

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

This figure does not include the sum of \$513,995,582 being the assessment by the Reserve Bank of New Zealand of the obligation at 30 September 1987 in respect of the premium on redemption.

27. 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 31 August 1987.

Maturing Year Ending 31 March	Currency \$(000)		European Currency Unit
	US\$	Japanese Yen	
1992	205,740 Cr.	231,749 Dr.	..
1992	80,720 Dr.	92,969 Cr.	..
1993	373,060 Dr.	..	376,556 Cr.
1994	204,752 Dr.	232,423 Cr.	..

28. Movements in Currency Values

In accordance with the Particular Accounting Policy adopted in respect of foreign currencies the exchange rates were officially realigned on 31 August 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 \$844,082,000 arising from 31 August 1987 realignment consisted of:

	Realignment 31 August 1987	
	Increase (\$000)	Decrease \$(000)
Loans denominated in—		
Australian dollar	62
Canadian dollar	374
Deutschemark	46,234
European currency unit	36,238
Indian rupee	203
Japanese yen	213,372
Dutch guilder	6,714
Pound sterling	81,262
Swiss franc	80,585
United States dollar	378,980
	..	844,024
IBRD loans (various currencies)	58
Net decrease	844,082	..
	<u>\$844,082</u>	<u>\$844,082</u>