



For Supervisor's use only

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90236



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA



National Certificate of Educational Achievement  
TAUMATA MĀTAURANGA Ā-MOTU KUA TAEA

## Level 2 Economics, 2003

### 90236 Explore issues using economic concepts and statistical data

Credits: Six

9.30 am Monday 24 November 2003

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 answer ALL the questions in this booklet.

If you need more space for any answer, use the pages provided at the back of this booklet and clearly number the question.

Check that this booklet has pages 2–15 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.**

Achievement Criteria			<i>For Assessor's use only</i>
Achievement	Achievement with Merit	Achievement with Excellence	
Define and describe economic concepts and terms in relation to the issues. <input type="checkbox"/>	Explain and apply economic concepts and terms in relation to the issues. <input type="checkbox"/>	Evaluate economic concepts and terms in relation to the issues. <input type="checkbox"/>	
Process and interpret statistical data in relation to the issues. <input type="checkbox"/>	Analyse statistical data in relation to the issues and recognise limitations of the data. <input type="checkbox"/>	Comprehensively analyse statistical data in relation to the issues. <input type="checkbox"/>	
<b>Overall Level of Performance (all criteria within a column are met)</b>			<input type="checkbox"/>

You are advised to spend 60 minutes answering the questions in this booklet.

## PART A

### QUESTION ONE

Describe the difference between regional trade and international trade. Use appropriate examples.

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### QUESTION TWO

Two friends, Latai and Hania, decide to pick fruit in the school holidays to earn some money. They get paid \$2.50 for each container they pick. Hania picks 25 containers a day, while Latai only picks 15. Latai is very careful to pick only ripe fruit and she often helps other pickers carry their containers to the weighing shed. When they get paid, Latai is annoyed that her pay is much less than Hania's.

Define the concepts of **equality** and **equity**, and identify ONE example of EACH using the information above.

#### Equality

Definition: \_\_\_\_\_

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Example: \_\_\_\_\_

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#### Equity

Definition: \_\_\_\_\_

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Example: \_\_\_\_\_

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**QUESTION THREE***Assessor's  
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- (a) Define **disinflation**.

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In a conversation with Hania, Latai tells her that New Zealand's CPI rose about 3% over the last year or so. Hania knows that an increase in the CPI means that prices are rising, yet she is wondering why the price of kumara at her local supermarket has fallen.

- (b) Explain to Hania how the CPI can rise even though the price of kumara is falling.

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**QUESTION FOUR**

- (a) Classify the following people as frictional, cyclical or structural unemployed. Use each term only once.

	Frictional, Cyclical or Structural Unemployed
(i) Sione is a professional rugby player who is looking for a job over the summer period.	
(ii) Regan used to work in a carpet factory until the company bought a new machine that replaced the job he was doing.	
(iii) Louise was a salesperson for a clothing business but has just lost her job due to a downturn in the economy.	

- (b) Explain whether an increase in frictional unemployment **or** an increase in structural unemployment would be of more concern to the Government.

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**QUESTION FIVE**

- (a) Define **gross domestic product** (GDP).

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- (b) Explain why real GDP is a better measure of a country's economic well-being than nominal GDP.

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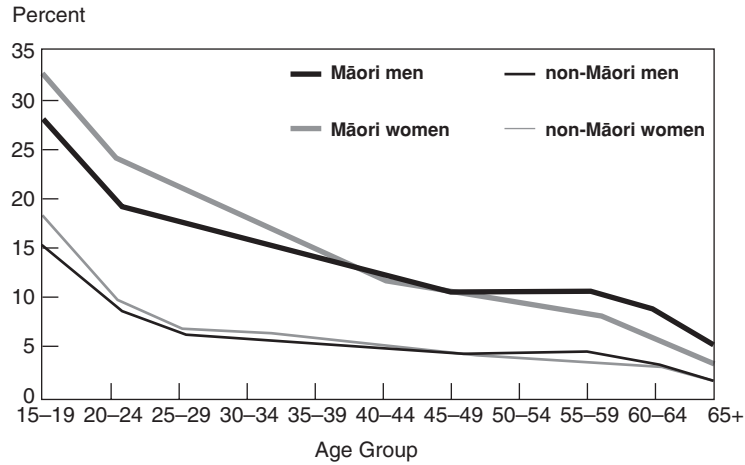


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## PART B

### QUESTION ONE

**Unemployment Rates for Māori and Non-Māori,  
by Age and Sex, 1996**



Source: Statistics New Zealand, Census of Population and Dwellings, 1996

**Graph 1**

- (a) From Graph 1 above, identify ONE significant trend or observation.

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- (b) Give ONE reason why the trend identified in (a) above might exist.

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- (c) Explain ONE limitation of unemployment data as measured by the census.

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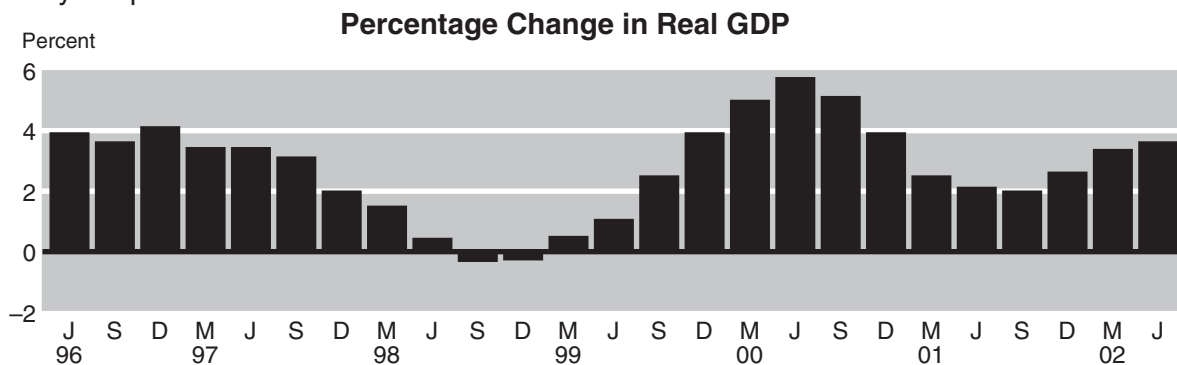
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**QUESTION TWO**

- (a) Complete the table below by calculating real GDP for 2000 and 2001. Round your answer to the nearest whole number.

Year	GDP (\$ millions)	GDP Deflator	Real GDP 2000 Prices (\$ millions)
2000	74 000	1000	_____
2001	80 000	1018	_____

- (b) Study Graph 2 below.



*Source: Statistics New Zealand*

**Graph 2**

- (i) In which quarter was New Zealand's growth rate the highest? \_\_\_\_\_
- (ii) Identify ONE quarter when New Zealand's real GDP fell.  
\_\_\_\_\_
- (iii) Identify ONE quarter that best indicates when the New Zealand economy was in recession.  
\_\_\_\_\_

Latai and Hania are arguing over whether New Zealand or Samoa is the better place to live. Latai comes from Samoa and is arguing that even though New Zealand has a higher real GDP per capita, this does not mean that it is a better place to live. Hania disagrees.

- (c) Explain to Hania TWO limitations of real GDP per capita as a measure of a country's economic well-being.

- (1) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- (2) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**QUESTION THREE**Assessor's  
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- (a) Complete the table below by calculating the inflation rate for 2001 and 2002. Round your answer to 1 decimal place.

<b>Year</b>	<b>CPI</b>	<b>Inflation Rate</b>
2000	1000	
2001	1035	_____
2002	1065	_____

- (b) Explain ONE limitation of the CPI as a measure of inflation.

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**QUESTION FOUR**

- (a) Complete the table below by calculating the trade balance for the years ended December 2001 and 2002.

<b>Year ended</b>	<b>Exports \$(million)</b>	<b>Imports \$(million)</b>	<b>Trade Balance \$(million)</b>
December 2001	32 670	31 682	
December 2002	31 026	32 355	

Source: Statistics New Zealand

- (b) Study Table 1 below and answer the questions that follow.

**New Zealand's Main Export Destinations**

	<b>Year ended June \$(million)</b>		
	<b>2000</b>	<b>2001</b>	<b>2002<sup>P</sup></b>
<b>Exports by country</b>			
Australia	5 528	6 083	6 327
United States of America	3 733	4 651	4 922
Japan	3 382	4 314	3 733
United Kingdom	1 542	1 538	1 580
Republic of Korea	1 180	1 386	1 465
People's Republic of China	766	1 126	1 436
Germany	646	843	828
<b>All merchandise exports</b>	<b>26 111</b>	<b>32 000</b>	<b>32 333</b>

<sup>P</sup> = 2002 figures are provisional

Source: Statistics New Zealand

**Table 1**

- (i) Which export destination is the most significant for New Zealand?

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- (ii) Which export destination has grown the fastest over the time shown?  
Justify your answer.

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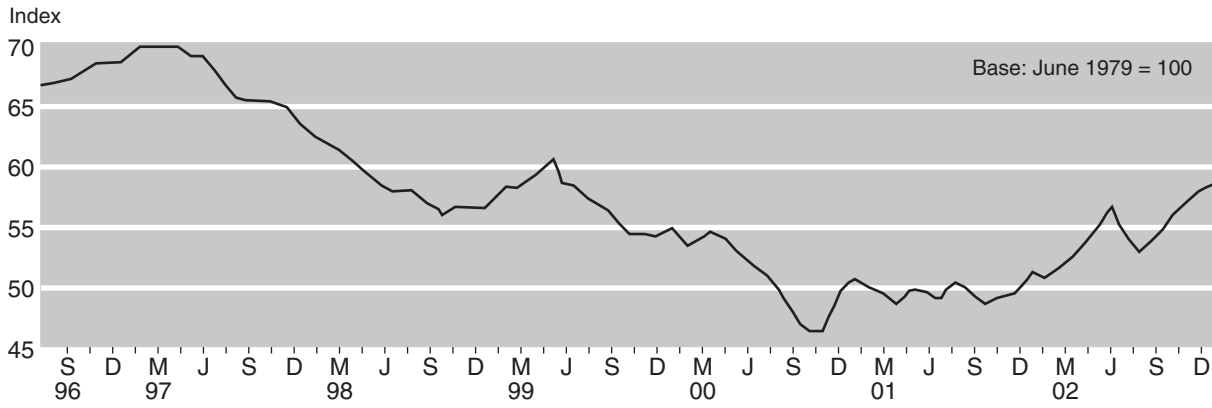


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### Trade-weighted Index Monthly

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Graph 3

- (c) Study Graph 3 above. If the **current** trend for the trade-weighted index continues, explain how this will impact on New Zealand's trade balance.

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## PART C

### QUESTION ONE

Read the three different definitions of full employment shown below. Evaluate TWO of the definitions by discussing their strengths and weaknesses, and then draw a conclusion about which definition is most useful. Clearly indicate which definitions you have chosen.

Definition 1	Definition 2	Definition 3
Full employment occurs when all people who are willing and able to work are working.	Full employment occurs when the number of job advertisements equals the number of unemployed.	Full employment occurs when there is a politically acceptable level of unavoidable unemployment.

The first definition I have chosen is:

Strengths: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Weaknesses: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

The second definition I have chosen is:

Strengths: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Weaknesses: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Conclusion**

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**QUESTION TWO**

Use the appropriate graph below to comprehensively analyse the possible relationship between:

**EITHER**

Real GDP and the Unemployment Rate (Graph 4)

**OR**

Real GDP and the Balance on Goods and Services (Graph 5).

You will need to:

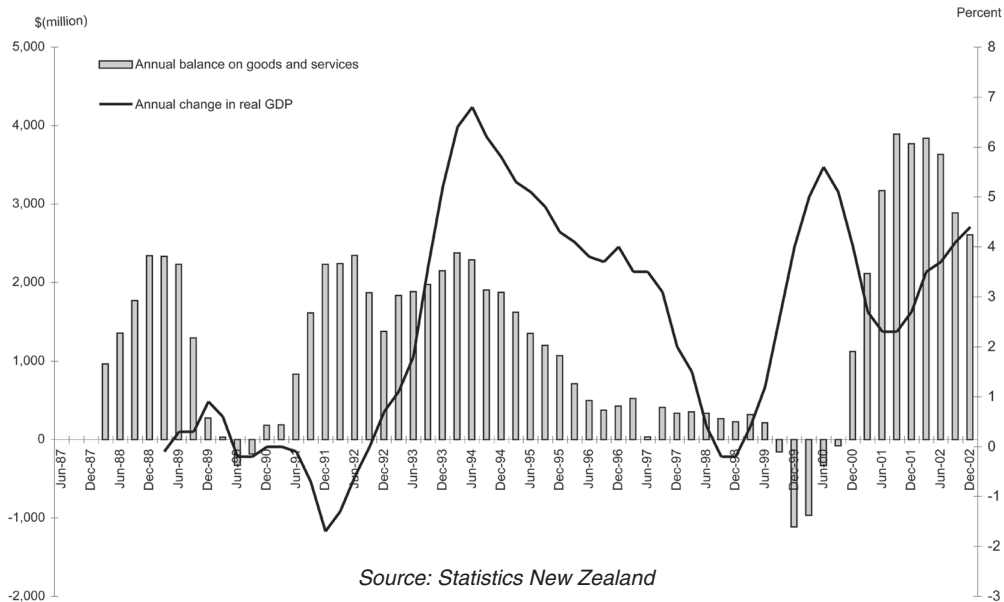
- (a) **explain** the expected relationship between each pair of variables
- (b) discuss the extent to which the data in the graph supports the relationships you have explained
- (c) discuss reasons why the data matches or does not match the expected relationship you have explained in (a).

**Percentage Change in Real GDP and the Unemployment Rate**



**Graph 4**

**Percentage Change in Real GDP and the Balance on Goods and Services**



**Graph 5**





