

Assessment Schedule – 2025

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

Assessment Criteria

Achievement	Achievement with Merit	Achievement with Excellence
<p><i>Demonstrating understanding of macro-economic influences on the New Zealand economy involves:</i></p> <ul style="list-style-type: none"> • providing an explanation of the current state of the New Zealand economy in relation to macro-economic goals • identifying, defining, calculating, and describing or providing an explanation of macro-economic influences on the New Zealand economy • using an economic model(s) to illustrate concepts relating to macro-economic influences on the New Zealand economy. 	<p><i>Demonstrating in-depth understanding of macro-economic influences on the New Zealand economy involves:</i></p> <ul style="list-style-type: none"> • providing a detailed explanation of 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. 	<p><i>Demonstrating comprehensive understanding of macro-economic influences on the New Zealand economy involves:</i></p> <ul style="list-style-type: none"> • comparing and / or contrasting: <ul style="list-style-type: none"> - 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 - 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 • 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
(a)(i)	<p>China and Australia are New Zealand’s largest trading partners, first and second for demanding and supplying imports and exports.</p> <p>A recession in both countries could decrease household incomes and domestic consumption, especially for luxury imports, which will likely decrease the demand for New Zealand’s exports.</p> <p>This decreases the real flow of exports from producers to overseas on Model One.</p> <p>This will decrease money flow (and injection) of export receipts from overseas to producers, negatively affecting New Zealand’s economy.</p>	<p>Explains with TWO of:</p> <ul style="list-style-type: none"> China and Australia are both important for New Zealand’s trade, with a reason <p>OR</p> <ul style="list-style-type: none"> recession will cause demand for exports to fall, with a reason <p>OR</p> <ul style="list-style-type: none"> recession will cause export receipts to fall, negatively affecting New Zealand’s economy. 	<p>Explains in detail with TWO of:</p> <ul style="list-style-type: none"> China and Australia are both important for New Zealand’s trade, with a detailed reason recession will cause demand for exports to fall, with a detailed reason recession will cause export receipts to fall, negatively affecting New Zealand’s economy. <p>AND refers to Model One.</p>	<p>Explains comprehensively with ALL of:</p> <ul style="list-style-type: none"> China and Australia are both important for New Zealand’s trade, with a detailed reason recession will cause demand for exports to fall, with a detailed reason recession will cause export receipts to fall, negatively affecting New Zealand’s economy. <p>AND uses correct economic terminology and makes accurate references to Model One.</p>
(ii)	<p>The current account balance is made up of the balance of goods and the balance of services (or more accurately, balance of goods, balance of services, balance of income, and balance of current transfers).</p> <p>A decrease in export receipts, with no change in import payments, will decrease the balance of goods and services. This worsens the current account balance and deficit, which will not help to achieve the Government’s goal of a balanced current account.</p>	<p>Explains with ONE of:</p> <ul style="list-style-type: none"> a correct description of the current account a decrease in export receipts will decrease the balance of goods and services (or net exports), which reduces the current account a reduced current account / worsened deficit will not help to achieve the Government’s goal of a balanced current account. 	<p>Explains in detail:</p> <ul style="list-style-type: none"> a correct description of the current account <p>AND</p> <ul style="list-style-type: none"> a decrease in export receipts will decrease the balance of goods and services, which reduces the current account <p>AND</p> <ul style="list-style-type: none"> a reduced current account / worsened deficit will not help to achieve the Government’s goal of a balanced current account. <p>AND makes some reference to Model One to support explanations.</p>	<p>Explains comprehensively:</p> <ul style="list-style-type: none"> a correct description of the current account <p>AND</p> <ul style="list-style-type: none"> a decrease in export receipts, with no change in import payments, or a decrease in imports (since NZ is also in recession) will decrease the balance of goods and services, which reduces the current account. <p>AND</p> <ul style="list-style-type: none"> Links a reduced current account / worsened deficit will not help to achieve the Government’s goal of a balanced current account. <p>AND uses correct economic terminology and makes</p>

				accurate references to Model One to support explanations.
(b)(i)	See Appendix.	Labels: <ul style="list-style-type: none"> a fall in AD, PL, and Y. 	Labels: <ul style="list-style-type: none"> a fall in AD, PL, and Y the recessionary gap, RG to RG₁. 	
(b)(ii)	<p>A recession in two of New Zealand’s major trading partners will cause demand for NZ products to fall, so exports and export receipts will decrease. A fall in export receipts will decrease aggregate demand in NZ from AD to AD₁, since $AD = C+I+G+(X-M)$, assuming the other variables do not increase to offset the fall in X.</p> <p>As a result, real GDP will fall from Y to Y₁. With less being produced, the demand for labour will fall, increasing the recessionary gap from Y_f-Y to Y_f-Y₁, which increases unemployment / decreases employment.</p> <p>Since unemployment is still increasing and employment is declining, it will be harder for the Government to achieve its goal of full employment.</p>	<p>Explains:</p> <ul style="list-style-type: none"> export receipts will fall and AD falls <p>AND</p> <ul style="list-style-type: none"> the recessionary gap increases <p>OR</p> <ul style="list-style-type: none"> unemployment increases (employment falls). 	<p>Explains in detail:</p> <ul style="list-style-type: none"> export receipts will fall, with a reason why, and AD falls <p>AND</p> <ul style="list-style-type: none"> the recessionary gap increases unemployment increases (employment falls), with a reference to the derived demand idea. <p>AND makes some reference Graph One to support explanations.</p>	<p>Explains comprehensively ALL OF:</p> <ul style="list-style-type: none"> export receipts will fall, with a reason why, and AD falls The recessionary gap increases, unemployment increases (employment falls), with a reference to the derived demand idea this will make it harder for the Government to achieve full employment. <p>AND uses correct economic terminology and integrates accurate references to Graph One and the resource material to support explanations.</p>

<p>(c)</p>	<p>A recession in China or Australia is likely to have a temporary effect on the current account balance as it may cause the exchange rate for the NZ dollar to depreciate, due to decreased demand.</p> <p>A weaker NZ Dollar will help offset the fall in exports brought about by the decreased demand from trading partners going through a recession. This is because a depreciation of the NZ Dollar makes New Zealand exports relatively cheaper, leading to increased demand for exports, which means export receipts increase and / or the value of export receipts gained will increase when converted to NZ Dollars. As export receipts increase, <i>ceteris paribus</i>, the current account improves.</p> <p>On the other hand, a weaker NZ Dollar makes imports relatively more expensive, leading to demand for imports decreasing. Import payments decreasing, coupled with the increase in export receipts, will improve the current account. If initially in a deficit, New Zealand's current account deficit will reduce in size, or even become a surplus, meaning a recession in China and Australia will have only a temporary effect on New Zealand's current account position.</p> <p>Another valid response: A recession in China and Australia may be temporary. It might lead to a recession in New Zealand, which would decrease demand for imports, decreasing the flow on import payments. This helps to improve the current account.</p>	<p>Explains ONE of:</p> <ul style="list-style-type: none"> • a decrease in demand for exports causes a depreciation of the NZ Dollar • the effect on the current account is temporary, linked to export receipts increasing • the effect on the current account is temporary, linked to import payments decreasing. 	<p>Explains in detail ONE of:</p> <ul style="list-style-type: none"> • the effect on the current account is temporary, with a detailed explanation of why export receipts would increase – depreciation • the effect on the current account is temporary, with a detailed explanation of why import payments would decrease. <p>AND makes some reference to Model One or the resource material to support explanations.</p>	<p>Explains comprehensively the effect on the current account is temporary, with a detailed explanation of:</p> <ul style="list-style-type: none"> • why export receipts would increase • the effect on the current account is temporary, with a detailed explanation of why import payments would decrease. <p>AND uses correct economic terminology and integrates accurate references to Model One and the resource material to support explanations.</p>
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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. One part may be weaker.	All points covered.

N0 = No response; no relevant evidence.

Q2	Sample evidence	Achievement	Achievement with Merit	Achievement with Excellence
(a)	<p>Multiplier = $\frac{1}{0.15}$ = 6.67</p> <p>$\\$9.97b \times 6.67 = \\$66.5b$ increase in real GDP.</p> <p>The new spending of \$9.97b on health and education will increase real GDP and economic growth by \$66.5b.</p> <p>This is based on the idea that one person's spending is another person's income. For each additional dollar earned, 15c will be saved, while 85c will be spent. Government spending on health and education will create further income that is then re-spent, potentially circulating 6.67 times (the multiplier) around the economy, ultimately increasing real GDP and economic growth by \$66.5b.</p>	<p>Explains the increase in real GDP / economic growth, with TWO of:</p> <ul style="list-style-type: none"> identifies multiplier identifies the correct final change in RGDP explains the idea that Government spending increases incomes, which is then respent explains the idea of one person's income being another person's spending. 	<p>Explains in detail the increase in real GDP / economic growth, with TWO of:</p> <ul style="list-style-type: none"> identifies multiplier AND identifies correct final change in RGDP explains the idea of Government spending creating further income, which is then respent explains the idea of one person's income being another person's spending. <p>AND makes some reference to the multiplier.</p>	<p>Explains in detail the increase in real GDP / economic growth, with ALL of:</p> <ul style="list-style-type: none"> identifies multiplier AND identifies correct final change in RGDP explains the idea of Government spending creating further income, which is then respent explains the idea of one person's income being another person's spending. <p>AND uses correct economic terminology and integrates accurate reference to the multiplier.</p>
(b)(i) and (ii)	<p>Fall in export receipts \times multiplier = final decrease in real GDP</p> <p>$-\\$273m \times 6.67 = -\\$1.82b$</p> <p>A fall in visitor spending (or export receipts) of \$273m will potentially lead to a final decrease of \$1.82b in real GDP and economic growth.</p> <p>This is based on the idea that one person's spending is another person's income, and less visitor spending means less income in the tourism industry. For each dollar of lost income, 85c less will be spent. Less spending by one person means less income for another. The reduction in spending and income will continue 6.67 times (the multiplier) until real GDP and economic growth are reduced by \$1.82b.</p>	<p>Explains the decrease in real GDP / economic growth, with TWO of:</p> <ul style="list-style-type: none"> identifies multiplier AND identifies correct final change in real GDP explains the idea that less export receipts decreases incomes in the tourism industry explains the idea of less spending for one person being less income for another person. 	<p>Explains in detail the decrease in real GDP / economic growth, with TWO of:</p> <ul style="list-style-type: none"> identifies multiplier AND identifies correct final change in real GDP explains the idea of decreased visitor spending or export receipts decreasing incomes in the tourism industry explains one person's spending is another's income, hence less spending by one person equals less income for another. <p>AND makes some reference to the multiplier.</p>	<p>Explains comprehensively the decrease in real GDP / economic growth, with ALL of:</p> <ul style="list-style-type: none"> identifies multiplier AND identifies correct final change in real GDP explains the idea of decreased visitor spending or export receipts decreasing incomes in the tourism industry links to one person's spending is another's income, hence less spending by one person equals less income for another refers to for every \$1 lost in income, 85c less is being spent.

				AND uses correct economic terminology and integrates accurate reference to the multiplier.
(c)	<p>In the long term, both the increased spending on health and education and the increased International Visitor Conservation and Tourism Levy (IVL) could increase real GDP and economic growth.</p> <p>The increased spending on healthcare and education can increase human capital and therefore productivity. This means firms will produce more and probably hire more workers, leading to increases in income and spending, ultimately increasing real GDP and economic growth.</p> <p>The increased levy can be used to ensure public services and conservation projects are well maintained, which will continue to attract International tourists in the future. This will continue to increase export receipts, which should lead to increased employment and increased income and spending, increasing real GDP and economic growth.</p> <p>Other countries are also increasing their border levies, so tourists are unlikely to be put off and visitor numbers will not fall. Export receipts will not fall, or not fall as much, so the effect on economic growth may not be negative.</p> <p>Accept other valid responses.</p>	<p>Explains that long-term economic growth could increase with ONE of:</p> <ul style="list-style-type: none"> • health and education spending will increase productivity • the IVL pays for infrastructure / public services to attract visitors • other countries are increasing levies as well, so no, or a smaller, fall in real GDP. 	<p>Explains that long-term economic growth could increase with ONE of:</p> <ul style="list-style-type: none"> • health and education spending will increase productivity, with a valid reason <p>the IVL pays for infrastructure / public services to attract visitors, with a valid reason</p> <ul style="list-style-type: none"> • other countries are increasing levies as well, so no, or a smaller, fall in real GDP, with a valid reason. <p>AND makes some reference to Model Two / the resource material.</p>	<p>Explains that long term economic growth could increase with TWO of:</p> <ul style="list-style-type: none"> • health and education spending will increase productivity, with a valid reason • the IVL pays for infrastructure / public services to attract visitors, with a valid reason • other countries are increasing levies as well, so no, or a smaller, fall in real GDP, with a valid reason. <p>AND uses correct economic terminology and integrates accurate references to the resource material.</p>

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. Must refer to Model One and the multiplier.	Most Merit evidence.	Excellence evidence. One part may be weaker. Integrates relevant information from the multiplier and the resource box into answer.	All points covered.

N0 = No response; no relevant evidence.

Q3	Sample evidence	Achievement	Achievement with Merit	Achievement with Excellence
(a)	Expansionary monetary policy (EMP) refers to the RBNZ reducing the OCR. A lower OCR will reduce overnight interbank lending rates. Banks will then pass on lower lending costs by reducing interest rates.	Explains: <ul style="list-style-type: none"> EMP reduces the OCR. 	Explains in detail: <ul style="list-style-type: none"> EMP reduces the OCR, reducing bank lending rates, which is then passed on as lower interest rates. 	
(b)(i)	<p>Lower interest rates will lead to an increase in household consumption as savings decrease since the return is lower, so households will spend more of their income. The cost of borrowing is lower, which also incentivises households to spend more and increase consumption further. Additionally, debt repayment may be lower so many households may have higher discretionary incomes.</p> <p>Lower interest rates will also lead to an increase in investment spending by producers, as the cost of borrowing is lower compared to the potential profits from investment. (Potential future returns outweigh the current cost of investment.)</p> <p>As a result of C and I both increasing, aggregate demand increases from AD to AD₂ on Graph Two. The price level increases on Graph Two from PL to PL', showing demand pull inflation.</p>	Explains an increase in aggregate demand and an increase in inflation, with at least ONE of: <ul style="list-style-type: none"> consumption increases, with a valid reason, e.g. savings, debt repayment or cost of borrowing investment increases with a valid reason increase in PL and inflation. 	Explains in detail an increase in aggregate demand and an increase in inflation, with at least TWO of: <ul style="list-style-type: none"> consumption increases, with a detailed and valid reason investment increases, with a detailed and valid reason increase in price level, PL to PL', leads to higher (demand pull) inflation. <p>AND makes some reference to Graph Two.</p>	Explains in detail an increase in aggregate demand and an increase in inflation, with ALL of: <ul style="list-style-type: none"> consumption increases, with a detailed and valid reason investment increases, with a detailed and valid reason increase in price level, PL to PL', leads to higher (demand pull) inflation. <p>AND uses correct economic terminology and integrates correct changes to Graph Two into response.</p>
(b)(ii)	<p>A lower exchange rate will cause export receipts to increase as overseas earnings convert into more New Zealand Dollars and / or NZ made goods become relatively more affordable for overseas buyers, increasing the demand.</p> <p>Import payments will fall, however, since a lower dollar makes overseas-made goods relatively more expensive, decreasing the demand. As a result, net exports will increase leading to the large increase in aggregate demand, as seen by AD to AD₂ in Graph Two.</p> <p>Aggregate supply will also decrease since the lower exchange rate will increase the imported costs of production, leading to lower profitability. As a result, aggregate supply will decrease from AS to AS₂ on Graph Two and demand pull and cost push inflation will occur, as seen by the increase in the price level from PL to PL₂.</p>	Explains that EMP will increase inflation with at least ONE of: <ul style="list-style-type: none"> aggregate demand increases due to: <ul style="list-style-type: none"> export receipts increase, with a valid reason <p>AND / OR</p> <ul style="list-style-type: none"> import payments decrease, with a valid reason aggregate supply decreases due to cost of production increases. 	Explains in detail that EMP will increase inflation: <ul style="list-style-type: none"> inflation increases from PL to PL₂ as both aggregate demand increases and supply decreases, causing inflation <p>AND at least ONE of:</p> <ul style="list-style-type: none"> aggregate demand increases due to <ul style="list-style-type: none"> export receipts increase, with a detailed and valid reason import payments decrease, with a detailed and valid reason 	Explains in detail that EMP will increase inflation: <ul style="list-style-type: none"> inflation increases from PL to PL₂ as both aggregate demand increases and aggregate supply decreases, causing demand pull and cost push inflation <p>AND at least TWO of</p> <ul style="list-style-type: none"> aggregate demand increases due to: <ul style="list-style-type: none"> export receipts increase, with a detailed and valid reason

			<ul style="list-style-type: none"> • aggregate supply decreases due to cost of imported production increases with a valid reason why (or decrease profitability idea) <p>AND</p> <ul style="list-style-type: none"> • inflation increases from PL to PL₂ as both aggregate demand increases and aggregate supply decreases, causing demand pull and cost push inflation. <p>AND makes some reference to Graph Two.</p>	<ul style="list-style-type: none"> - import payments decrease, with a detailed and valid reason • aggregate supply decreases due to cost of imported production increases with a valid reason why, including decrease profitability idea. <p>AND uses correct economic terminology and integrates accurate references to Graph Two.</p>
(b) (iii)	<p>Price Stability will be achieved, despite the increase in both demand pull and cost push inflation from PL to PL₂, as the economy is operating at a large recessionary gap in Graph Two, which means there is spare capacity to absorb the increased spending. The resource material indicates inflation has already fallen to 2.2%, and that fewer jobs are being advertised, so the increase in inflation is likely to remain within the target of 1–3%.</p>	<p>Explains that price stability is still achieved, with ONE of:</p> <ul style="list-style-type: none"> • states PTA • economy has large recessionary gap / spare capacity • refers to resource material inflation falling to 2.2%. 	<p>Explains in detail that price stability is still achieved, with TWO of:</p> <ul style="list-style-type: none"> • explains PTA with reference to inflation increase on Graph Two and the idea of spare capacity • explains PTA with reference to inflation increase on Graph Two and the resource material. <p>AND some reference to Graph Two.</p>	<p>Comprehensively explains that price stability is still achieved, with ALL of:</p> <ul style="list-style-type: none"> • explains PTA with reference to inflation increase on Graph Two • links large recessionary gap to higher spare capacity and ability to absorb increased spending. <p>AND uses correct terminology and integrates accurate references to Graph Two and the resource material.</p>
(c)	<p>Unemployment falls in both Graph Two and Graph Three as RGDP / production increases from Y to Y₂ on Graph Two and Y to Y₃ on Graph Three, leading to more demand for labour, which means the recessionary gap falls from Y–Y_f to Y_f–Y₂ on Graph Two and Y_f–Y₃ on Graph Three.</p> <p>The fall in unemployment is greater in Graph Two, from Y_f–Y to Y_f–Y₂, since the recessionary gap is larger, meaning that there is much greater spare capacity, which means firms can increase production with few additional costs.</p>	<p>Explains ONE of:</p> <ul style="list-style-type: none"> • unemployment falls for both Graphs Two and Three • unemployment falls more in Graph Two. 	<p>Explains in detail ONE of:</p> <ul style="list-style-type: none"> • unemployment falls for both Graphs Two and Three, with a detailed reason why • fall in UE greater for Graph Two, with a detailed reason why. <p>AND makes some reference to Graphs Two and Three.</p>	<p>Explains in detail BOTH of:</p> <ul style="list-style-type: none"> • unemployment falls for both Graphs Two and Three, with a reason why • fall in UE greater for Graph Two, with a reason why. <p>AND uses correct economic terminology and integrates accurate references to Graphs Two and Three.</p>

<p>On Graph Three, the NZ economy is closer to Y_f, which means there is more inflationary pressure as spare capacity is limited. As a result, the decrease in unemployment from $Y_f - Y$ to $Y_f - Y_3$ is much smaller, as firms struggle to increase production further to match increased demand.</p>				
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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. One part may be weaker.	All points covered.

N0 = No response; no relevant evidence.

Cut Scores

Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
0–6	7–12	13–18	19–24

Appendix

Question One (b)(i)

Graph One: The New Zealand economy

