

NEW ZEALAND ECONOMIC CHRONOLOGY 1990

The following chronology covers the calendar year 1990, listing significant economic announcements. 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 17

Release of December quarter 1989 Inflation Data

During the quarter the Consumers Price Index (CPI) rose by 1.2 per cent. This brought year-on-year CPI inflation to 7.2 per cent. The Reserve Bank's Housing Adjusted Price Index (HAPI) rose by 1.2 per cent, taking year-on-year HAPI inflation to 7.2 per cent.

February 1

Reserve Bank Act

The Reserve Bank of New Zealand Act 1989 came into force.

February 7

DFC New Zealand Ltd - Statutory Management

A report to creditors was released by the DFC statutory managers, Mr Don Francis and Mr Tom Davies.

March 2

Signing of Policy Targets Agreement

The Reserve Bank of New Zealand's Policy Targets Agreement was signed by the Minister of Finance, the Hon. David Caygill and the Governor of the Reserve Bank, Dr Don Brash.

March 15

Bank Registration Policy

The Reserve Bank released a paper containing a statement of principles relating to the registration and prudential supervision of banks.

March 20
Economic Statement

The Minister of Finance, the Hon. David Caygill, released an economic statement detailing a programme for future economic reforms. The major points were:

- A proposed revision of the Companies Act and the legislation governing the areas of takeovers and securities;
- The removal of the restrictions on ownership of ports;
- A proposed restructuring of New Zealand Railways with a view to corporatisation;
- A programme of tariff reduction from 1991 to 1996;
- A proposed Labour Relations Act enabling more flexible work practices;
- The intention to sell Telecom subject to certain conditions being imposed upon the purchaser.

March 20
DFC - Statutory Management

The appointment of Mr Sandy Maier as new statutory manager and chief executive for DFC was announced.

March 28
New Bank Registration

Westland Bank Limited, a wholly owned subsidiary of ASB Bank Limited, was granted registered bank status.

April 2
Monetary Policy Statement

The Reserve Bank issued its first Monetary Policy Statement in accordance with section 15 of the Reserve Bank of New Zealand Act 1989.

April 18
Release of March 1990 quarter CPI result

During the quarter the CPI rose by 0.9 per cent. This brought year-on-year CPI inflation to 7.0 per cent. The Reserve Bank's HAPI rose by 0.9 per cent, taking year-on-year HAPI inflation to 7.3 per cent.

April 30

One and two cent coins

One and two cent coins were demonetised and shops, banks and other parties were no longer required to accept them in payment for goods and services, or for deposits to accounts.

May 3

Sale of State Insurance

The Government announced the sale of the State Insurance Office to Norwich Insurance for \$735 million.

May 28

Reserve Bank Float Tender

The Reserve Bank increased the minimum acceptable bid in its daily 'float' tender from 82.5 per cent to 87.5 per cent of the one-day discount rate. This increase was one of a series of operations over the last ten days of May, designed by the Reserve Bank to tighten monetary conditions and reaffirm the Bank's commitment to the price stability objective. This move followed perceptions of an increase in inflationary pressures in the June quarter and an easing in liquidity conditions particularly over April and May.

June 14

New Zealand Financial Markets Committee

The New Zealand Financial Markets Overview Committee was officially established. The aim of this committee is to foster the sound development of the financial markets in New Zealand by facilitating communication between the various financial market sector groups.

June 14

Sale of Telecom

The sale of Telecom to a consortium comprising two American companies, American Information Technologies Corporation and Bell Atlantic Corporation, and two New Zealand companies, Fay Richwhite partners and Freightways Holdings for \$4,250 million was announced.

June 15

Sale of Tourist Hotel Corporation

The sale of the Tourist Hotel Corporation of New Zealand to Southern Pacific Hotel Corporation Limited for the sum of \$74 million was announced.

June 25

Austraclear enters New Zealand

The Registry Department of the Reserve Bank announced the commencement of the use of the Austraclear system in New Zealand. Austraclear is a real-time computer system for storing securities in safe custody, and for recording and settling financial market transactions.

June 29

New Bank Registration

United Banking Group Limited, a subsidiary of the State Bank of South Australia, was granted registered bank status. Bank registration coincided with the conversion of United Building Society to a New Zealand registered company. United Banking group later changed its name to United Bank Limited.

July 12

Commemorative Notes and Coins

The Reserve Bank of New Zealand announced the release of commemorative bank notes and collectors coins, in association with the New Zealand 1990 Commission, to mark New Zealand's sesquicentenary.

July 16

Release of June 1990 quarter CPI result

During the quarter the CPI rose 1.8 per cent. This brought year-on-year CPI inflation to 7.6 per cent. The Reserve Bank's HAPI rose 1.5 per cent taking year-on-year HAPI inflation to 7.5 per cent.

July 19

Asset Sales

The Minister of State Owned Enterprises, the Hon. Richard Prebble, announced the end of the State-owned asset sales programme.

July 24

1990 Budget

The 1990 Budget was presented. The main policy statements were:

- Projected financial surplus of \$89 million for 1990/91;
- Projected financial deficit of \$2.2 billion and \$1.6 billion for 1991/92 and 1992/93 respectively;
- The planned redemption of \$5 billion of public debt over the 1990/91 fiscal year;
- The abolition of excise duties on diesel fuel from 1 January 1991;
- The abolition of excise duties on motor vehicles from 25 July 1990;
- Various tax simplification measures designed to reduce tax compliance costs;
- Increased expenditure on health and education with a decrease in defence spending.

August 1

Monetary Conditions

The Reserve Bank undertook action to firm monetary conditions. This action followed exchange rate weakness in the weeks prior to this move, disappointing inflation outcomes and continuing high expectations of inflation. The Bank's aim was to send a clear message to both the financial markets and to the public of the Bank's commitment to deliver price stability.

August 2

Invasion of Kuwait

Iraqi troops seized control of Kuwait prompting significant increases in oil prices.

August 3

Monetary Conditions

The Reserve Bank undertook further action to firm monetary conditions.

August 14

New One and Two Dollar Coins

The Reserve Bank announced that gold-coloured one and two dollar coins would be introduced in November 1990.

August 14
New Bank Registration

The Rural Banking and Finance Corporation of New Zealand Limited was granted registered bank status.

September 4
Change in Prime Minister

The Hon. Mike Moore replaced the Rt Hon. Geoffrey Palmer as Prime Minister.

September 4
Monetary Policy Statement

The Reserve Bank released its second Monetary Policy Statement.

September 17
Union - Government Agreement

The Government and the New Zealand Council of Trade Unions (CTU) announced an arrangement which became known as the 'Growth Agreement'. Under the terms of this agreement:

- The CTU agreed to exercise its influence to achieve wage settlements of 2 per cent, with any further increases to be based on productivity growth; and
- The Government undertook to take substantial steps towards reversing the deterioration in its fiscal position.

The Reserve Bank indicated its intention to not prevent any easing in monetary conditions that flowed from greater wage restraint.

October 11
Indicative Inflation range for 1991

The Governor of the Reserve Bank, Dr Don Brash, in conjunction with the release of the Reserve Bank's Economic Forecasts, announced a change in the specification of the Bank's indicative inflation range for 1991. This change was prompted by increases in international crude oil prices that had occurred since the release of the Bank's September Monetary Policy Statement.

In his statement, Dr Brash indicated that the Bank would focus on achieving an underlying ex-oil inflation rate of 1.5 - 3.5 per cent by December 1991.

October 15

Release of September 1990 quarter CPI result

During the quarter the CPI rose 1 per cent. This brought year-on-year CPI inflation to 5 per cent. The Reserve Bank's HAPI rose 1.1 per cent, taking year-on-year HAPI inflation to 4.7 per cent.

October 17

Reserve Bank Responds to Exchange Rate Movement

Exchange rate falls had been leading some investors to question the Reserve Bank's commitment to price stability. The Bank responded with a public statement reiterating its intention to maintain monetary conditions consistent with the price stability objective. In the event, this statement was misinterpreted by some commentators as a signal that the Bank was largely indifferent to exchange rate developments. To prevent inappropriate exchange rate falls, the Bank undertook a firming action and issued another statement on 18 October that further emphasised its commitment to achieving price stability.

October 29

General Election

The National Party won the general election gaining 67 seats in Parliament, compared to the Labour Party's 29 and the New Labour Party's 1. Consequently, the Hon. Jim Bolger replaced the Hon. Mike Moore as Prime Minister.

November 5

Bank of New Zealand/Fiscal Revisions

The Government announced its intention to commit \$620 million to supporting the Bank of New Zealand following problems arising from an increase in the bank's non-performing loans in Australia.

The Government announced revisions to the projected fiscal situation. It expected a financial deficit of \$1019 million in 1990/91 instead of the previously projected surplus of \$89 million. Deficit projections for the years 1991/92, 1992/93 and 1993/94 were \$3.7 billion, \$4.5 billion and \$5.2 billion respectively, assuming no change to Government spending.

November 12

Banks meet to discuss cash plays

Reserve Bank officials met with representatives of five major settlement banks to discuss the operations of the cash market following problems arising from periodic manipulation of the market for short-term cash.

November 19

DFC - Statutory Management

DFC statutory manager, Sandy Maier, announced that DFC's \$2.2 billion debt restructuring plan was to go ahead. This announcement followed agreement to the plan by creditors holding over 99 per cent of the DFC's total debt. Under the plan the Government had been committed to contributing \$112 million, National Provident Fund \$341 million (in exchange for tax losses) and Salomon Brothers United States will contribute \$8 million. The remainder of the debt will be funded from liquidating the DFC's assets.

November 27

Interbank Settlement Market

The Reserve Bank released a discussion paper on the options available to improve the functioning of the interbank settlement market. This discussion paper followed on from the 12 November meeting between the Reserve Bank and five settlement banks.

December 6

Bank of New Zealand

The BNZ's two shareholders, the Government and Fay Richwhite, both reaffirmed their commitment to see through, to successful completion, the recapitalisation of the BNZ. This reaffirmation followed media reports indicating that the two shareholders could withdraw from their 5 November commitment to the BNZ if the bank's share price fell below 50 cents for seven of the ten days prior to the deal being finalised.

December 19

Economic Package Announced

The Government announced its 'Economic and Social Initiative'. The major points were:

- Across-the-board benefit cuts from 1 April 1991;
- Abolition of family benefit, compensated by a rise in family support for those on low incomes;

- Cut in subsidy for visits to the doctor. Some prescription charges increased;
- Projected financial deficit for 1990/91 reduced from \$1,019 million to \$691 million;
- End of compulsory unionism - associated labour market restrictions with workers free to negotiate their own employment contracts.

December 19

New Policy Targets Agreement

The Minister of Finance and the Governor of the Reserve Bank signed a new Policy Targets Agreement. This agreement altered the target date for the achievement of price stability from the end of December 1992 to the end of December 1993.

