

91224



912240



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

2

SUPERVISOR'S USE ONLY

## Level 2 Economics, 2014

### 91224 Analyse economic growth using economic concepts and models

2.00 pm Wednesday 12 November 2014

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 parts of ALL 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 2–11 in the correct order and that none of these pages is blank.

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

**TOTAL**

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### Table One

Source: Statistics New Zealand.

- (a) Explain in detail the relationship between Nominal Gross Domestic Product and Real Gross Domestic Product. In your answer:
- explain in detail why Nominal Gross Domestic Production usually rises faster than Real Gross Domestic Production
  - use data from Table One.

### Table Two

Source: <https://data.undp.org/dataset/Table-1-Human-Development-Index-and-its-components>

- Use data provided in Table Two.

## QUESTION TWO: GOVERNMENT SPENDING ON INFRASTRUCTURE

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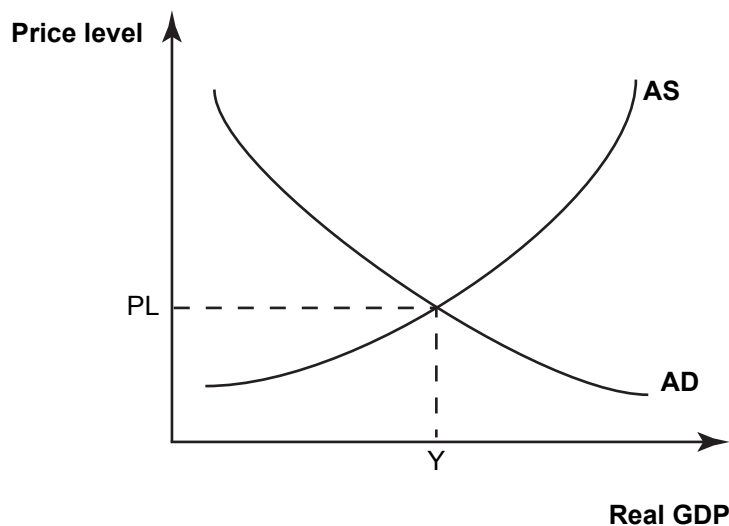
The Ultra-Fast Broadband Initiative is a government programme to expand and develop New Zealand's broadband services. Ultra-fast broadband will bring fibre optic technology to homes, schools, hospitals, marae, and businesses.

The government is contributing \$1.35 billion to the initiative, with significant amounts of private co-investment also being contributed by the government's Ultra-fast Broadband partners.

Source (adapted): <http://www.med.govt.nz/sectors-industries/technology-communication/fast-broadband/ultra-fast-broadband-initiative>

- (a) Explain in detail the impact of government ultra-fast broadband expenditure on Real GDP. In your answer:
- fully label Graph One below to show the impact of the \$1.35 billion that the government is spending on ultra-fast broadband
  - explain in detail how this government expenditure could affect Real GDP. Refer to the changes you have made on Graph One to support your answer.

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




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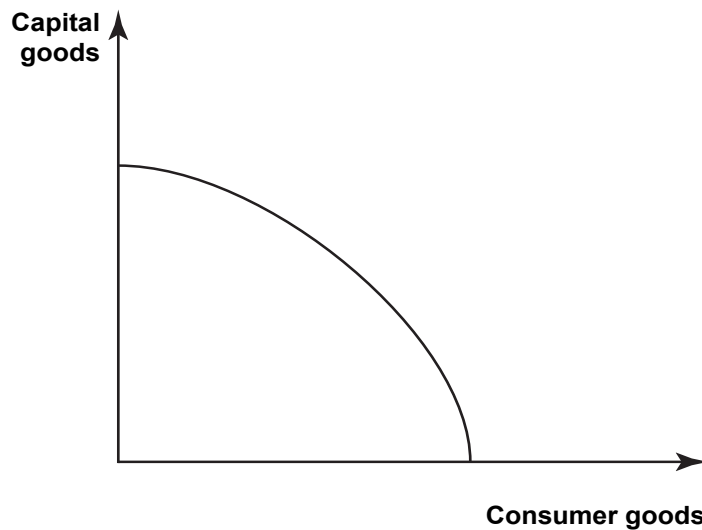
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- (b) Compare and contrast the impact of the change that the government expenditure will make on Real GDP over time. In your answer:
- explain in detail what type of businesses would have the largest positive impact during the installation phase of ultra-fast broadband
  - explain in detail what type of businesses would have the largest positive impact after the installation is completed
  - use the production possibility frontier model in Graph Two below to support your answer.

**Graph Two: Production possibility frontier**



**Question Two continues  
on the following page.**



### QUESTION THREE: THE IMPACT OF A RECOVERY IN THE US ECONOMY

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#### US and Europe are leading economic recovery, Asian Financial Forum told

The United States and Europe are leading the recovery in global economic growth, the heads of banks, corporations, and development agencies said at the seventh annual Asian Financial Forum in Hong Kong yesterday.

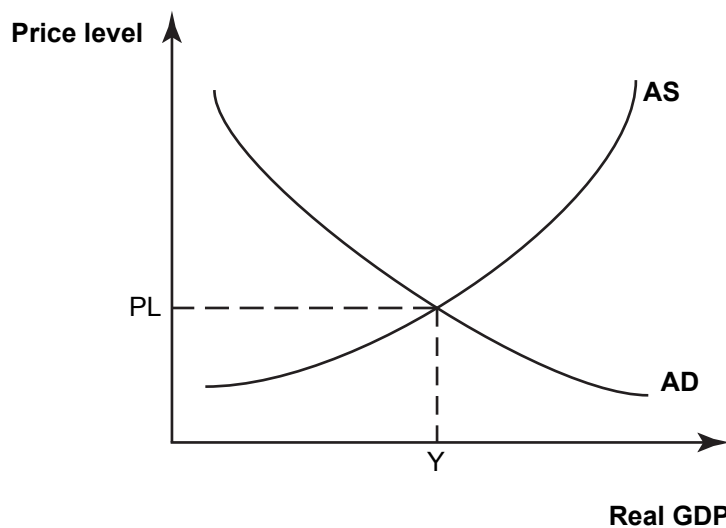
"The US has seen a broad-based recovery," said Victor Fung Kwok-king, chairman of the Fung Group, his family-owned global supply chain and retailer.

Chairman of Deutsche Bank's supervisory board Paul Achleitner said he was "extremely positive" about the economic outlook for the US and Europe.

Source (adapted): <http://www.scmp.com/business/economy/article/1404961/us-and-europe-are-leading-economic-recovery-asian-financial-forum>

- (a) Explain in detail the impact of a recovery in the US economy on Real GDP in New Zealand. In your answer:
- fully label Graph Three below to show the impact of a recovery in the US economy on the New Zealand economy
  - explain in detail how a US recovery could affect Real GDP in New Zealand. Refer to the changes you have made on Graph Three to support your answer.

**Graph Three: AS/AD model of the New Zealand economy**



**Question Three continues  
on the following page.**

### NZ business confidence rockets to 20-year high

A net 52 per cent of businesses were optimistic in the December quarter, seasonally adjusted, the highest since June 1994 and up from 33 per cent three months earlier, according to the New Zealand Institute of Economic Research's Quarterly Survey of Business Opinion.

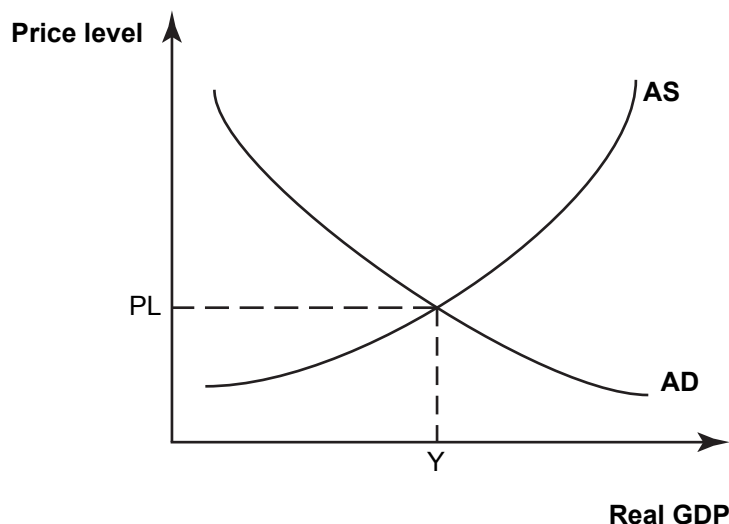
Source (adapted): <http://www.nbr.co.nz/article/nz-business-confidence-rockets-20-year-high-lifting-jobs-profits-investment-bd-150676>

- (b) Compare and contrast the impact of the rise in NZ business confidence with the impact of the recovery of the US economy.

In your answer:

- illustrate on Graph Four below how the rise in NZ business confidence would impact on Real GDP
- explain in detail how the rise in business confidence would affect Real GDP. Refer to the changes you have made to Graph Four
- explain in detail why the recovery in the US economy could have a larger impact on Real GDP in New Zealand than the rise in business confidence.

**Graph Four: AS/AD model of the New Zealand economy**







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**Write the question number(s) if applicable.**

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