

1984

RBNZ, 1985a

January, 1985

NEW ZEALAND ECONOMIC C

The following Chronology covers the calendar year 1984, listing significant economic events that occurred in that year. It does not include regular economic reports or statistical releases, as they are available elsewhere and are too numerous to report in this resumé.

January 24 **Benefits Increased**

The Minister of Social Welfare, the Hon. V.S. Young, announced a 1.77 per cent increase in the standard social welfare benefit rate. This increase became effective from 23 February for sickness and unemployment benefits, and from 6 March for others.

January 27 **Monetary Policy Initiatives**

As part of an attempt to reduce the growth in lending, the Minister of Finance, the Rt. Hon. Sir Robert Muldoon, announced two monetary policy initiatives. The free reserves margin used in setting the reserve asset ratio applicable to trading banks was reduced from \$50 million to zero, effective from February, while the government security ratio for finance companies was increased by 5 percentage points to 30 per cent, effective from March.

February 1 **Wage Freeze Extended**

The Prime Minister, the Rt. Hon. Sir Robert Muldoon, announced that the controls on wages, which had been due to expire on February 29, would be extended until agreement was reached on long-term wage-fixing procedures.

February 2 **Government Stock Tender No. 5**

The fifth tender of government stock was held and offered a total of \$600 million in four maturities (two conventional and two indexed). Bids accepted totalled \$308.2 million as detailed below:

Type	Maturity	Amount Offered (\$m)	Amount Allotted (\$m)	Allotment Yield (%)
Conventional	15/7/1985	200	58.5	11.0
Conventional	15/7/1987	100	18.7	11.0
Indexed	15/6/1989	100	30.0	6.0
Indexed	15/6/1992	200	201.0	6.0

February 9 **Kiwi Savings Stock II Closed**

The closure of the second issue of Kiwi Savings Stock was announced by the Minister of Finance the Rt. Hon. Sir Robert Muldoon. The issue raised a total of \$126.1 million in the five months it was open.

Finance Controls Extended

The Financial Services Regulations (No. 2) 1983 and Economic Stabilisation (Mortgage Loans) Regulations 1983 due to expire on February 29, were extended to August 31.

February 23 **Overseas Loan**

The Acting Minister of Finance, the Hon. J. Falloon, announced that the Government had raised a NZ\$130 million loan, denominated in Japanese yen at an interest rate of 7.5 per cent on a 10 year term.

February 27 **Ratio Tightened**

A further tightening in the reserve asset ratio applied to trading banks was announced by the Associate Minister of Finance, the Hon. J.H. Falloon. The ratio for March was set at 32 per cent of deposits, and was based on a free reserves margin of - \$50 million.

February 28 **Inflation Bonds Altered**

Alterations to the terms applicable to Inflation Adjusted Savings Bonds were announced by the Acting Minister of Finance, the Hon. J. Falloon. Designed to make the series more attractive, the changes comprised the removal of the \$20,000 per person limit, a change in the calculation of the inflation premium, and the introduction, as from the March 1984 quarter, of a minimum inflation adjustment of 1.25 per cent per quarter.

February 29 **Post Office Loans Reduced**

The maximum amounts on second mortgages and personal loans available from the Post Office Savings Bank were reduced by the Government. Second mortgage finance was reduced from a maximum of \$15,000 per person, to a maximum of \$7,000, while personal loans (secured over real estate) were reduced from a maximum of \$5,000 to \$3,000 per person.

March 22 **Government Stock Tender No. 6**

The sixth tender of government stock was held, and offered a total of \$400 million in three maturities (one conventional and two indexed). Bids accepted totalled \$295.1 million as detailed below:

Type	Maturity	Amount Offered (\$m)	Amount Allotted (\$m)	Allotment Yield (%)
Conventional	15/5/1986	100	12.6	10.00
Indexed	15/6/1991	250	222.5	5.30
Indexed	15/6/1999	50	60.0	4.59

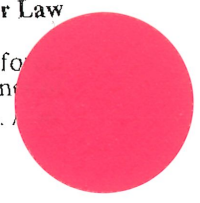
April 1 **EEC Butter Agreement Deferred**

Proposals put to the European Community's Agriculture Council for a five year New Zealand butter access agreement were rejected by Ireland, forcing New Zealand officials to accept a two month rollover agreement.

New Takeover Law

Amendments to the Commerce Act came into force. These amendments changed the role of the Examining

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Commercial Practices with respect to takeover procedures. Under the amended legislation, all takeover proposals go directly to the Commerce Commission, rather than to the Examiner in the first instance. The amended legislation also reduces the relative size of holdings allowed in the target company without the need for notification. These have been reduced from 50 per cent for private companies and 25 per cent for public companies, to 20 per cent for both.

General Wage Adjustment

A General Wage Adjustment of \$8 per week was announced as part of a transitional move towards a relaxation of wage controls. The wage adjustment became effective from 1 April.

April 4 Import Schedule Changes

Changes to the 1984 general schedule of import licence allocation were announced by the Minister of Trade and Industry, the Hon. H.C. Templeton. The allocation was increased by 5 per cent for those items determined by value, but was left unchanged for those determined by volume.

April 5 Overseas Loan

The Minister of Finance, the Rt. Hon. Sir Robert Muldoon, announced the raising of a new overseas loan equivalent to NZ\$140 million, by way of a West German public bond issue of 250 million deutschmarks. The loan is on a seven year term at an interest rate of 7.25 per cent.

April 10 Phase-Out of Import Licensing

Agreement was reached between the Government and the Manufacturers' Federation on the progressive phasing out of import licensing and its replacement with tariff-based protection.

April 13 Overseas Loan

The Government raised £100 million in a Eurosterling public bond issue. Announcing these details, the Minister of Finance, the Rt. Hon. Sir Robert Muldoon, said the loan was for five years at an interest rate of 10.625 per cent per annum.

April 26 Monetary Policy Relaxed

The Minister of Finance, the Rt. Hon. Sir Robert Muldoon, announced an easing in reserve asset ratio policy. The ratio for May was based on a free reserves margin of +\$50 million, after two months of -\$50 million. This relaxation reflected a reduction in the growth of trading bank lending to rates of increase nearer the 1 per cent per month credit growth guideline.

May 3 Government Stock Tender No. 7

The seventh tender of government stock was held, and offered a total of \$600 million in four maturities (one conventional and three indexed). Bids accepted totalled \$598.4 million as detailed.

Type	Maturity	Amount Offered (\$m)	Amount Allotted (\$m)	Allotment Yield (%)
Conventional	15/4/1986	100	55.1	10.00
Indexed	15/9/1987	100	63.3	5.00
Indexed	15/9/1992	300	360.0	4.95
Indexed	15/9/2001	100	120.0	4.55

May 7 Finance Company Regulations Amended

An amendment to the Finance Companies (Investment) Regulations 1983 was announced by the Minister of Finance, the Rt. Hon. Sir Robert Muldoon. It increased the ratio of government stock required to be held by finance companies whose lending exceeded the 1 per cent per month credit growth guideline. For lending in excess of the guideline, the ratio was set at 100 per cent of that excess.

May 8 EEC Butter Deal

European Community agriculture ministers again failed to reach agreement on a long-term butter access deal for New Zealand. Instead, a further two month roll-over deal for butter access to Britain was agreed upon.

May 10 Limited Exemption Granted

The Reserve Bank announced an amendment to the Finance Companies (Investment) Regulations 1983. Under this amendment, newly formed finance companies and those in the process of being formed were permitted to lend up to twice their ordinary paid-up capital by 31 December 1984 without being in breach of the 1 per cent per month credit growth guideline. The standard 30 per cent government security ratio continued to apply.

May 15 Housing Package Released

The Minister of Housing, the Hon. A.P.D. Friedlander, announced a new housing package. Included in the package were an extra \$25 million of housing loans from the Housing Corporation in the 1984/85 financial year, and the commencement of a programme to buy and develop up to 2,500 sections for state house construction.

May 23 Overseas Loan

It was announced by the Associate Minister of Finance, the Hon. J. Falloon, that the Government had raised NZ\$100 million by way of a Euroyen loan of 15 billion Japanese yen. The loan carried an interest rate of 7.125 per cent per annum, had an issue price of 99.75 per cent and was on a term of six and a half years.

May 28 Lending Rate Regulations

In response to what was perceived to be excessive levels of interest rates, the Minister of Finance, the Rt. Hon. Sir Robert Muldoon, announced the promulgation of new regulations to control lending interest rates. The regulations imposed a ceiling of 15 per cent for interest rates on (non-mortgage) securities offered by trading banks, savings banks, building societies, life assurance offices and superannuation funds, and 17 per cent for all other lenders (including finance companies).

May 29 Monetary Stance Tightened

In a package designed to reduce the growth in trading bank lending, the Minister of Finance, the Rt. Hon. Sir Robert Muldoon, announced a reduction from \$50 million to zero in the free reserves margin used in setting trading bank reserve assets ratios for June. In addition, the effective cost of trading bank borrowing from the Reserve Bank in the event of a shortfall in reserve assets was increased from 4 per cent to 7 per cent.

May 30 Overseas Loan

It was announced by the Minister of Finance, the Rt. Hon. Sir Robert Muldoon, that the Government had raised an overseas loan for the equivalent of approximately NZ\$62 million. Although the statement indicated the loan was from a Middle East source, no further details were given.

May 31 New Bond Issue

A new retail debt issue was announced by the Minister of Finance, the Rt. Hon. Sir Robert Muldoon. Entitled 'Our New Zealand Bond', the new security was available from June 5, paying a 5 per cent rate of interest plus a cost of living adjustment (payable quarterly), and redeemable on seven working days' notice (after six months).

June 6 Exchange Control Adjusted

The Governor of the Reserve Bank, Mr Spencer Russell, announced that the trading banks' and other authorised dealers' authority to sell foreign exchange for overseas travel was to be increased to \$3,000 per person per month and up to \$10,000 per person in a twelve month period. The respective amounts had formerly been \$1,000 and \$4,000.

June 7 Government Stock Tender No. 8

The eighth tender of government stock was held, and offered a total of \$250 million in three maturities (one conventional and two indexed). Bids accepted totalled \$83.6 million as detailed below:

Type	Maturity	Amount Offered (\$m)	Amount Allotted (\$m)	Allotment Yield (%)
Conventional	15/4/1986	50	0.2	10.0
Indexed	15/9/1987	100	11.4	5.0
Indexed	15/9/1993	100	72.0	5.0

June 11 Interest on Deposit Regulations Introduced

As part of a continuing move to reduce interest rates, the Minister of Finance, the Rt. Hon. Sir Robert Muldoon, announced that new regulations would be introduced to control interest rates. The Interest on Deposit Regulations 1984, effective from June 12, set maximum rates that financial institutions could pay on deposits.

June 12 New Lending Constraints

Further constraints on lending by the Post Office

Savings Bank were announced by the Postmaster-General, the Hon. R.L.G. Talbot. Personal loans were limited to \$500 for unsecured or partly secured advances, and to \$1,000 for secured advances. Loans secured over real property for housing purposes were reduced from a maximum of \$7,000 to \$5,000. In addition, applications for Bankcard and Mastercard credit cards with the POSB were limited to those with established savings records with the Post Office.

June 14 General Election Announced

The Prime Minister, the Rt. Hon. Sir Robert Muldoon, announced that His Excellency, the Governor-General, Sir David Beattie, had accepted his advice to dissolve Parliament in preparation for a general election to be held on July 14.

June 18 Forward Exchange Market Re-entered

In view of the unsettled conditions that prevailed in the foreign exchange market, the Reserve Bank announced that it would re-enter the forward exchange market as from June 18, with forward rates being adjusted regularly as market conditions required.

The Reserve Bank's intervention reflected the market's concern that there was likely to be a devaluation of the currency following the general election. This concern had led to a series of large outflows of foreign exchange, as importers advanced their import payments and exporters deferred, where possible, the repatriation of foreign currency receipts.

June 19 Butter Deal Sealed

A meeting of EEC agriculture ministers agreed to a five year butter access deal for New Zealand. The compromise package involves guaranteed access of 83,000 tonnes for 1984, 81,000 tonnes for 1985 and 79,000 tonnes for 1986, with quotas for 1987 and 1988 being determined by August of each of the respective preceding years.

June 21 Overseas Loan

The Government confirmed a statement released by the Amsterdam-Rotterdam Bank NV, which indicated that the Government had agreed to borrow 100 million guilders in 8.25 per cent, five year Euroguilder notes, at par.

June 25 Butter Deal Amended

In order to ensure that the butter access deal, agreed upon on June 19, did not preclude the negotiation of access after 1988, the Prime Minister, the Rt. Hon. Sir Robert Muldoon, announced that the deal had been amended to include post 1988 access negotiations.

June 27 Ratio Policy Tightened

The Minister of Finance, the Rt. Hon. Sir Robert Muldoon, announced a further tightening in reserve asset ratios for the month of July. The ratio was calculated on a free reserves margin of - \$100 million, compared with zero for the previous month.

SMP Scheme Abolished

It was announced by the Prime Minister, the Rt. Hon. Sir Robert Muldoon, that the Supplementary Minimum Prices schemes would be abolished after the 1983/84 season. As an interim measure, lump sum payments equal to anticipated SMP payments would be paid to the Meat and Wool Boards for the 1984/85 season.

July 2 Overseas Loan

The Government borrowed £100 million from the London market. In announcing this the Minister of Finance, the Rt. Hon. Sir Robert Muldoon, indicated that the loan was for a 30 year term, and would provide a yield of 12.432 per cent to the investors.

July 6 Overseas Loan

A loan of 100 billion yen (or NZ\$660 million) was signed. This was the largest syndicated loan yet raised in Japan, and is redeemable over a period of eight years with an annual interest rate fixed at the Japanese prime lending rate, 7.9 per cent, at the date the loan was negotiated.

July 14 General Election

The general election resulted in a change of Government, with the Labour Party winning 56 seats in the House of Representatives, to 37 for the National Party and 2 for the Social Credit Party. On election night results, Labour won 43 per cent of the votes cast, with National winning 36 per cent, the New Zealand Party 12 per cent and Social Credit 8 per cent.

July 15 Foreign Exchange Market Closed

In response to the uncertainties which prevailed in the foreign exchange market leading up to and coincident with the elections, the Governor of the Reserve Bank, Mr Spencer Russell, announced the immediate closure of the foreign exchange market. Provision was made for banks and other foreign exchange dealers to meet the urgent needs of travellers.

July 18 Devaluation and Interest Rate Deregulation Package Announced

The Prime Minister-elect, Mr David Lange, announced a devaluation of the New Zealand dollar of 20 per cent. As part of this policy package, controls on lending and deposit interest rates were removed, and a price freeze was imposed for three months. In addition, the marginal ratio policy applicable to finance companies was removed.

July 19 Foreign Exchange Market Reopened

The foreign exchange market was reopened.

July 23 Discount Margins Increased

As part of a general move towards maintaining a firmer monetary stance, the Governor of the Reserve Bank, Mr

Spencer Russell, announced increases to the margins the Bank adds to selling yields used when it buys government securities. The margins were doubled over all maturity bands, and became effective from July 24.

July 24 Credit Guideline Remains

The Governor of the Reserve Bank, Mr Spencer Russell, confirmed that the 1 per cent per month credit growth guideline, imposed by the previous Administration, would remain in force as a transitional measure until the new Government's public debt programme was fully implemented.

July 26 Overseas Loan

The Minister of Finance, the Hon. R.O. Douglas, announced that the Government was in the process of borrowing 250 million Swiss francs in a deal initiated by the previous Government. The loan carries a coupon of 5 7/8 per cent and is for a five year term.

Tight Ratio Policy Continued

In keeping with its objective of maintaining a firm monetary policy, the Minister of Finance, the Hon. R.O. Douglas, indicated that a free reserves margin of - \$100 million was used in setting the reserve asset ratio for August, giving a ratio of 29.5 per cent.

July 27 Government Stock Tender No. 9

The ninth tender of government stock was held, and offered a total of \$500 million in four maturities (two conventional and two indexed). Bids accepted totalled \$446.1 million as detailed below:

Type	Maturity	Amount Offered (\$m)	Amount Allotted (\$m)	Allotment Yield (%)
Conventional	15/ 5/1987	100	68.7	15.0
Conventional	15/ 5/1990	100	57.6	15.5
Indexed	15/12/1987	150	139.8	5.0
Indexed	15/12/1991	150	180.0	5.0

August 7 Fuel Prices Increased

Substantial increases in the costs of liquid fuels were announced by the Minister of Energy, the Hon. R.J. Tizard. The cost of petrol rose by 16.5 cents a litre to 87.5 cents, while the cost of diesel rose by 10 cents a litre. Most of the increase was attributable to the 20 per cent devaluation, with the balance being due to higher interest costs on the Marsden Point expansion project, cost recovery, and higher profit margins for wholesalers and retailers.

August 15 Social Security Benefits Increased

The Minister of Social Welfare, the Hon. Ann Hercus, announced increases in social security benefits, the increases being effective from 18 July. The adjustment took the married weekly standard benefit rate to \$156.46 (from \$152.04) and the single rate to \$93.88 (from \$91.23).

Export Incentives to End

The Minister of Finance, the Hon. R.O. Douglas, and the Minister of Trade and Industry, the Hon. D.F. Caygill, announced a programme to phase out export incentives and to increase access for imported goods into the country. As part of this programme, the main form of export assistance, the Export Performance Taxation Incentive, would be phased out between 1985 and 1987. It will cut by 50 per cent from April 1985, by 25 per cent from April 1986 and completely phased out by April 1987. In addition, the Rural Bank's Rural Export Suspensory Loan, Dairy Export Loan and Export Suspensory Loans would all be removed in March 1985.

The move to liberalise access for imports would principally take the form of increasing the number of import licences to reach an equivalent of a minimum of 10 per cent of the value of the domestic market for the respective goods or services. Where import licences are denominated by value, the value would be increased by 25 per cent in order to enable the same volume of imports as was available before the devaluation.

Monetary Policy Initiatives

In order to further improve the effectiveness of public debt policy, a number of measures relating to the selling, trading and discounting of government securities were announced by the Governor of the Reserve Bank, Mr Spencer Russell. As part of this package, the Reserve Bank would deal on a regular basis in the government securities secondary market. Initially, the Bank would be operating mainly on a selling basis in shorter term stocks, but it was indicated that the Bank's intention was to expand dealing activity to include both buying and selling transactions. A minimum parcel size of \$1 million would apply.

Further to the decision to increase the Bank's discount margins, the Governor also announced an extension to all persons of access to the Bank's discount window for government securities. Similarly, access to the Reserve Bank's portfolio of government securities with six months or less to maturity was made available to all tenderers. Previously, both these facilities were available only to the trading banks.

August 16**New Lamb Deal**

In a link-up with British company Bernard Matthews PLC, the Meat Board secured a lamb marketing deal which involves the Meat Board supplying Bernard Matthews PLC with 20,000 tonnes of boneless lamb per year until 1996, with provision for a 12 year extension.

Government Stock Tender No. 10

The 10th tender of government stock was held, and offered a total of \$400 million in four maturities (two conventional and two indexed). Bids accepted totalled \$375.4 million as detailed below:

Type	Maturity	Amount Offered (\$m)	Amount Allotted (\$m)	Allotment Yield (%)
Conventional	15/5/86	\$150.0	\$123.9	15.50
Conventional	15/11/92	\$50.0	\$57.8	15.25
Indexed	15/6/89	\$100.0	\$73.7	6.00
Indexed	15/6/92	\$100.0	\$120.0	6.00

August 23**Monetary Policy Changes**

Changes to the method of government stock tender allotment were announced by the Minister of Finance, the Hon. R.O. Douglas. The changes, effective from the 12th tender, replaced the uniform yield system with the 'yield-bid' system that was used for the first three tenders. In the same statement, the Minister also announced a second series of Our New Zealand Bonds, which would replace the first series due to expire on August 31. The second series would be open from September 1 to November 2, with the terms of the bonds unchanged.

August 30**Interest Rates Decontrolled**

In a further move to deregulate the financial sector, the Government removed two additional controls on interest rates. The '30 day rule', which had prevented the payment of interest on trading bank deposits of less than 30 days, was abolished as was the restriction which limited the rate of interest payable on ordinary savings accounts to a maximum of 3 per cent. Both measures took effect as from August 30.

Reserve Ratio Relaxed

The reserve assets ratio applicable to the trading banks for September was set at 26.5 per cent. The ratio was based on a free reserves margin of zero compared with - \$100 million in the previous month.

Government Stock Tender No. 11

The eleventh tender of government stock was held, and offered a total of \$250 million in three maturities (two conventional and one indexed). The tender was filled as detailed below:

Type	Maturity	Amount Offered (\$m)	Amount Allotted (\$m)	Allotment Yield (%)
Conventional	15/5/1990	100	100.0	15.49
Conventional	15/5/1994	100	100.0	15.25
Indexed	15/6/1988	50	50.0	6.00

August 31**Credit Guideline Removed**

As part of the move to free up the financial sector and to promote competitive efficiency, the Government removed the 1 per cent per month credit growth guideline. In announcing this, the Minister of Finance, the Hon. R.O. Douglas, emphasised that the objective of a firm monetary policy could be adequately met with an active public debt policy.

September 7**POSB Competition**

The Postmaster-General, the Hon. Jonathan Hunt, indicated that the Government would allow the Post Office Savings Bank the opportunity of competing with other businesses in the provision of savings bank facilities and computer software.

Treasury Bill Tap Issue Closed

As part of a transition to new arrangements for liquidity

management, the Reserve Bank announced the closure of the tap issue of 182-day Treasury bills. The tap issue of 91-day Treasury bills continued to remain open.

September 12 **Economic Summit**

The Government's three-day economic summit commenced at Parliament Buildings. Comprising representatives from various sectors, the conference agenda included a series of opening statements by the Prime Minister and main sector representatives; a discussion of the economic situation and policy framework; and a strategy for reconstruction. The summit's objectives were defined as: to broaden the nation's understanding of the economic situation; to clarify economic options; to endorse the approach adopted by the Government; to assist the Government in the preparation of the Budget; and to assist in the provision of a guide to longer-term action.

September 13 **New Wage-Fixing Rules**

New wage-fixing rules were announced by the Minister of Labour, the Hon. S.J. Rodger. The new system provides for tripartite talks on the state of the economy prior to each wage round, with a specific focus on the nation's ability to sustain a wage increase. Other components of the new agreement include: immediate consideration given by the three parties (the Government and union and employer representatives) to methods of protecting low-income earners; a new set of criteria for the Arbitration Court in order to build in greater flexibility in wage relativities; and greater encouragement of composite wage bargaining at enterprise or industry level. The Minister also confirmed that a wage round would commence at some stage during the year.

September 14 **Export Assistance Removed**

The Governor of the Reserve Bank, Mr Spencer Russell, announced the withdrawal of three export credit assistance facilities administered by the Bank. These schemes, the Short-Term Export Credit Facility, the Back to Back Facility for Long-Term Export Finance, and the Rediscount Facility for Developing Markets, were perceived as no longer meeting their objectives and no longer necessary.

September 18 **Overseas Loan**

A loan totalling 150 million Swiss francs was announced by the Associate Minister of Finance, the Hon. D.F. Caygill. The loan is by way of a public bond issue and is for a ten year term.

September 20 **Government Stock Tender No. 12**

The 12th tender of government stock was held, and offered a total of \$200 million in three maturities (all conventional). Bids accepted totalled \$199.961 million as detailed below:

Maturity	Amount Offered (\$m)	Amount Allotted (\$m)	Weighted Average Yield (%)
15/9/1986	80	74.961	15.974
15/5/1990	60	60.000	15.604
15/5/1994	60	65.000	15.453

Reserve Bank Bulletin, Vol. 48, No. 1, 1985.

The method of allotment in this tender was based on the original 'yield-bid' system, as will future tenders of conventional stock. Another change effective from this tender, was the reintroduction of the non-competitive facility with minimum bids of \$1,000 and maximums of \$100,000. The minimum competitive bid size was increased from \$5,000 to \$10,000.

September 24 **Summit Committee Established**

The Acting Prime Minister, the Hon. Geoffrey Palmer, announced that a committee of officials had been established with the objective of monitoring progress made in implementing recommendations made by the Economic Summit Conference.

September 26 **Ratio Relaxed**

As a result of increased reliance on a more active and effective public debt policy, the reserve asset ratio for October was reduced to 21.5 per cent, being based on a free reserves margin of plus \$100 million.

September 28 **Reserve Bank Approval Withdrawn**

Owing to the more sophisticated structure of the financial sector, the Reserve Bank's approval of the four dealing companies operating in the official short-term money market was withdrawn. Coupled with this measure, the 'lender of last resort' facility available to the official market was also withdrawn. As a result, the deposit-taking activities of the dealing companies no longer qualify for 'authorised trustee status'.

October 9 **Freeze Extended**

The Wage/Price Freeze regulations, which had been renewed on July 17 by the new Government, were extended to November 8 — the date set down for the Budget.

Overseas Loan

An overseas loan of 250 million deutschmarks was raised by the Government, through a seven year, 7.25 per cent Eurobond issue at par.

October 15 **POSB Changes**

The Postmaster-General, the Hon. Jonathan Hunt, announced a number of changes to Post Office Savings Bank lending policies. Interest rates for various types of lending were increased, while its first mortgage finance was made available to all POSB customers. Interest at the rate of 3 per cent per annum would be payable on cheque accounts as from October.

October 16 **GATT Approval for CER**

The Closer Economic Relationship agreement with Australia was formally approved by the General Agreement on Tariffs and Trade (GATT).

October 17**New Wage Arrangements**

New wage arrangements were announced by the Prime Minister, the Right Hon. D.R. Lange. As part of these arrangements, negotiations of union awards would commence on 1 December and be completed by 1 March 1985. Wage agreements would be for a nine month period, and a new wage round would commence in September 1985. The agreement also provided for immediate tripartite discussions as to the most desirable level of overall wage increase.

Adjustments to award rates would also apply to the \$8 per week general wage order granted earlier in the year. Adjustments would not take effect until the earlier of either 38 months after the last award negotiation or 1 March 1985. State Servant pay rates would be adjusted from 10 January 1985.

Credit Rating Reduced

A New York investor service, Moodys, announced a reduction of New Zealand's credit rating from a triple A status to double A status. Commenting on the reduction in the rating, Moodys indicated that it had downgraded New Zealand's credit standing in response to the country's fundamental economic problems, including depressed terms of trade, difficult export access and persistently large internal and external deficits.

October 18**Import Licence Tendering**

A new round of import licence tenders in November was announced by the Minister of Trade and Industry, the Hon. D.F. Caygill. Numerous changes were made to the basis of tendering, among these being the removal of restrictions on who may bid for a licence, the removal of limits on the number of licences that can be held by any one firm, and the availability throughout the year of licences not won in tendering rounds.

Government Stock Tender No. 13

The 13th tender of government stock was held, and offered a total of \$200 million in two maturities (both conventional). The tender was filled as detailed below:

Maturity	Amount Offered (\$m)	Amount Allotted (\$m)	Weighted Average Yield (%)
15/10/1990	100	99.825	17.395
15/10/1994	100	99.997	16.961

October 19**New Treasury Bill Yields**

In a transitional move towards introducing a tender system for Treasury bills, the Reserve Bank announced new yields for Treasury bills. For 13 week bills, the yield was increased to 13.5 per cent per annum, while 26 week bills were reintroduced to yield 14 per cent per annum.

October 26**Overseas Loan**

The Government announced that it was intending to borrow NZ\$1,000 million from the United States of America by way of an issue of adjustable rate extendable notes (Series A). A spokesman for the Minister of Finance indicated that the latest loan was to refinance existing borrowings.

October 31**China/New Zealand Wool Deal**

A ten year technical co-operation agreement between New Zealand and China was signed by the Wool Board. The deal involves the establishment of woollen processing facilities in China using New Zealand scoured wools.

Overseas Borrowing Controls Relaxed

The Governor of the Reserve Bank, Mr Spencer Russell, announced the abolition of the rules which had previously limited private overseas borrowings to a fixed term of at least twelve months and to an interest rate not greater than 2 percentage points above the London or Singapore inter-bank rate.

November 8**Budget**

The Minister of Finance, the Hon. R.O. Douglas, presented the Budget in the House of Representatives. Major features were:

- In the 1984/85 fiscal year total net government expenditure was forecast to rise by 9.2 per cent to \$15,556 million, while total revenue was forecast to be up by 14.8 per cent to \$12,795 million, resulting in a deficit of \$2,761 million, equivalent to 7 per cent of GDP.
- Various subsidies and incentives were either removed completely or will be partially or totally phased out over a period of years. The subsidies affected fertiliser transport; fertilisers; product inspection by the Ministry of Agriculture and Fisheries; farming and agricultural investment and forestry encouragement.
- Interest rates on Government-funded rural lending would be progressively increased to market levels.
- Similarly, it was announced that the price of State-supplied electricity and coal would be progressively increased to levels reflecting the full cost of supply. As a first step, as from 1 April 1985, the average bulk electricity tariff would be increased by 25 per cent while non-export coal would rise in price by 35 per cent.
- Road user charges were adjusted to cost-recovery levels, rising by an average of 46 per cent from 1 February 1985.
- Most personal taxation reform was deferred until the 1985 Budget. As an interim step, a tax surcharge of 25 cents per dollar would apply as from 1 April 1985 to incomes of superannuitants whose non-superannuation income exceeds \$5,200 per year.
- A tax on fringe benefits was introduced effective from 1 April 1985. Taxable in the hands of the employer, the tax will be levied at the rate of 45 cents per dollar of fringe benefit paid to employees.
- A 'family care' package of \$10 per week per child (tax free) was introduced, being effective from 4 December 1984. This is targeted specifically at low and middle income families, and abates at the rate of 25 cents per dollar of household income above \$20,470 per annum.
- The first home owners' rebate was abolished from Budget night for those homes purchased after 8 November.

— It was announced that a goods and services tax would be implemented on 1 April 1986, together with other taxation reform.

Inflation Bonds Withdrawn

The Minister of Finance, the Hon. R.O. Douglas, announced the withdrawal of Inflation Adjusted Savings Bonds as from 8 November.

November 15 Government Stock Tender No. 14

The 14th tender of government stock was held, and offered a total of \$400 million in three maturities (all conventional). The tender was filled as detailed below:

Maturity	Amount Offered (\$m)	Amount Allotted (\$m)	Weighted Average Yield (%)
15/11/1987	100	99.700	17.364
15/5/1990	150	149.843	17.052
15/5/1992	150	149.985	16.947

November 21 Overseas Investment Changes

Major changes to policies which relate to overseas investment in New Zealand, and corporate borrowings overseas, were announced by the Chairman of the Overseas Investment Commission, Mr R.W. Stannard. As a result of these changes, overseas-owned companies operating in New Zealand would in general have unrestricted access to the New Zealand capital market. In addition, restrictions prohibiting New Zealand financial institutions from borrowing overseas were removed, although specific currency exposure limits will remain.

Overseas Loan

The Minister of Finance, the Hon. R.O. Douglas, released details of an overseas loan raised by the Government. The loan, for approximately NZ\$835 million, was denominated in Japanese yen, for a ten year term and at an interest rate of 7.1 per cent per annum.

November 26 New Retail Public Debt Issue

A third issue of Kiwi Savings Stock opened, offering an interest rate of 16 per cent per annum for two years or 15.5 per cent per annum for four years. The stock is redeemable after 15 September 1985 on seven working days' notice, although if redeemed prior to the maturity date, the rate of interest payable falls to 10 per cent per annum. Unlike previous issues, the third issue is transferable with holders able to transfer all or part of their holdings before maturity.

November 29 Opposition Leadership Change

The Opposition Caucus elected the Hon. J.K. McLay as Leader and the Hon. J.B. Bolger as the Deputy Leader.

December 6 First Awards Negotiated

Negotiations of award rates for the Metal Trades Union

and Drivers Union awards were completed, with wage increases ranging between 6.4 per cent and 7.02 per cent.

'Budget 85' Task Force Announced

The Government announced the establishment of the 'Budget 85' Task Force. Comprising six Department of Social Welfare and Treasury officials, the Task Force will tour the country in 1985 in order to investigate options for reforms to the social welfare benefit and personal income tax systems. It was also indicated that the Government intended to establish later in 1985 a Royal Commission on Social Welfare to evaluate the broader aspects of the Social Welfare system.

December 12 Motor Industry Plan

A new motor industry plan was released by the Minister of Trade and Industry, the Hon. D.F. Caygill. The main features of the plan are: the reduction in sales tax on motorcars and motorbikes, particularly in the large engine capacity models; increase in import licences for fully built-up motor vehicles such that within four years, up to 25 per cent of all new cars registered per year will be imported CBU units. As well as these provisions, the plan also provides for greater access for imported motor vehicle componentry, the phasing down of tariffs on CKD packs and an increase in tariffs on imported components.

December 13 Government Stock Tender No. 15

The 15th tender of government stock was held, and offered a total of \$500 million in three maturities (all conventional). The tender was filled as detailed below:

Maturity	Amount Offered (\$m)	Amount Allotted (\$m)	Weighted Average Yield (%)
15/11/1987	150	149.937	17.314
15/5/1990	200	199.827	17.036
15/10/1994	150	149.847	16.848

December 17 Foreign Exchange Licence Granted

The Minister of Finance, the Hon. R.O. Douglas, approved the application of Elders Goodman (Merchant Finance) Limited to become an authorised foreign exchange dealer. The addition of the new licence brings the total of authorised foreign exchange dealers to fifteen.

December 21 Liquidity Management Changes

New liquidity management policies were announced by the Reserve Bank. Details of these measures are given on page 14 of this issue of the Bulletin.

Exchange Control Relaxed

An easing of exchange control regulations was announced by the Governor of the Reserve Bank, Mr Spencer Russell. Details of this are given on pages 13 and 14 of this issue of the Bulletin.