

## NEW ZEALAND ECONOMIC CHRONOLOGY 1989

*The following chronology covers the calendar year 1989, listing significant economic announcements which occurred in that year. It does not include regular economic statements or statistical releases, as these are available elsewhere and are too numerous to list in this summary.*

**January 28**

### **Westpac Named as Government Banker**

The Treasury announced that Westpac Banking Corporation had been awarded the contract to handle the Government's banking business from April 1989.

**March 8**

### **New Bank Registration**

The Governor of the Reserve Bank, Dr Donald Brash, announced the registration of Elderbank Limited as a registered bank.

**March 21**

### **Economic Statement**

The Government's economic statement was presented by the Minister of Finance, Hon. David Caygill. The main features included:

- An increase in the GST rate from 10 per cent to 12.5 per cent from 1 July 1989.
- An increase in the company tax rate, from 28 cents in the dollar to 33 cents, from 1 April 1989.
- From 1 July 1989, reduction in excise tax on petrol and methanol by 4 cents per litre, and a 7 cents per litre reduction on diesel excise. Excise tax on other fuels would be abolished on this date.
- The excise tax on motor vehicles would be halved to 7.5 percent on 22 March.
- Government spending to be curbed by \$700 million, largely by capping defence spending, over the next three years.

**March 31**

### **Removal of One and Two Cent Coins**

The Reserve Bank announced that it would stop issuing one and two cent coins from 31 March 1989.

The coins were still to be accepted as legal tender but the Reserve Bank would slowly remove them from circulation.

**April 18**

### **Manufacturing Trade Barriers Removed**

Commerce Minister David Butcher and Trade Minister Mike Moore announced that the last manufacturing trade barriers between Australia and New Zealand would be removed from July 1989, a year earlier than planned.

**April 28**

### **Inflation Falls to 20-Year Low**

The March quarter 1989 consumers price index was released, indicating that inflation fell to a 20-year low, excluding the 1982-84 wage/price freeze, with consumer prices rising only 4 percent in the year to March 1989.

**May 4**  
**Reserve Bank of New Zealand Bill**

The Minister of Finance, Hon. David Caygill, introduced the Reserve Bank of New Zealand Bill into Parliament.

The main purpose of the legislation was to clearly define the roles of the Government and the Reserve Bank with respect to monetary policy and the control of inflation. The Bill was intended to place the Bank on a more independent but also a more accountable legislative basis than had been the case, while recognising that ultimately it was the Government's right to determine economic policy.

Other reform in the legislation was in the area of Prudential Supervision. The Bank would now supervise only registered banks, and would be given more powers to put that into effect.

**May 9**  
**Fiscal Surplus**

The Minister of Finance, Hon. David Caygill, released details of the Government's revenue and expenditure for the year ended March 1989, showing a Budget Table 2 surplus of \$1.678 billion.

**May 11**  
**New Bank Registration**

The Governor of the Reserve Bank, Dr Donald Brash, announced the registrations of ASB Bank and Primary Industry Bank of Australia Limited as registered banks.

**June 2**  
**New Bank Registration**

The Governor of the Reserve Bank, Dr Donald Brash, announced the registration of National Mutual Corporation New Zealand Limited as a registered bank.

**June 6**  
**BNZ Lose \$648.8 million**

The Bank of New Zealand announced an after tax loss (after extraordinary items) of \$648.8 million for the year to 31 March 1989. The loss was mainly due to increased loan loss provisions which were identified as a result of a review, undertaken by independent consultants, of the BNZ's loan portfolio.

**June 8**  
**New Bank Registration**

The Governor of the Reserve Bank, Dr Donald Brash, announced the registration of TSB Bank, formerly Taranaki Savings Bank as a registered bank.

**June 12**  
**Temporary Cash Target Change**

The Deputy Governor of the Reserve Bank, Mr R.L. Knight, announced a temporary increase in the cash target of \$20 million to \$50 million on Monday, 12 June 1989.

Mr Knight emphasised that the increase was aimed at countering manipulation of the cash market, rather than representing a change in monetary policy settings.

**July 1**  
**GST Increases**

The goods and services tax rate was increased from 10 per cent to 12.5 per cent.

**July 27**  
**1989 Budget**

The 1989 Budget was presented. The main policy statements were:

- A range of macro-economic targets to be achieved by 1992:
  - (a) public debt to 50 per cent of GDP;
  - (b) 0-2 per cent inflation;
  - (c) unemployment under 100,000; and
  - (d) first mortgage interest rates of 7-10 per cent.
- Guaranteed retirement income.
- The Budget surplus in 1989/90 would be used to repay domestic rather than foreign debt.

**August 2**  
**Foreign Investment in New Zealand**

In a move confirming New Zealand's receptive attitude towards foreign investment, the Government announced an amendment to the Overseas Investment Regulations 1985.

The amendment established a new threshold of \$10 million below which Overseas Investment Commission approval was not required, although certain sensitive sectors would remain subject to tighter surveillance.

**August 7**  
**Prime Minister Resigns**

Prime Minister David Lange resigned as Prime Minister. He was replaced by Geoffrey Palmer.

**August 11**  
**New Bank Registration**

The Governor of the Reserve Bank, Dr Donald Brash, announced the registration of Post Office Bank Limited as New Zealand's 20th registered bank.

**August 18**  
**Sale of Rural Banking and Finance Corporation**

The Government announced that the Rural Banking and Finance Corporation has been sold to Fletcher Challenge for \$1.08 billion.

**October 3**  
**Statutory Managers Appointed to DFC**

The Governor of the Reserve Bank, Dr Donald Brash, announced that statutory managers had been appointed to DFC New Zealand Limited.

The decision to appoint statutory managers had been taken under the Reserve Bank of New Zealand Act, after the directors of DFC advised the Reserve Bank that DFC faced serious financial difficulties after taking into account of loss provisions for the half year ended 1989.

The statutory managers were Mr Don Francis and Mr Tom Davies of Deloitte Haskins and Sells.

#### **December 1**

##### **Temporary Cash Target Change**

The Governor of the Reserve Bank, Dr Donald Brash, announced a temporary increase in the Bank's daily cash target. The cash target was increased by \$15 million to \$45 million on 1 December, and was reduced back to \$30 million on 5 December.

Dr Brash emphasised that the move was aimed to relieve unduly tight liquidity conditions which had developed recently.

#### **December 8**

##### **Tourist and Publicity Department Sells Communicate Unit**

The Minister of State-Owned Enterprises, Hon. Stan Rodger, announced the sale of Communicate New Zealand Limited to DAC Productions.

#### **December 12**

##### **Government Sells Government Printing Office**

The Associated State-Owned Enterprises spokesman, Peter Neilson, announced the sale of the Government Printing Office to investment firm Rank Group for \$23 million.

The Government had previously sold the Government Printing Office head office in Mulgrave Street, Wellington for \$16 million and other small properties in Auckland and Wellington for \$4.4 million, bringing the total Government Printing Office proceeds to \$43.4 million.

#### **December 15**

##### **Reserve Bank of New Zealand Act**

The Reserve Bank of New Zealand Act was passed in Parliament, with the new legislation to become effective from 1 February 1990.

#### **December 21**

##### **New Bank Registration**

The Deputy Governor of the Reserve Bank, Mr R.L. Knight, announced the registration of Trust Bank New Zealand Limited and its nine regional subsidiaries – Trust Bank Auckland Limited, Trust Bank Bay of Plenty Limited, Trust Bank Canterbury Limited, Trust Bank Central Limited, Trust Bank Otago Limited, Trust Bank South Canterbury Limited, Trust Bank Southland Limited, Trust Bank Waikato Limited, and Trust Bank Wellington Limited – as the Trust Bank Group.