NEW ZEALAND ECONOMIC CHRONOLOGY 1988
The following chronology covers the calendar year 1988, listing significant economic events which occurred in that year. It does not include regular economic statements or statistical releases, as they are available elsewhere and are too numerous to list in this summary.

February 3
Government Loan
The Minister of Finance, the Hon. R.O. Douglas, announced that the Government had borrowed US$160 million in a five-year eurodollar loan at an interest rate of 8.5 per cent.

February 10
Economic Statement
The Minister of Finance, the Hon. R.O. Douglas, announced further details concerning the implementation of the 17 December economic statement. The main features were:
- A tax rate for resident companies for 1988/89 of 28 per cent.
- A ‘deferral’ of the proposed flat rate of personal tax and from 1 October 1988 the introduction of a 24 per cent rate of tax up to $30,875 per annum, and 33 per cent above that level.
- A rebate of 9 per cent of taxable income up to a maximum of $855 in a full year, abating at 4 cents in the dollar between incomes of $9,500 and $30,875.

February 18
Kiwi Bonds Sixteenth Issue
The closure of the fifteenth issue of Kiwi Bonds and its replacement by a sixteenth issue was announced. The new issue, available from 29 February, offered a rate of 12.5 per cent for two years and 13 per cent for four years.

February 24
Privatisation of State-Owned Enterprises
The Minister of State-Owned Enterprises, the Hon. Richard Prebble, announced that the Government planned to sell state-owned enterprises in a bid to retire $14 billion of public debt by 1992.

February 26
Increase in Daily Cash Target
The Governor of the Reserve Bank, Mr Spencer Russell, announced an increase in the daily cash target from $30 million to $40 million, effective from 29 February. The increase was intended to offset seasonal pressures in the short-term money market that had built up as a result of uncertainty over end-of-year tax flows and SOE payments.

March 3
Sale of Petrocorp
The Government announced that 70 per cent of the shares in Petrocorp had been sold to Fletcher Challenge at a price of $1.75 a share. Of the remaining shares, 15 per cent were owned by Brierley Investments and 15 per cent by the public.

March 17
Kiwi Bonds Seventeenth Issue
The closure of the sixteenth issue of Kiwi Bonds was announced. A new issue was to be opened after the next stock tender on 7 April, the Minister of Finance, the Hon. R.O. Douglas, said.

March 18
Government Loan
The Government raised NZ$335 million through yen eurobond issues in the London market. An issue of 10 billion yen (NZ$117.6 million) was made, due 8 April 1993, paying 7 per cent and priced at 102 7/8 per cent while another issue for the same amount, and also due for 1993, paid 5 per cent and was priced at 101 1/4 per cent.

March 22
Daily Cash Target Reduced
The Governor of the Reserve Bank, Mr Spencer Russell, announced that the daily cash target would be reduced from $40 million to $30 million from 23 March. The cash target had been increased from $30 million to $40 million on 29 February to offset seasonal pressures in short-term monetary conditions. However, the Bank stated that the seasonal pressures had now passed and it was therefore appropriate to return to the previous policy setting.

April 14
Largest Financial Transaction
The largest financial transaction in New Zealand’s history took place at a ceremony to mark the handing over of assets from the Crown to the Electricity Corporation.

Electricorp gave the Minister of State-Owned Enterprises, the Hon. Richard Prebble, and the Minister of Finance, the Hon. R.O. Douglas, a cheque for $6.3 billion, the agreed valuation for the assets.

April 15
Kiwi Bonds Seventeenth Issue
The Minister of Finance, the Hon. R.O. Douglas, announced the introduction of a seventeenth issue of Kiwi Bonds. The new issue offered a rate of 12 per cent for two years and 11.75 per cent for four years.

April 15
Removal of Two Day Hold on Government Revenue
The Reserve Bank announced that all government revenue deposited to the public account will no longer first be held with the Bank of New Zealand for two days before being transferred to the Reserve Bank. As from 2 May, the revenue will be withdrawn from the banking system on the same day.

May 4
CER Motor Vehicle Agreement
The Government announced details of the Closet Economic Relations motor vehicle agreement. The main feature of the agreement is the removal of the 25 per cent tariff on Japanese car assembly packs, eight-
een months earlier than planned in
the December 1987 industry plan
review, and a 5 per cent cut in built-
up vehicle tariffs, six months ahead
of schedule.

Removal of the duty on Japanese
car and light commercial assembly
packs will take effect from 1 July
1988, when excise tax also falls from
20 to 15 per cent.

May 4
Petrol Price Reduction
The Government announced a re-
duction in the petrol tax of 6
cents per litre.

May 5
Canadian Eurobond Issue
The Government issued a C$125
million (NZ$151.25 million) euro-
bond loan in the London market.
The issue paid 10.5 per cent, and
was priced at 101.63 per cent.

May 5
Fiscal Surplus
The Government announced a fiscal
surplus of $46 million for the 1987/
88 March year (0.8 per cent of
gdp). This surplus included state
asset sales of around $1,700 million.
The GFS financial deficit, which
measures the difference between
what the Government earns and
spends - leaving out items like asset
sales - was $1,323 million in 1987/
88 (-2.2 per cent of GDP compared
with -7.0 per cent of GDP in 1983/
84).

May 27
Government Loan
The Acting Minister of Finance, the
Hon. Michael Cullen, announced
that the Government had launched a
euroyen bond issue for 20 billion
yen, equivalent to NZ$200 million,
with the proceeds going towards re-
financing existing debt. The issue
was set at an interest rate of 5.5 per
cent for a term of seven years.

June 14
New Reserve Bank Governor
The Government announced that Sir
Spencer Russell was retiring as Gov-
ernor of the Reserve Bank, and that
he would be succeeded by Dr
Donald Brash.

June 20
Bond Issue
The Minister of Finance, the Hon.
R.O. Douglas, announced that New
Zealand had completed its first bor-
rowing in the euro-Australian dollar
markets.
The issue was for A$200 million
(NZ$227 million) at an interest rate
of 8 per cent. The issue price was
3.15 per cent, for a term of seven
years.

June 29
DFC New Zealand: Sale by
Government
The Government announced that
DFC New Zealand had been sold to
National Provident and inter-
national investment bank Salomon
Brothers for $111 million. National
Provident took an 80 per cent share
and Salomon Brothers 20 per cent.

July 7
Reserve Bank Bill
The Reserve Bank announced its in-
tention to introduce a Reserve Bank
Bill in November. The Bill will re-
place Government Stock and Treasury
Bills as the major com-
ponent of primary liquidity.

July 11
Early Repayment of Loan
The Minister of Finance, the Hon.
R.O. Douglas, announced the repay-
ment of an eight year, 7.9 per cent
100 billion yen loan taken out by the
previous National Government in
July 1984.
The loan, the largest borrowing
undertaken by a New Zealand Gov-
ernment, was paid off four years
early.

July 22
Stores Board to Become SOE
The Government announced that
the Government Stores Board would
become a State-Owned Enterprise.

July 28
1988 Budget
The 1988 Budget was presented to
Parliament by the Minister of Fi-
cance, the Hon. R.O. Douglas. The
highlights were:
- A forecast 1988/89 Budget Table
2 fiscal surplus of around $2,260
million (3.6 per cent of GDP), up
from last year’s surplus of $467
million.

Reserve Bank Bulletin, Vol 52, No. 1 1989
A projected 1988/89 GFS financial balance of around -$1,380 million (-2.2 per cent of GDP) compared with last year's outturn of -$1,147 million (-1.9 per cent of GDP).

- A programme of asset sales amounting to $2,000 million contributing towards a targeted $2,000 million reduction in foreign debt this year.
- Proposed legislative changes designed to strengthen public sector financial management and enhance Reserve Bank autonomy.
- A three stage rise in tobacco taxes from the current 90 per cent to 135 per cent by 1 April 1989.

August 18
CER
Prime Ministers David Lange and Bob Hawke put the seal on a Trans-Tasman free market by 1 July 1990, signing protocols breaking down most trade barriers between New Zealand and Australia.

August 18
Reserve Bank Director
The Minister of Finance, the Hon. R.O. Douglas, announced the reappointment of Sir Peter Elworthy as a Director of the Reserve Bank of New Zealand for a further term of three years.

August 29
Reserve Bank Bill
The Governor of the Reserve Bank, Sir Spencer Russell, announced that the first tender of the Reserve Bank Bill would be held on 1 September.

The new Bill replaces Government Stock and Treasury Bills as the major component of primary liquidity.

August 30
Broadcasting Split
The Minister of Broadcasting, Hon. Richard Prebble, announced that the Broadcasting Corporation would be split into two state-owned enterprises – Television New Zealand and Radio New Zealand.

October 20
Foreign Fishing Quotas
The Minister of Fisheries, Hon. Colin Moyle, announced that the Government had reduced the fishing quota allocations to foreign countries for the 1988/89 fishing year by 29 per cent.

The reductions were attributed to the need to provide for the increased requirements of the New Zealand domestic fleet.

September 1
New Reserve Bank Governor
Dr Donald Brash officially took up his appointment as Governor of the Reserve Bank of New Zealand.

September 2
Kiwi Bonds Eighteenth Issue
The closure of the seventeenth issue of Kiwi Bonds and its replacement by an eighteenth issue was announced. The new issue, available from 5 September, offered a rate of 11.5 per cent for both two and four year terms.

September 13
Euro Loan
The Minister of Finance, the Hon. R.O. Douglas, announced that the Government had raised the equivalent of $181.2 million in European Currency Units to refinance existing debt.
The bonds had a coupon of 7.88 per cent, and a maturity date of 4 October 1995. The bonds were issued at a price of 101.5 per cent.

October 1
New Tax Rates
New tax scales were introduced. Amongst the changes was a decrease in the top tax rate, from 48 cents in the dollar to 33 cents.

October 6
Reserve Bank Director
The Minister of Finance, the Hon. R.O. Douglas, announced that Ms Suzanne Snively had been reappointed for a further three-year term as a Director of the Reserve Bank of New Zealand.

November 7
New Minister of State-Owned Enterprises
The Minister of State-Owned Enterprises, the Hon. Richard Prebble, was relieved of his Cabinet position and was replaced by the Hon. Stan Rodger.

November 21
Coalcorp Sale Approved
The Cabinet approved the sale of Coalcorp, almost five months after the Government agreed in principle to dispose of the state-owned enterprise.

December 1
Ministries – Changes and Replacements
The Foreign Affairs Ministry and the Department of Trade and Industry were replaced by a superministry – the Ministry of External Relations and Trade, and the shorn-down Commerce Ministry.

The New Zealand Trade Development Board also formally came into existence.

The Hon. Mike Moore was subsequently appointed Minister of External Relations and Trade.
Lindsay Fergusson had been appointed as a Director of the Reserve Bank of New Zealand.

His appointment follows the retirement of Mr Keith McCliskie, who served as Director of the Reserve Bank for 15 years.

December 2
Debt Management Kiwi Bonds
The Debt Management Office announced that closure of the eighteenth issue of Kiwi Bonds from 3 December and the introduction of two new short-term Kiwi Bond maturities.

From 5 December, a six month and a one-year term would be added to the two-year and four-year maturities.

For investments of $5,000 – $250,000 interest rates would be 12.5 per cent for six months and one year, 12.5 per cent for two years and 12 per cent for four years.

Investments between $1,000 and $4,999 would earn 0.5 per cent less than those rates.

December 7
Additional Bank Registrations
The Governor of the Reserve Bank, Dr Donald Brash, announced the registration as banks of the New Zealand branches of Barclays Bank PLC and State Bank of South Australia.

December 10
Postbank Sale Approved
Legislation clearing the way for the sale of Postbank was passed in Parliament.

December 14
New Minister of Finance
The Minister of Finance, the Hon. R.O. Douglas, resigned from his Cabinet position and was replaced by the Hon. David Caygill.

December 21
Sale of Air New Zealand and Postbank
The Minister of Finance, the Hon. David Caygill, and State-Owned Enterprises Minister, the Hon. Stan Rodger, announced the sale of Air New Zealand and Postbank.

Air New Zealand was sold to a Brierley-Qantas consortium for $660 million and Postbank was sold to the ANZ for about $665 million.