

**25. The Public Debt of New Zealand—Inflation-adjusted Savings Bonds**

This figure does not include the sum of \$500,194,832 being the assessment by the Reserve Bank of New Zealand of the obligation at 30 June 1987 in respect of the premium on redemption.

**26. Swap Transactions**

As permitted by Section 91A of the Public Finance Act, the Government has entered into three currency swap arrangements. Under such arrangements the proceeds of a borrowing are converted into a different currency and, simultaneously, a forward exchange agreement is executed providing for a schedule of future exchanges of the two currencies in order to recover the currency converted. The effect is to transform the cost of the original borrowing to a cost which reflects the market yield of the currency obtained in the conversion.

While it is impracticable to record the details of the swap arrangements in the public debt tables, the following schedule shows the effect of the swap transactions undertaken. The foreign currencies have been converted at bank rates prevailing on 29 May 1987.

Maturing Year Ending 31 March	Currency \$(000)		
	US\$	Japanese Yen	European Currency Unit
1992	215,935 Cr	240,294 Cr	..
1992	84,719 Dr	96,397 Cr	..
1993	391,545 Dr	..	394,643 Cr
1994	214,897 Dr	240,993 Cr	..

**27. Movements in Currency Values**

In accordance with the Particular Accounting Policy adopted in respect of foreign currencies the exchange rates were officially realigned on 29 May 1987. The New Zealand dollar values of overseas public debt, investments, and cash holdings were adjusted accordingly. There were also several individual alterations during the quarter which necessitated adjustment to the New Zealand dollar values of the overseas investments and cash holdings concerned.

The total net decrease in the public debt of \$298,820,000 arising from 29 May 1987 realignment consisted of:

	Realignment 29 May 1987	
	Increase (\$000)	Decrease (\$000)
Loans denominated in—		
Australian dollar	24	..
Canadian dollar	..	479
Deutschemark	..	47,992
European currency unit	..	23,746
Indian rupee	..	89
Japanese yen	122,550	..
Dutch guilder	..	4,940
Pound sterling	22,182	..
Swiss franc	..	50,624
United States dollar	..	315,649
IBRD loans (various currencies)	144,756	443,519
Net decrease	298,820	57
	<u>\$443,576</u>	<u>\$443,576</u>