

27. Movements in Currency Values

In accordance with the Particular Accounting Policy adopted in respect of foreign currencies exchange rates were officially realigned on 1 December 1986. 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 \$383,356,000 arising from 1 December 1986 realignment consisted of:

	Realignment 1 December 1986	
	Increase (\$000)	Decrease (\$000)
Loans denominated in—		
Australian dollar	84	..
Canadian dollar .. .. .	..	286
Deutschemark	33,064	..
European currency unit	153,012	..
French franc	95	..
Indian rupee .. .. .	..	336
Japanese yen .. .. .	..	301,325
Dutch guilder	1,248	..
Pound sterling .. .. .	..	113,523
Swiss franc .. .. .	..	25,298
United States dollar .. .. .	..	130,058
	<u>187,503</u>	<u>570,826</u>
IBRD loans (various currencies) .. .. .	..	33
Net decrease	383,356	..
	<u>\$570,859</u>	<u>\$570,859</u>

The total net increase of \$115,486,000 in the overseas investments consisted of:

	Realignment 1 December 1986	
	Increase (\$000)	Decrease (\$000)
Investments denominated in—		
Canadian dollar	124	..
Deutschemark	12,595	..
Dutch guilder	1,596	..
Japanese yen	3,389	..
Pound sterling	2,384	..
Swiss franc	239	..
United States dollar	95,159	..
	<u>115,486</u>	..
Net Increase .. .. .	..	115,486
	<u>\$115,486</u>	<u>\$115,486</u>

28. SWAP Transactions

As permitted by S91A of the Public Finance Act, the Government entered into two currency swap arrangements during the quarter. 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 swap transactions undertaken during the quarter. The foreign currencies have been converted at bank rates prevailing on 1 December 1986.

Year	US Dollar (NZ\$000)	Yen (NZ\$000)
1992	247,788 cr	245,048 dr
1994	246,598 dr	245,761 cr

G. C. Scott
Secretary to the Treasury.
30 January 1987

R. C. W Hamilton,
Director, Financial Management, Treasury.
30 January 1987