

# NEW ZEALAND ECONOMIC CHRONOLOGY 1988

*The following chronology covers the calendar year 1988, listing significant economic events which occurred in that year. It does not include regular economic statements or statistical releases, as they are available elsewhere and are too numerous to list in this summary.*

## February 3

### Government Loan

The Minister of Finance, the Hon. R.O. Douglas, announced that the Government had borrowed US\$160 million in a five-year eurodollar loan at an interest rate of 8.5 per cent.

## February 10

### Economic Statement

The Minister of Finance, the Hon. R.O. Douglas, announced further details concerning the implementation of the 17 December economic statement. The main features were:

- A tax rate for resident companies for 1988/89 of 28 per cent.
- A 'deferral' of the proposed flat rate of personal tax and from 1 October 1988 the introduction of a 24 per cent rate of tax up to \$30,875 per annum, and 33 per cent above that level.
- A rebate of 9 per cent of taxable income up to a maximum of \$855 in a full year, abating at 4 cents in the dollar between incomes of \$9,500 and \$30,875.

## February 18

### Kiwi Bonds Sixteenth Issue

The closure of the fifteenth issue of Kiwi Bonds and its replacement by a sixteenth issue was announced. The new issue, available from 29 February, offered a rate of 12.5 per cent for two years and 13 per cent for four years.

## February 24

### Privatisation of State-Owned Enterprises

The Minister of State-Owned Enterprises, the Hon. Richard Prebble, announced that the Government planned to sell state-owned enterprises in a bid to retire \$14 billion of public debt by 1992.

## February 26

### Increase in Daily Cash Target

The Governor of the Reserve Bank,

Mr Spencer Russell, announced an increase in the daily cash target from \$30 million to \$40 million, effective from 29 February. The increase was intended to offset seasonal pressures in the short-term money market that had built up as a result of uncertainty over end-of-year tax flows and SOE payments.

## March 3

### Sale of Petrocorp

The Government announced that 70 per cent of the shares in Petrocorp had been sold to Fletcher Challenge at a price of \$1.75 a share. Of the remaining shares, 15 per cent were owned by Brierley Investments and 15 per cent by the public.

## March 17

### Kiwi Bonds Seventeenth Issue

The closure of the sixteenth issue of Kiwi Bonds was announced. A new issue was to be opened after the next stock tender on 7 April, the Minister of Finance, the Hon. R.O. Douglas, said.

## March 18

### Government Loan

The Government raised NZ\$335 million through yen eurobond issues in the London market. An issue of 10 billion yen (NZ\$117.6 million) was made, due 8 April 1993, paying 7 per cent and priced at 102 7/8 per cent while another issue for the same amount, and also due for 1993, paid 5 per cent and was priced at 101 3/4 per cent.

## March 22

### Daily Cash Target Reduced

The Governor of the Reserve Bank, Mr Spencer Russell, announced that the daily cash target would be reduced from \$40 million to \$30 million from 23 March. The cash target had been increased from \$30 million to \$40 million on 29 February to

offset seasonal pressures in short-term monetary conditions. However, the Bank stated that the seasonal pressures had now passed and it was therefore appropriate to return to the previous policy setting.

## April 14

### Largest Financial Transaction

The largest financial transaction in New Zealand's history took place at a ceremony to mark the handing over of assets from the Crown to the Electricity Corporation.

Electricorp gave the Minister of State-Owned Enterprises, the Hon. Richard Prebble, and the Minister of Finance, the Hon. R.O. Douglas, a cheque for \$6.3 billion, the agreed valuation for the assets.

## April 15

### Kiwi Bonds Seventeenth Issue

The Minister of Finance, the Hon. R.O. Douglas, announced the introduction of a seventeenth issue of Kiwi Bonds. The new issue offered a rate of 12 per cent for two years and 11.75 per cent for four years.

## April 15

### Removal of Two Day Hold on Government Revenue

The Reserve Bank announced that all government revenue deposited to the public account will no longer first be held with the Bank of New Zealand for two days before being transferred to the Reserve Bank. As from 2 May, the revenue will be withdrawn from the banking system on the same day.

## May 4

### CER Motor Vehicle Agreement

The Government announced details of the Closer Economic Relations motor vehicle agreement. The main feature of the agreement is the removal of the 25 per cent tariff on Japanese car assembly packs, eight-

een months earlier than planned in the December 1987 industry plan review, and a 5 per cent cut in built-up vehicle tariffs, six months ahead of schedule.

Removal of the duty on Japanese car and light commercial assembly packs will take effect from 1 July 1988, when excise tax also falls from 20 to 15 per cent.

#### **May 4 Petrol Price Reduction**

The Government announced a reduction in the petroleum tax of 6 cents per litre.

#### **May 5 Canadian Eurobond Issue**

The Government issued a C\$125 million (NZ\$151.25 million) euro-bond loan in the London market. The issue paid 10.5 per cent, and was priced at 101.65 per cent.

#### **May 5 Fiscal Surplus**

The Government announced a fiscal surplus of \$46 million for the 1987/88 March year (0.8 per cent of GDP). This surplus included state asset sales of around \$1,700 million. The GFS financial deficit, which measures the difference between what the Government earns and spends – leaving out items like asset sales – was \$1,323 million in 1987/88 (-2.2 per cent of GDP compared with -7.0 per cent of GDP in 1983/84).

#### **May 5 Reserve Bank Director**

The Minister of Finance, the Hon. R.O. Douglas, announced that former Labour Party President Margaret Wilson has been reappointed to a further three-year term as a Director of the Reserve Bank of New Zealand.

#### **May 27 Government Loan**

The Acting Minister of Finance, the Hon. Michael Cullen, announced that the Government had launched a euroyen bond issue for 20 billion yen, equivalent to NZ\$200 million, with the proceeds going towards refinancing existing debt. The issue was set at an interest rate of 5.5 per cent for a term of seven years.

#### **June 14 New Reserve Bank Governor**

The Government announced that Sir Spencer Russell was retiring as Governor of the Reserve Bank, and that he would be succeeded by Dr Donald Brash.

#### **June 20 Bond Issue**

The Minister of Finance, the Hon. R.O. Douglas, announced that New Zealand had completed its first borrowing in the euro-Australian dollar markets.

The issue was for A\$200 million (NZ\$227 million) at an interest rate of 8 per cent. The issue price was 3.15 per cent, for a term of seven years.

#### **June 29 DFC New Zealand: Sale by Government**

The Government announced that DFC New Zealand had been sold to National Provident and international investment bank Salomon Brothers for \$111 million. National Provident took an 80 per cent share and Salomon Brothers 20 per cent.

#### **July 6 New Zealand Debt Management Office Established**

The Treasury announced the establishment of the New Zealand Debt Management Office (NZDMO) as part of the reform of

public sector financial accountability with respect to funding between the Treasury and government departments. The establishment of the NZDMO is expected to facilitate a clearer distinction between the debt management and monetary policy functions of New Zealand's monetary authorities. The primary functions of the NZDMO will be to seek out the most cost-effective methods of finance and manage the risks in the debt portfolio of government.

#### **July 7 Reserve Bank Bill**

The Reserve Bank announced its intention to introduce a Reserve Bank Bill in November. The Bill will replace Government Stock and Treasury Bills as the major component of primary liquidity.

#### **July 11 Early Repayment of Loan**

The Minister of Finance, the Hon. R.O. Douglas, announced the repayment of an eight year, 7.9 per cent 100 billion yen loan taken out by the previous National Government in July 1984.

The loan, the largest borrowing undertaken by a New Zealand Government, was paid off four years early.

#### **July 22 Stores Board to Become SOE**

The Government announced that the Government Stores Board would become a State-Owned Enterprise.

#### **July 28 1988 Budget**

The 1988 Budget was presented to Parliament by the Minister of Finance, the Hon. R.O. Douglas. The highlights were:

- A forecast 1988/89 Budget Table 2 fiscal surplus of around \$2,260 million (3.6 per cent of GDP), up from last year's surplus of \$467 million.

- A projected 1988/89 GFS financial balance of around -\$1,380 million (-2.2 per cent of GDP) compared with last year's out-turn of -\$1,147 million (-1.9 per cent of GDP).
- A programme of asset sales amounting to \$2,000 million contributing towards a targeted \$2,000 million reduction in foreign debt this year.
- Proposed legislative changes designed to strengthen public sector financial management and enhance Reserve Bank autonomy.
- A three stage rise in tobacco taxes from the current 90 per cent to 135 per cent by 1 April 1989.

### **August 18 CER**

Prime Ministers David Lange and Bob Hawke put the seal on a Trans-Tasman free market by 1 July 1990, signing protocols breaking down most trade barriers between New Zealand and Australia.

### **August 18 Reserve Bank Director**

The Minister of Finance, the Hon. R.O. Douglas, announced the reappointment of Sir Peter Elworthy as a Director of the Reserve Bank of New Zealand for a further term of three years.

### **August 29 Reserve Bank Bill**

The Governor of the Reserve Bank, Sir Spencer Russell, announced that the first tender of the Reserve Bank Bill would be held on 1 September.

The new Bill replaces Government Stock and Treasury Bills as the major component of primary liquidity.

### **August 30 Broadcasting Split**

The Minister of Broadcasting, Hon. Richard Prebble, announced that the

Broadcasting Corporation would be split into two state-owned enterprises - Television New Zealand and Radio New Zealand.

### **September 1 New Reserve Bank Governor**

Dr Donald Brash officially took up his appointment as Governor of the Reserve Bank of New Zealand.

### **September 2 Kiwi Bonds Eighteenth Issue**

The closure of the seventeenth issue of Kiwi Bonds and its replacement by an eighteenth issue was announced. The new issue, available from 5 September, offered a rate of 11.5 per cent for both two and four year terms.

### **September 13 Euro Loan**

The Minister of Finance, the Hon. R.O. Douglas, announced that the Government had raised the equivalent of \$181.2 million in European Currency Units to refinance existing debt.

The bonds had a coupon of 7.88 per cent, and a maturity date of 4 October 1995. The bonds were issued at a price of 101.5 per cent.

### **October 1 New Tax Rates**

New tax scales were introduced. Amongst the changes was a decrease in the top tax rate, from 48 cents in the dollar to 33 cents.

### **October 6 Reserve Bank Director**

The Minister of Finance, the Hon. R.O. Douglas, announced that Ms Suzanne Snively had been reappointed for a further three-year term as a Director of the Reserve Bank of New Zealand.

### **October 20 Foreign Fishing Quotas**

The Minister of Fisheries, Hon. Colin Moyle, announced that the Government had reduced the fishing quota allocations to foreign countries for the 1988/89 fishing year by 29 per cent.

The reductions were attributed to the need to provide for the increased requirements of the New Zealand domestic fleet.

### **November 7 New Minister of State-Owned Enterprises**

The Minister of State-Owned Enterprises, the Hon. Richard Prebble, was relieved of his Cabinet position and was replaced by the Hon. Stan Rodger.

### **November 21 Coalcorp Sale Approved**

The Cabinet approved the sale of Coalcorp, almost five months after the Government agreed in principle to dispose of the state-owned enterprise.

### **December 1 Ministries - Changes and Replacements**

The Foreign Affairs Ministry and the Department of Trade and Industry were replaced by a superministry - the Ministry of External Relations and Trade, and the shorn-down Commerce Ministry.

The New Zealand Trade Development Board also formally came into existence.

The Hon. Mike Moore was subsequently appointed Minister of External Relations and Trade.

### **December 1 Reserve Bank Director Appointment**

The Minister of Finance, the Hon. R.O. Douglas, announced that Mr

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Lindsay Fergusson had been appointed as a Director of the Reserve Bank of New Zealand.

His appointment follows the retirement of Mr Keith McCliskie, who served as Director of the Reserve Bank for 15 years.

### **December 2 Debt Management Kiwi Bonds**

The Debt Management Office announced that closure of the eighteenth issue of Kiwi Bonds from 3 December and the introduction of two new short-term Kiwi Bond maturities.

From 5 December, a six month and a one-year term would be added to the two-year and four-year maturities.

For investments of \$5,000 – \$250,000 interest rates would be

12.5 per cent for six months and one year, 12.5 per cent for two years and 12 per cent for four years.

Investments between \$1,000 and \$4,999 would earn 0.5 per cent less than those rates.

### **December 7 Additional Bank Registrations**

The Governor of the Reserve Bank, Dr Donald Brash, announced the registration as banks of the New Zealand branches of Barclays Bank PLC and State Bank of South Australia.

### **December 10 Postbank Sale Approved**

Legislation clearing the way for the sale of Postbank was passed in Parliament.

### **December 14 New Minister of Finance**

The Minister of Finance, the Hon. R.O. Douglas, resigned from his Cabinet position and was replaced by the Hon. David Caygill.

### **December 21 Sale of Air New Zealand and Postbank**

The Minister of Finance, the Hon. David Caygill, and State-Owned Enterprises Minister, the Hon. Stan Rodger, announced the sale of Air New Zealand and Postbank.

Air New Zealand was sold to a Brierley-Qantas consortium for \$660 million and Postbank was sold to the ANZ for about \$665 million.

