

91403



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

3

SUPERVISOR'S USE ONLY

Level 3 Economics, 2013

91403 Demonstrate understanding of macro-economic influences on the New Zealand economy

9.30 am Monday 18 November 2013

Credits: Six

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of macro-economic influences on the New Zealand economy.	Demonstrate in-depth understanding of macro-economic influences on the New Zealand economy.	Demonstrate comprehensive understanding of macro-economic influences on the New Zealand economy.

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 space for any answer, use the page(s) provided at the back of this booklet and clearly number the question.

Check that this booklet has pages 2–12 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

ASSESSOR'S USE ONLY

You are advised to spend one hour answering the questions in this booklet.

QUESTION ONE: THE INFLUENCE OF TRADE POLICIES ON THE NEW ZEALAND ECONOMY

New Zealand records big December trade surplus

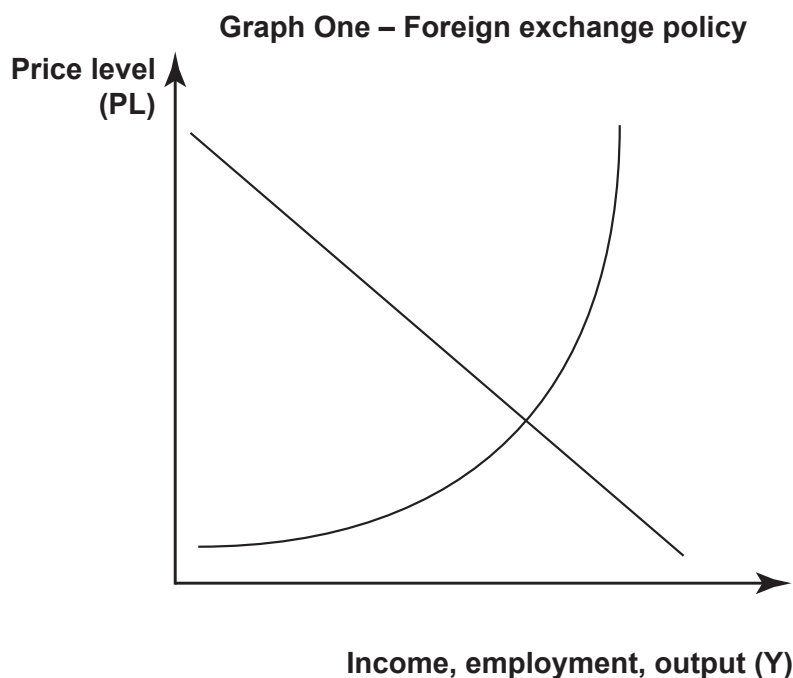
In the December 2012 quarter, New Zealand recorded its biggest December trade surplus since 1991, as imports – particularly of aircraft – fell more sharply than exports.

The trade surplus was \$486 million in December, equal to 12% of exports – roughly 10 times the average surplus of \$49m for December in the previous five years, Statistics New Zealand said.

Source (adapted): www.3news.co.nz/NZ-records-big-December-trade-surplus/tabid/421/articleID/284802/Default.aspx

Government policies designed to encourage a balanced current account could include signing free-trade agreements, and intervening in the foreign exchange market, so that the exchange rate is favourable to a trade surplus.

These policies will also affect employment in the New Zealand economy.



- (a) (i) On Graph One above, illustrate the influence that an exchange rate favourable to a trade surplus would have on the macro-economy.

In your answer:

- label the curves
- label any curve shifts
- identify the equilibrium points

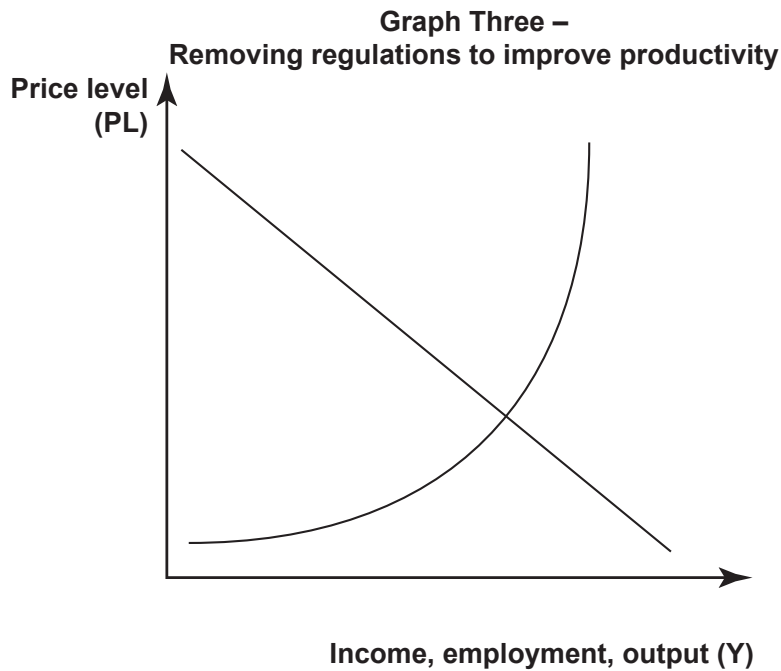
QUESTION TWO: THE INFLUENCE OF GOVERNMENT POLICIES ON GROWTH AND INFLATION

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In recent years suggestions for government policies to stimulate economic growth, while maintaining price stability in the New Zealand economy have included making Research and Development (R&D) attractive to business, removing regulations to improve productivity and investment, and reducing government spending.

Source (adapted): www.scoop.co.nz/stories/PO1011/S00043/nz-needs-world-leading-pro-growth-policies.htm

Complete (a) to (c) to compare and contrast the influence that different government policies have on economic growth and inflation.



- (a) (i) On Graph Three above illustrate the influence that **removing regulations to improve productivity** has on the macro-economy.

In your answer:

- label the curves
- label any curve shifts
- identify the new equilibrium.

- (ii) Explain the changes you made to Graph Three.
