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NEW ZEALAND QUALIFICATIONS AUTHORITY  
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SUPERVISOR'S USE ONLY

## Level 2 Economics, 2019

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

2.00 p.m. Friday 22 November 2019  
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 2–11 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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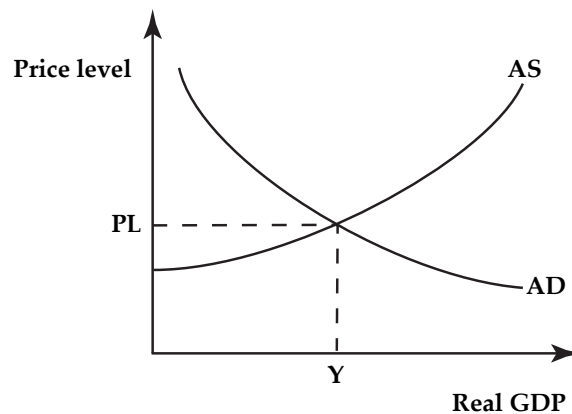
**QUESTION ONE: THE AD/AS MODEL**ASSESSOR'S  
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International tourist arrivals to New Zealand are expected to grow 4.8% a year, reaching 4.9 million tourists in 2023, from 3.5 million in 2016. Total international tourist spending is expected to reach \$15 billion in 2023, up 52% from 2016. Flow-on effects of tourism will also increase economic growth.

Source: <https://www.mbie.govt.nz/immigration-and-tourism/tourism-research-and-data/international-tourism-forecasts/previous-international-tourism-forecasts/2017-2023/>.

- (a) (i) On Graph One, below, show the impact of increasing tourist arrivals on the AD curve.

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



- (ii) Referring to Graph One, fully explain the impact on economic growth if tourist arrivals continue to increase.

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The government increased the minimum wage by \$1.20 an hour on April 1, 2019. The minimum wage was increased by 75 cents in 2018. After the 2019 increase was introduced, minimum-wage workers earned \$4056 more a year, before tax.

Workplace Relations and Safety Minister Iain Lees-Galloway said: "The government is determined to improve the well-being and living standards of all New Zealanders as we build a productive, sustainable and inclusive economy."

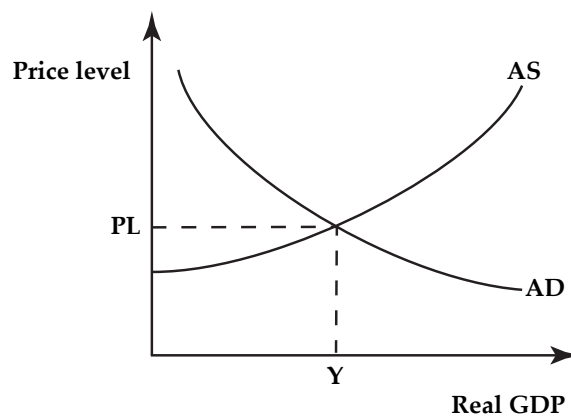
The government wants the minimum wage to reach \$20 an hour by 2021, with proposals for it reaching \$18.90 by April 1, 2020.

The latest increase was welcomed by some, but political parties in opposition to the government said it would cost jobs.

Source (adapted): <https://www.newshub.co.nz/home/money/2018/12/how-much-the-minimum-wage-increase-will-add-to-kiwi-wallets.html>.

- (b) (i) On Graph Two, below, show the impact of an increase in the minimum wage of New Zealand workers on the AS curve and the AD curve.

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



- (ii) Referring to Graph Two, fully explain the impact on economic growth of an increase in the minimum wage of workers in New Zealand.

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The government has promised to invest \$42 billion into infrastructure and public services over the next five years.

(a) (i) On Graph Three, below, show the impact of increased government infrastructure spending, over the next five years, on the Production Possibility Frontier.

The graph illustrates a production possibility frontier (PPF) in a two-dimensional coordinate system. The vertical axis is labeled "Capital goods" and the horizontal axis is labeled "Consumer goods". A concave curve represents the PPF, starting from the vertical axis and ending on the horizontal axis. A point labeled "X" is marked inside the curve, representing a point in the production space.

(ii) Referring to Graph Three, fully explain the impact on economic growth of increased government infrastructure spending over the next five years.

The unemployment rate in New Zealand fell to 3.9 percent in the three months to the end of September 2018. This was down from 4.4 percent during the preceding three-month period (quarter) to the end of June 2018. It is the lowest unemployment rate since the June 2008 quarter, when it was 3.8 percent.

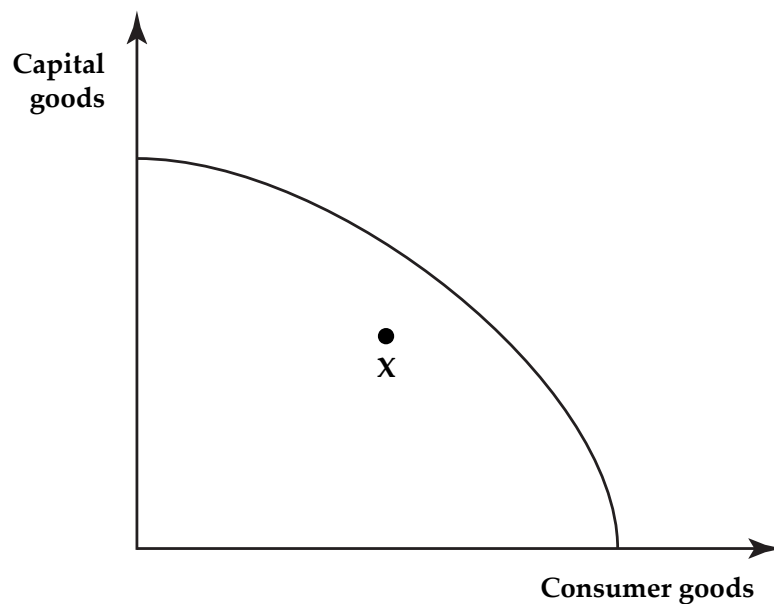
The fall in the unemployment rate reflected a fall in the number of unemployed people (down 13 000) and a strong rise in employment (up 29 000).

The fall in unemployment was key to the underutilisation rate falling to 11.3 percent.

Source (adapted): <https://www.stats.govt.nz/news/unemployment-rate-falls-to-3-9-percent>.

- (b) (i) On Graph Four, below, show the impact of the fall in unemployment on the production possibility frontier.

**Graph Four: Production Possibility Frontier**



**Note:** Point X shows the current combination of capital goods and consumer goods produced in New Zealand.

- (ii) Referring to Graph Four, fully explain the impact on economic growth of a fall in unemployment.

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- (iii) Referring to Graphs Three and Four, on pages 5 and 6, explain why the impact on economic growth of increased government infrastructure spending may be greater than that from the fall in unemployment.

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The Southland Regional Development Strategy's goal is to have 10,000 more people living in Southland by 2025. This is expected to increase the region's social and economic diversity, and have indirect effects on GDP, jobs and household incomes.

[http://www.sords.co.nz/site/assets/files/1/sords\\_action\\_plan.pdf](http://www.sords.co.nz/site/assets/files/1/sords_action_plan.pdf).

Increasing the number of national and international students will create permanent jobs for skilled workers. Most of the students come from regions outside Southland, and many decide to live permanently in the area after graduating, or maintain links to businesses that mentored them.

Compare and contrast how the Southland Regional Development Strategy impacts economic growth within different groups in the Southland region. In your answer, referring to the resource material above, include reference to:

- the costs and benefits of the development strategy on businesses in the Southland region
- the costs and benefits of the development strategy on households in the Southland region.





**Extra space if required.**  
**Write the question number(s) if applicable.**

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