INTERNATIONAL ECONOMIC SITUATION AND DEVELOPMENTS[1]

INTRODUCTION

The dominant feature of 1981 and the opening months of 1982 has been the slowdown or near-stagnation of economic activity in the western industrial countries. This has been accompanied by a strong rise in unemployment. This situation is expected to worsen for 1982 as a whole but a modest recovery is forecast for 1983.

The rate of growth of real gross national product in the OECD group of countries, at 1.2 per cent in 1981, was unchanged on 1980, but well below the average 3.3 per cent growth recorded between 1970 and 1980. For 1982, the OECD expect only 0.5 per cent growth while for 1983 they anticipate a recovery to 2.5 per cent.

An important feature of the present economic situation is the wide disparity in performance among countries. This is largely a reflection of the differing impact of and policies employed to combat the secondary effects from the 1979/80 oil price shock. Some countries have directed their policies to reducing inflation, mainly at the expense of achieving higher growth and employment in the short-term, while others have adopted accommodating policies aimed at maintaining growth and employment. Nevertheless, unemployment remains a serious and growing problem for nearly all industrial countries.

While deflationary policies have depressed demand and helped minimise price rises, the fight against inflation has also been assisted by weak commodity prices. In addition, falling oil prices in late 1981 and early 1982 contributed to a sharp decline in the OPEC current account surplus and a corresponding reduction in the total OECD current account deficit. With the expectation of further declines in real oil prices, the global current account situation is expected to shift further in favour of the industrial countries, largely at the expense of OPEC, but also to the detriment of the non-oil developing countries.

Another major concern has been the stagnation of world trade in the present depressed environment. Some reduction in the rate of trade growth was inevitable, but an increase in protectionist policies offers a serious threat not only to the prospects for world economic recovery but to the trade prospects of smaller developing countries.

The large and growing external deficits of many of the non-oil developing countries will necessitate greater financial assistance from the IMF during the next few years. Fund policy over the past year has put emphasis on securing adequate resources to meet the problems posed by the continuing international economic recession.

1. This article outlines and analyses the general global economic situation and reports on the major developments at the International Monetary Fund during 1981/82. Most of the statistics and forecasts reported here are from the OECDs 'Economic Outlook'.

OUTPUT

Overall growth of real GNP in the industrial countries, after averaging 4 per cent per annum in the period 1976–79, slowed to 1.2 per cent in 1980 and 1981. This slowdown is attributed largely to the restrictive stance of financial policies that were imposed following the oil price increase of 1979/80. It is expected to continue in 1982 with OECD real output projected to rise only 0.5 per cent.

Although activity in the industrial economies has been generally sluggish, some notable differences in the performance of individual countries have emerged. For example, the UK has experienced substantial declines in output whereas Japan, largely on account of export growth, has registered reasonable increases in output. In the European economies, output peaked early in 1980 and, after a brief decline, was generally flat throughout the second half of 1980 and all of 1981. In the US and Canada, marked declines in real GNP during the first half of 1980 were followed by a resurgence of activity over the period to mid – 1981. However, this gave way to renewed declines in output during the second half of 1981 — declines that have so far continued into 1982.

As noted earlier, most industrialised countries have given priority to the fight against inflation. Generally, lower inflation is viewed as a prerequisite for a return to sustained real growth. The range of policy measures invoked to achieve lower inflation is of considerable interest, not only for the degree to which the original objective has been achieved, but also because of the side-effects and trade-offs that have occurred. Some countries, e.g. France and Canada, have pursued expansionary policies, boosting demand through government spending. They, along with Italy, remain the only major industrial countries still suffering from double-digit inflation but have both recently introduced some form of price and wage controls to hold down inflation.

At the other extreme, the United Kingdom's alternative remedy, tight monetary restraint, has succeeded in reducing inflation (from 18 per cent in 1980 to below 10 per cent currently), but at the expense of the highest unemployment rate among the seven largest countries. The two countries that have avoided sharp swings in policy, Japan and West Germany, currently enjoy both the lowest inflation and unemployment rates. The US, like France and Canada, has persisted with historically large fiscal deficits but has also followed a policy of tight monetary restraint. This policy mix has lowered the rate of inflation, but has boosted unemployment in the US to its highest level since World War II. In this uncertain environment, US interest rates have risen to levels well above the rate of inflation, causing the US dollar to strengthen considerably. Overall, the varying policies and performances of the major economies have combined to increase the volatility of exchange rates.

Following the uneven pattern of growth among countries in 1981, growth for 1982 as a whole is expected to be similar. Declines in output are projected for the US and Canada, after the relatively strong increases from 1980 to 1981. In Europe, on the other hand, the weak development of output during 1981 is expected to give way to a gradual firming of growth rates in 1982. In Japan growth is expected to remain similar to 1981, although still low by historical standards. The United Kingdom economy is expected to show positive growth after declining in 1981, as is West Germany.

GROWTH OF REAL GDP
(% Change)

	Average 1970–80	From Previous Year 1979	1980	1981	1982 (forecast)
United States[1]	3.0	2.3	–0.2	2.0	–1.5
Japan[1]	4.8	5.9	4.2	2.9	2.0
Federal Republic of Germany[1]	2.8	4.5	1.8	–0.3	1.0
France	3.6	3.3	1.2	0.3	2.3
United Kingdom	1.9	1.5	–1.8	–2.2	1.3
Italy	3.1	5.0	4.0	–0.2	1.5
Canada[1]	4.0	2.8	—	3.0	–1.8
Australia	3.1	4.4	2.5	2.7	3.0
New Zealand	2.3	–0.4	0.8	3.3	1.0
Austria	3.7	5.1	3.1	0.1	1.5
Belgium	3.2	2.4	2.5	–0.6	0.5
Denmark	2.3	3.5	–0.2	–0.2	2.5
Finland	3.5	7.2	5.0	0.9	1.0
Greece	4.7	3.8	1.7	–0.5	1.3
Iceland[1]	5.0	2.3	2.5	1.3	–1.0
Ireland	4.1	1.9	1.9	1.6	1.8
Netherlands	2.8	2.3	0.5	–1.3	—
Norway	4.6	3.2	3.8	0.8	0.3
Portugal	4.8	4.8	5.5	1.8	2.5
Spain	3.8	0.8	1.5	0.3	2.5
Sweden	1.9	3.8	1.4	–0.9	0.8
Switzerland	1.2	2.2	4.4	1.9	–0.5
Turkey	5.1	0.6	–0.7	4.0	4.3
Total	3.3	3.3	1.2	1.2	0.5

Source: OECD
1. GNP.

EMPLOYMENT

In the OECD area, the labour market situation has deteriorated progressively since 1980. With the weakening of demand and output, unemployment continued to rise in 1981, reaching post-war peak levels in several countries. This trend has continued into 1982, further highlighting the serious long-term problem unemployment poses for the industrial countries.

The total labour force in the OECD area rose about 1 per cent in 1981 but, due to weak real GDP growth in most countries, not all of the extra labour was employed with the result that overall unemployment increased. In the OECD area unemployment expanded from 21.4 billion (6.2 per cent of the workforce) in 1980 to 25.4 million in 1981, or 7.2 per cent of the workforce.

Employment trends in 1981 diverged among OECD regions, owing mainly to different movements in real GDP among countries. In North America, Japan and other non-European countries employment rose in response to gains in real GDP while employment fell in OECD Europe in response to a fall in GDP. As a result particularly sharp unemployment increases occurred in the UK, Belgium, Spain, West Germany and the Netherlands. Also, the proportion of long-term unemployed in total unemployment rose in many countries. In the UK 46 per cent of the unemployed in mid – 1981 had been unemployed for over six months, compared with 34 per cent a year earlier. The increase in long-duration unemployment in the US was also significant, from 11 per cent in 1980 to 17 per cent in 1981.

With the average growth in OECD output expected to be weaker in 1982 than in 1981, total unemployment is expected to rise further in the remainder of this year to reach 30 million or 8.5 per cent of the OECD workforce. Even though some economic recovery is expected in 1983, unemployment is forecast to rise further and reach 31.8 million in 1983 or 9 per cent of the workforce.

INFLATION

For the industrial countries as a group the rate of increase in consumer prices slowed considerably in 1981, down to an average 10.6 per cent from 12.9 per cent in 1980. The restrictive fiscal and monetary policies followed by most industrial countries since the 1979/80 oil shock have played an important part in limiting secondary effects of the upsurge in oil prices on increases in domestic wages and costs. However, an important feature of current inflation in the industrial world is the wide difference in rates among individual countries. Among the major countries these range (in terms of CPIs to March 1982) from 2.8 per cent for Japan to 16.5 per cent for Italy.

The pursuit of lower inflation has been aided by the weakness of some commodity prices. Also there are some indications that wage behaviour in many countries has become more responsive to labour market conditions and the financial positions of companies. Non-oil commodity prices have remained weak in the early part of 1982 following sharp declines through the second half of 1981. In relation to manufactured export prices, commodity prices in early 1982 were at their lowest level since 1960. The OECD anticipates only a modest recovery in commodity prices later in 1982 and even by the second-half of 1983, prices are expected to be only 5 per cent higher, adding little in the way of inflationary pressure.

CONSUMER PRICES
(% Change, Annual Rates)

	Average 1961 –70	1971 –80	1980	1981	12 Mths to Mar. 1982
United States	2.8	7.9	13.5	10.4	6.8
Japan	5.8	9.1	8.0	4.9	2.8
Federal Republic of Germany	2.7	5.1	5.5	5.9	5.2
France	4.0	9.6	13.6	13.4	14.1
United Kingdom	4.1	13.7	18.0	11.9	10.4
Canada	2.7	8.0	10.1	12.5	11.6
Italy	3.9	14.0	21.2	19.5	16.5
Australia	2.5	10.4	10.2	9.7	10.5
New Zealand	3.8	12.5	17.1	15.4	15.8
Total OECD:	3.3	9.1	12.9	10.6	8.5

Source: OECD

The wide divergence in inflation rates, apparent through to March 1982, is expected to persist into 1983. As measured by private consumption deflators, Japan and West Germany are expected to have the lowest inflation rates at 4 and 3 per cent respectively while the two major industrialised countries currently with the highest inflation rates, France and Italy, are projected to have rates of 12 and 14 per cent respectively. A feature of the price outlook is the pronounced improvement in the US, with a forecast rate of 5.5 per cent. However, the OECD do not expect the downward momentum of US inflation that characterised 1981/82 to be sustained.

In a number of other countries only very slow progress appears to have been made in reducing inflation, hence the inflation differential between the larger and some of the smaller OECD countries is expected to increase.

INTERNATIONAL TRADE

World trade increased slightly in 1981 with trade volumes estimated to be just above the 1980 level. However, for the first time in more than twenty years nominal world trade, measured in US dollars, declined in 1981. This reduction resulted mainly from the strong appreciation of the US dollar vis-a-vis the currencies of the other major trading nations. The growth of trade in 1981 was well below the average volume growth of 5.75 per cent between 1973–79, but the downturn was not as marked as in 1975 when world trade fell 5 per cent following the first oil shock.

Trade in oil declined markedly in 1981 but trade in finished and semi-finished industrial goods rose about 2 per cent on 1980. This difference reflects the processes of adjustment triggered by the 1979/80 oil price explosion. On the one hand the world-wide reduction in the use of oil has gone beyond that caused by weakening economic activity in general, while on the other hand the rapid expansion of OPEC demand for industrial products is only slowly subsiding.

Of particular importance and concern in 1981 was the emergence of new protectionist trends in world trade that undoubtedly detracted from trade growth. These protectionist pressures can be attributed in part to the persistence and deepening of the international recession, and to increasing unemployment. The IMF has expressed concern at these trends and notes that bilateralism in trade relations has become more pronounced with the danger that countries not directly involved in agreements may be disadvantaged. In its 1982 'World Economic Outlook' the IMF also notes the persistence of agricultural trade barriers and the continuation of high agricultural support prices in the EEC and the US. They add that this has encouraged production far in excess of domestic requirements, thus obliging disposal of stocks in international markets in ways that could disrupt markets that would otherwise be available to more efficient producers. These problems were recognised by the leaders of the seven largest industrial countries in their June 1982 summit held at Versailles. As in the past they pledged their support for moves to lower trade barriers as a means of improving international growth prospects.

The combined current account deficit of the OECD countries (inclusive of official transfers) declined to US$30 billion in 1981 from US$73 billion in 1980. Japan and West Germany, the two industrial countries with the largest deficits in 1980, experienced particularly large positive changes in their current accounts under the influence of weak domestic demand, stronger exports and substantial savings on imports through the conservation of energy. In 1981, the US and the UK improved their current account positions further with the US benefiting from an improvement in its terms of trade as a result of the rapid appreciation of the dollar. In the UK depressed domestic demand, improved terms of trade and the development of the North Sea oil fields helped produce the larger surplus. In general, the current account balance of the smaller industrialised countries did not improve significantly in 1981, reflecting continued adjustment problems following the 1979/80 oil shock.

The improvement in the overall current balance of the OECD group was almost matched by a decline in the OPEC surplus in 1981. The OPEC surplus fell to US$65 billion in 1981, down from US$110 billion in 1980. With receipts from the export of oil accounting for more than 80 per cent of their total current account receipts, the decline in the volume of oil exports in 1981 largely explains the drop in the OPEC surplus.

The external position of the other non-oil developing countries has worsened dramatically over the past three years. The combined current account deficit expanded to US$74 billion in 1981 from US$60 billion in 1980 and US$38 billion in 1979. Like the industrialised nations, this group has benefited from lower oil prices but the gain has been more than offset by weakened prices for other commodities.

The aggregate current account position of the industrialised countries is expected to improve futher in

CURRENT ACCOUNT BALANCES[1]
(Billions of US Dollars)

	1978	1979	1980	1981	1982 (forecast)
United States	–14.3	1.4	3.7	6.5	11.5
Japan	16.5	–8.8	–10.7	4.7	6.5
Federal Republic of Germany	9.2	–6.0	–16.3	–7.6	2.3
France	3.7	1.2	– 7.8	–7.5	– 8.0
United Kingdom	1.2	–2.0	7.1	16.2	8.3
Italy	6.2	5.5	– 9.7	–8.0	– 6.5
Canada	– 4.4	–4.2	– 1.6	–5.5	– 5.8
Australia	– 4.0	–2.8	– 4.0	–8.3	–10.8
New Zealand	– 0.5	–0.6	– 0.9	–1.0	– 1.0

Source: OECD
1. Includes official transfers.

GLOBAL STRUCTURE OF CURRENT ACCOUNT BALANCE[1]
(Billions of US Dollars)

	1978	1979	1980	1981	1982 (forecast)
Industrial Countries	10	–33	–73	–30	–15
OPEC	4	62	110	65	5
Other Developing[2]	–23	–38	–60	–74	–77
Other non-OECD	– 9	– 4	– 1	– 5	– 5
Total[3]	–18	–13	–24	–45	–95

Source: OECD
1. Includes official transfers.
2. Includes Turkey, Greece and Portugal which are OECD members.
3. Reflects statistical errors and asymmetries which give rise to world totals that are significantly different from zero.

1982 at the expense of a further decline in the OPEC surplus. The other developing countries are expected to experience a further worsening in their deficit over 1982 to around US$77 billion. In the longer term the resumption of growth in the industrial countries should strengthen import demand and may ease the plight of the developing countries.

INTERNATIONAL MONETARY FUND

With the deterioration in world economic conditions since 1979, the IMF has taken a number of important steps to strengthen policies in key areas of its activities during the last two years. These steps have included improved access to Fund resources and enhancements to the SDR. They should enable the Fund to respond effectively to the pressing needs of many of its member countries faced with complex and deep-rooted adjustment problems and balance of payments deficits of unprecedented magnitude. The IMF believes that through its more active and expanded role, it is now better placed to contribute to the restoration of conditions in the world economy conducive to sustainable non-inflationary growth.

Lending Policy

The Fund's current practice is to provide finance on a relatively larger scale than it has in the past in support of economic programmes designed to promote adjustment in circumstances of balance of payments disequilibrium. Recent policy initiatives reflect the changed circumstances for balance of payments financing by recognising the need for longer-term support to enable countries to undertake the necessary structural adjustments to their economies to once again attain stable growth.

With the full commitment of resources from the 'supplementary financing facility' which had become operational early in 1979, the IMF found it necessary to adopt a policy of 'enlarged access' to Fund resources in 1981. In this way the Fund has continued to provide assistance to members who face payments imbalances which are large in relation to their quotas, and who need resources in larger amounts and for longer periods than are available under the regular credit tranches. Other measures recently taken include the extension of the compensatory financing facility to cover temporary increases in the costs of cereal imports in addition to temporary shortfalls in export receipts, and the establishment of a subsidy account to reduce the high market-related interest costs of drawings under the supplementary financing facility for low-income developing countries. Part of the repayment of, and the interest on, trust fund loans are used to finance this account.

Fund resources have been increasingly drawn on over the last two years, largely because of the concentrated payments imbalances which followed the second oil shock. Commitments by the IMF to provide members with balance of payments assistance under stand-by and extended arrangements amounted to SDR 15.2 billion in 1981, compared with SDR 7 billion in 1980 and SDR 2.2 billion in 1979. As indicated above, the external deficits of the non-oil developing countries are not expected to improve in the foreseeable future, so that the demand for Fund resources is likely to remain at a high level as evidenced by commitments in the first two months of 1982.

NEW LOAN COMMITMENTS AND OTHER USE OF FUND RESOURCES
(billions of SDRs)

	Calendar Year					
	1977	1978	1979	1980	1981	Jan.-Feb. 1982
New loan commitments:	5.2	1.9	2.2	7.0	15.2	3.2
Industrial countries	3.8	0.1	—	—	—	—
Developing countries	1.4	1.8	2.2	7.0	15.2	3.2
Purchases under low conditionality facilities	0.3	0.7	0.7	1.0	1.5	0.3
Trust fund loans disbursed	0.2	0.7	0.5	1.3	0.4	—
Total:	5.7	3.3	3.4	9.3	17.1	3.5

Source: International Monetary Fund.

Fund Resources and the Eighth Quota Review

Although there was an overall rise of 50 per cent in members' quotas at the end of 1980 as a result of the Seventh General Review of Quotas, the Fund's expanded lending activities have required it to supplement its capital resources through borrowing.

In May 1981, a loan agreement with the Saudi Arabian Monetary Agency was concluded to help finance the IMFs enlarged access policy. This provided for the Fund to be able to borrow SDR4 billion beginning in May 1981 and another SDR4 billion beginning in May 1982, with the possibility of a further similar amount beginning in May 1983. In addition, the Fund has arranged for short-term financing of SDR1.3 billion from the Bank for International Settlements and the central banks or official agencies of a number of industrial countries. Other official borrowing arrangements are under negotiation and more are planned in the near future. Although the Fund intends to continue to restrict its borrowing to official sources as far as possible, the option of an approach to the private markets has been held open should that course prove unavoidable.

Nevertheless, there is a consensus among the membership that the Fund should continue to rely primarily on quota subscriptions as the basic source of financing for its operations, with borrowing seen as a temporary supplement. In this context, the Eighth General Review of Quotas, on which preparatory work is now underway, is of fundamental importance for the longer-term financing of the Fund. The Board of Governors of the IMF is scheduled to adopt a resolution on the Eighth Quota Review by December 1983.

There are three major issues involved in the Eighth Review. The first of these concerns the size of any overall increase in quotas, which of course raises more fundamental matters relating to the role of the Fund, the scale of its activities and the extent to which these activities should be financed by quota subscriptions as opposed to borrowing. Some members are not convinced of the need for a large increase in quotas and have questioned whether the Fund's recent practice of providing relatively large scale financing should continue, or whether the Fund's financial operations should be conducted more narrowly in scope. They have argued that any quota increase arising from the Eighth

Review should only aim to meet foreseen 'normal' demands without recourse to further borrowing by the Fund, while future 'extraordinary' balance of payments problems such as those financed under the current enlarged access policy would be appropriately met by further Fund borrowing.

The second major issue in the Eighth Quota Review is one which makes the exercise rather more complex than some preceding reviews. It has been decided that the Eighth Review will take into account for individual quotas the developments in members' positions within the world economy. Hence the distribution of the overall quota increase between an equiproportional element and a selective element reflecting those developments is also being considered.

Finally the Eighth General Review of Quotas is also reviewing the criteria by which members' quotas are calculated. The variables taken into account in calculating quotas are national income, overseas reserves, imports, exports and a measure of the variability of export receipts. It is the weighting attached to the last of these variables which has been queried — with the claim that it may be too high.

Special Drawing Rights

The IMF last made special drawing right allocations totalling SDR4 billion on each of 1 January 1979, 1980 and 1981, taking the total cumulative allocation of SDRs to SDR21.4 billion. (New Zealand's cumulative allocation, determined by quota share, is now SDR141.3 million.) The question of further allocations of SDRs during the 'fourth basic review period' — a five year period which began on 1 January 1982 is being considered at the present time. So far there has not been sufficient support for further SDR allocations because of the concern of a number of major industrial countries that any addition to international liquidity could provide a stimulus to inflation and inflationary expectations.

A related issue is the Fund's longer-term goal of strengthening the role of the SDR as an international reserve asset. To this end, three important changes to the characteristics of the SDR were made in 1981 (reported in the *Bulletin*, August 1981) and a number of other suggested improvements to the SDR are currently under consideration. More fundamentally, the role which has evolved for the SDR and potential future directions of evolution are themselves under review.

Membership

At the time of writing, Fund membership totalled 146 countries. Hungary's application for membership was approved in May of this year, and other countries which have recently joined are Belize, Antigua and Barbuda, Bhutan and Vanuatu. In addition, late last year Poland filed an application for Fund membership.

CONCLUSION

The adjustment problems experienced by the industrial countries following the second round of oil price rises in 1979/80 have generally been less severe but more drawn-out than in the period after the first oil shock. The various policies that have been adopted to counter the inflationary threat have generally succeeded but at the expense of lower growth and higher unemployment. The few countries to follow more expansionary policies have managed to moderate the rate of decline in growth and employment but at much higher inflation rates.

Depressed economic activity has caused world commodity prices to weaken sharply and this has had a particularly adverse effect on many of the small countries — both developed and developing countries. In addition a move towards greater world-wide protectionism in trade has accompanied the general slump in world activity. These developments have generally depressed returns for New Zealand exporters and contributed to a substantial deterioration in New Zealand's external balance. Any sustained improvement is unlikely to become apparent until at least 1983 when a modest improvement in the international economy is expected by the OECD.

Unlike many other industrial countries New Zealand has not been able to achieve a reduction in its rate of inflation during the past twelve months. Along with a few other countries such as France, New Zealand has pursued higher growth and employment by adopting relatively expansionary monetary and fiscal policies and is now relying on a prices and incomes policy to reduce inflation.

SHARE PRICES AND INTEREST YIELDS

Average for Calendar Year	RBNZ SHARE PRICE INDEX[1,2] Base: 18 January 1968 = 1000	GOVERNMENT SECURITY YIELDS[3] Short-Term 6 mths.–2 yrs	Medium-Term Over 2–5 yrs	Long-Term Over 5 yrs
1978	1329	9.02	9.78	9.98*
1979	1452	11.07*	12.20	11.98*
1980	1879	11.89*	13.02	13.28
1981	2674	11.74*	12.68	12.83
Month —				
1981 — Jan.	2413	—	12.56	12.81
Feb.	2469	11.80	12.77	12.97
Mar.	2495	11.18	12.52	12.88
Apr.	2695	11.84	12.73	12.85
May	2824	11.92	12.67	12.85
June	2896	—	12.74	12.90
July	2765	11.48	12.69	12.90
Aug.	2736	—	12.71	13.02
Sept.	2744	—	12.61	12.77
Oct.	2615	12.04	12.58	12.57
Nov.	2668	11.83	12.73	12.92
Dec.	2765	11.84	12.83	12.55
1982 — Jan.	2870	—	12.71	12.78
Feb.	2915	—	12.71	12.78
Mar.	2786	12.00	12.74	12.98
Apr.	2609	12.00	12.65	12.92
May	2626	11.98	12.34	12.97
June	2626			

Source: R.B.N.Z. and Department of Statistics

[1] Covers only transactions on the New Zealand market.

[2] Prior to April 1977, calendar years and monthly averages of figures calculated as at Thursday in each week. From April 1977 all figures are based on averages of daily figures.

[3] Yields are based on an average of reported market transactions in Government securities. No figure shown indicates no sales recorded.

* Revised.

NEW MORTGAGE REGISTRATIONS[3]

(NZ$ millions)

Value of New Registrations at Various Rates of Interest

Year and Month	Less than 8%	8% to under 10%	10% to under 12%	12% to under 14%	14% to under 16%	16% to under 18%	18% to under 20%	20% and over	Un-specified	**Total**	Average Rate %[1]	Av. Rate % (Excl. Govt.)[2]
Year Ended 31 Mar.												
1980	102.1	591.2	400.5	633.7	226.7	49.9	36.1	51.5	375.8	**2,467.5**	11.41	12.53
1981	77.7	528.9	191.7	498.0	622.6	208.0	51.8	110.0	366.5	**2,655.2**	12.86	14.30
1982	72.4	543.0	129.7	387.6	761.3	673.8	182.0	254.9	541.1	**3,545.8**	14.29	15.79
Month —												
1981 — Apr.	4.8	33.8	8.4	31.6	51.4	25.8	5.7	11.9	31.0	**204.2**	13.70	15.22
May	5.5	37.1	9.2	38.1	63.0	33.6	9.6	15.8	38.2	**250.1**	13.98	15.31
June	5.3	47.0	9.6	39.0	73.1	43.0	12.5	16.3	44.8	**290.6**	13.94	15.38
July	7.2	57.0	12.1	47.2	83.1	66.3	12.9	21.6	50.6	**358.0**	14.03	15.41
August	5.8	50.2	10.9	41.5	74.4	58.0	13.5	23.3	43.8	**321.4**	14.16	15.60
Sept.	7.7	55.1	15.9	41.4	75.8	70.8	18.4	22.0	48.2	**355.3**	14.16	15.65
Oct.	5.8	49.1	11.2	30.2	59.7	58.2	12.6	16.4	43.2	**286.4**	14.00	15.63
Nov.	7.2	51.6	12.4	32.2	72.1	73.6	17.3	30.2	55.0	**351.6**	14.55	16.02
Dec.	7.4	38.1	9.5	18.7	49.3	50.9	15.2	21.6	38.3	**249.0**	14.49	16.05
1982 — Jan.	4.6	39.2	9.1	24.3	49.5	61.1	17.4	22.8	47.4	**275.4**	14.70	16.28
Feb.	5.7	42.0	9.8	23.0	54.6	63.3	22.0	28.5	44.6	**293.5**	14.89	16.43
Mar.	5.5	42.9	11.6	20.1	55.3	69.1	25.0	24.8	56.0	**310.3**	14.91	16.51
Apr.	7.5	48.1	12.4	16.5	43.7	64.6	24.2	22.3	54.6	**293.9**	14.57	16.20

Source: R.B.N.Z. and Department of Statistics

[1] Weighted average excluding mortgages where no rate is specified.

[2] Government includes Housing Corporation, Government Life Insurance, State Insurance Office, Crown Lands, Maori Trustee, National Provident Fund, Public Trust and Reserve Bank.

[3] This table has been reconstructed due to the rate changes.

EXCHANGE RATES[1]

End of Period	*U.S.A. Mid-rate (US$ per NZ$1)*	*U.K. Mid-rate (Stg per NZ$1)*	*Aust. Mid-rate (A$ per NZ$1)*	*Japan Mid-rate (Yen per NZ$1)*	*W. Germany Mid-rate (DM per NZ$1)*	*Switzerland Mid-rate (Franc per NZ$1)*	*Canada Mid-rate (C$ per NZ$1)*	*Exchange[2] Rate Index Base June 1979 = 100*
1972								
Mar.	1.1952	0.4556	0.9375	361.955	3.7805	4.5845	1.1879	110.4
June	1.1952	0.4848	0.9375	356.310	3.7735	4.4765	1.1745	113.5
Sep.	1.1952	0.4922	0.9375	359.060	3.8170	4.5320	1.1730	114.4
Dec.	1.1952	0.5080	0.9375	360.410	3.8170	4.4915	1.1864	116.0
1973								
Mar.	1.3272	0.5340	0.9375	351.100	3.7495	4.2835	1.3218	120.8
June	1.3272	0.5124	0.9375	350.765	3.2745	3.9865	1.3214	117.7
Sep.	1.4782	0.6108	0.9938	391.825	3.5695	4.4615	1.4853	133.1
Dec.	1.4284	0.6170	0.9603	400.140	3.8460	4.6090	1.4247	133.1
1974								
Mar.	1.4669	0.6072	0.9862	398.300	3.6665	4.3410	1.4209	133.1
June	1.4539	0.6081	0.9774	412.310	3.7020	4.3535	1.4105	133.1
Sep.	1.3024	0.5586	0.9940	387.105	3.4633	3.8711	1.2845	124.8
Dec.	1.3155	0.5601	0.9933	394.845	3.1532	3.2932	1.3002	124.8
1975								
Mar.	1.3428	0.5561	0.9920	389.790	3.1417	3.3822	1.3440	124.8
June	1.2957	0.5816	0.9796	383.590	3.0420	3.2354	1.3331	124.8
Sep.	1.0459	0.5123	0.8328	316.600	2.7869	2.8727	1.0694	106.1
Dec.	1.0437	0.5146	0.8303	317.575	2.7269	2.7294	1.0586	106.1
1976								
Mar.	1.0230	0.5328	0.8194	306.330	2.5932	2.5918	1.0048	106.1
June	0.9924	0.5563	0.8032	294.255	2.5546	2.4503	0.9629	106.1
Sep.	0.9759	0.5840	0.7888	279.300	2.3886	2.3886	0.9432	106.1
Dec.	0.9500	0.5575	0.8745	277.055	2.2305	2.3169	0.9600	105.3
1977								
Mar.	0.9613	0.5574	0.8715	265.800	2.2928	2.4404	1.0110	105.3
June	0.9680	0.5612	0.8678	258.075	2.2607	2.3830	1.0243	105.3
Sep.	0.9711	0.5552	0.8768	258.005	2.2497	2.2682	1.0407	105.3
Dec.	1.0197	0.5337	0.8934	245.075	2.1435	2.0582	1.1165	105.3
1978								
Mar.	1.0225	0.5476	0.8945	227.120	2.0713	1.9195	1.1563	105.3
June	1.0307	0.5534	0.8982	211.560	2.1393	1.9119	1.1592	105.3
Sep.	1.0623	0.5380	0.9185	200.570	2.0567	1.6020	1.2528	105.3
Dec.	1.0666	0.5256	0.9271	206.805	1.9500	1.7345	1.2631	105.3
1979								
Feb.[3]	1.0557	0.5220	0.9357	213.220	1.9525	1.7578	1.2658	105.3
Mar.	1.0552	0.5123	0.9437	220.535	1.9697	1.7817	1.2263	105.3
June	1.0113	0.4653	0.9021	219.690	1.8654	1.6737	1.1805	100.0
Sep.	1.0113	0.4549	0.8907	224.605	1.7460	1.5583	1.1648	98.8
Dec.	0.9862	0.4395	0.8905	236.385	1.6985	1.5572	1.1598	97.75
1980								
Mar.	0.9431	0.4333	0.8707	235.25	1.8207	1.7268	1.1196	96.2
June	0.9889	0.4200	0.8543	214.54	1.7361	1.5986	1.1370	94.8
Sept.	0.9788	0.4101	0.8373	207.94	1.7751	1.6194	1.1476	93.3
Dec.	0.9623	0.4031	0.8150	195.295	1.8857	1.6922	1.1441	91.5
1981								
Mar.	0.9200	0.4086	0.7874	193.61	1.9132	1.7420	1.0907	90.1
June	0.8526	0.4379	0.7427	192.605	2.0390	1.7351	1.0238	88.8
July	0.8294	0.4458	0.7304	198.02	2.0362	1.7633	1.0222	88.4
Aug	0.8314	0.4465	0.7225	188.98	2.0199	1.7601	0.9980	88.1
Sept.	0.8186	0.4567	0.7169	190.405	1.8975	1.6110	0.9860	87.6
Oct.	0.8205	0.4451	0.7226	192.08	1.8519	1.5130	0.9883	87.1
Nov.	0.8415	0.4287	0.7308	180.920	1.8568	1.4874	0.9900	86.6
Dec.	0.8244	0.4311	0.7309	180.610	1.8508	1.4798	0.9829	86.1
1982								
Jan.	0.8037	0.4293	0.7310	185.335	1.8686	1.4925	0.9625	85.6
Feb.	0.7870	0.4295	0.7328	185.18	1.8643	1.4780	0.9609	85.1
Mar.	0.7668	0.4303	0.7299	188.635	1.8484	1.4822	0.9428	84.5
Apr.	0.7723	0.4313	0.7277	181.335	1.8018	1.5068	0.9425	84.1
May	0.7612	0.4267	0.7259	184.97	1.7835	1.5163	0.9468	83.6
June	0.7432	0.4261	0.7266	188.92	1.8205	1.5541	0.9627	83.4
July	0.7367	0.4252	0.7397	189.11	1.8130	1.5467	0.9267	83.4

[1] Adjustments to the value of the New Zealand Dollar against the "Basket" of overseas currencies: 9th July 1973 — establishment of basket system following 3¼ per cent revaluation against U.S. dollar; 10th September 1973 — revaluation of 10 per cent; 25th September 1974 — devaluation of 6.2 per cent; 10th August 1975 — devaluation of 15 per cent; 30th November 1976 — devaluation of 2.73 per cent; 20th December 1976 — revaluation of 2 per cent; 22nd June 1979 — devaluation of 5 per cent. From July 1979 adjustments against the basket are shown by movements in the exchange rate index.

[2] The exchange rate index is a measure of the average value of the N.Z. dollar in relation to a basket of currencies. For further details on the index refer to page 273 of the August 1979 issue of the Bulletin.

[3] From February 1979, exchange rates for currencies other than the US$ are indicative mid-rates.