

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

This figure does not include the sum of \$512,098,276 being the assessment by the Reserve Bank of New Zealand of the obligation at 31 December 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 30 November 1987.

| Maturing Year Ending 31 March | N.Z.\$ | Currency \$(000) | | | European Currency Unit |
|-------------------------------------|-------------|------------------|-----------------|-------------|------------------------------|
| | | US\$ | Japanese Yen | | |
| 1992 | | 192,193 Cr. | 232,262 Dr. | .. | |
| 1992 | | 75,405 Dr. | 93,175 Cr. | .. | |
| 1992 | 122,695 Dr. | .. | 116,649 Cr. | .. | |
| 1993 | | 348,497 Dr. | .. | 383,573 Cr. | |
| 1994 | | 191,270 Dr. | 232,937 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 30 November 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 \$271,571,000 arising from 30 November 1987 realignment consisted of:

| | Realignment 30 November 1987 | |
|---------------------------------------|---------------------------------|---------------------|
| | Increase (\$000) | Decrease \$(000) |
| Loans denominated in— | | |
| Australian dollar | .. | 57 |
| Canadian dollar | .. | 477 |
| Deutschemark | 21,880 | .. |
| European currency unit | 14,060 | .. |
| Indian rupee | .. | 170 |
| Japanese yen | 12,578 | .. |
| Dutch guilder | 4,783 | .. |
| Pound sterling | 76,008 | .. |
| Swiss franc | 63,636 | .. |
| United States dollar | .. | 463,766 |
| | 192,945 | 464,470 |
| IBRD loans (various currencies) | .. | 46 |
| Net decrease | 271,571 | .. |
| | <u>\$464,516</u> | <u>\$464,516</u> |