Consumers price index.   | Correctly identified.  |   |  |
| (b) | The consumers price index measures the changes in price of a weighted basket of goods and services. The total cost of this basket of goods and services is compared over time and the percentage change is calculated to give the rate of inflation.   | Identifies that there is a weighted basket of goods and services.  | Explains how the CPI measures inflation.  |  |
| (c) | Households have different spending patterns so the impact of inflation on a household will depend on what goods and services they purchase. For example, an increase in food prices will contribute to a CPI increase, but households that grow a lot of their own food will not be affected as much as a household that does not grow any of their own food.  | Identifies that not all households spend on the same goods and services.   | Explains why households are not affected equally, using an example.   |  |
| (d) | Government revenue will increase due to higher prices leading to higher GST payments as it is a fixed proportion of the sale price. Higher inflation will also push workers into higher tax brackets, leading to higher income tax paid to the government (fiscal boost).  | Identifies a reason why government revenue will increase (higher GST or higher income tax).  | Explains why government revenue will increase.  |  |
| (e) | <p>Low-income households are likely to be spending their entire income on goods and services to survive, such as food and housing. They will find it difficult to pay the higher prices of goods and services and may have to reduce consumption of some essential goods and services. As they may be receiving a government welfare payment have a or minimum wage job, they will be unable to receive higher pay to compensate for the increase in prices.</p> <p>High-income households are also likely to be negatively affected but will not have to reduce consumption of essential goods and services as they will have income left over to pay the higher prices, or can reduce consumption of luxury goods and services. They may also be more able to negotiate pay increases to cover the higher inflation. They are more likely to own their own homes and therefore not have to pay higher rents, and if they own rental properties can increase the rents they charge.</p> | <p>Explains a reason why low-income households are worse off due to higher inflation.</p> <p>OR</p> <p>Explains an impact of higher inflation on high-income households.</p> | <p>Explains why low-income households will be worse off.</p> <p>AND</p> <p>Explains why high-income households will be worse off.</p> | <p>Compares and contrasts the impact of higher inflation on low-income and high-income households by explaining that the impact of high inflation will be worse for low-income households.</p> |

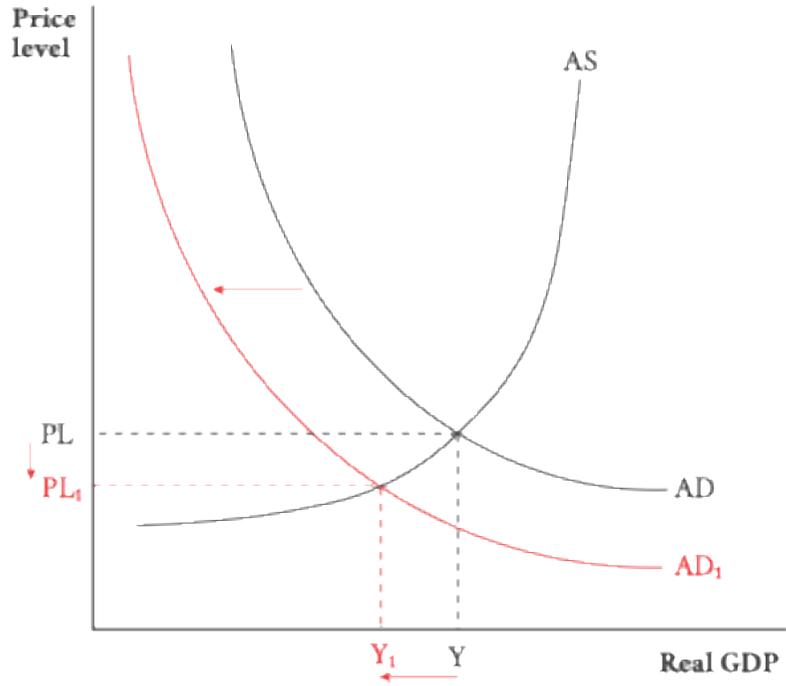
| <b>N1</b>                         | <b>N2</b>                  | <b>A3</b>                  | <b>A4</b>                        | <b>M5</b>            | <b>M6</b>            | <b>E7</b>                 | <b>E8</b>                 |
|-----------------------------------|----------------------------|----------------------------|----------------------------------|----------------------|----------------------|---------------------------|---------------------------|
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**N0** = No response; no relevant evidence.

Appendix

Question One (a)

Graph One: AS/AD model of the New Zealand economy



Question One (c)

Graph Two: AS/AD model of the New Zealand economy

