

## CHANGES TO NEW ZEALAND CURRENCY

*The replacement of \$1 and \$2 bank notes by new coins and the phasing out of 1 and 2 cent coins are announced.*

On 17 August 1988 the Associate Finance Minister Hon. Michael Cullen announced that the \$1 and \$2 bank notes will be replaced by gold coloured coins and that 1 cent and 2 cent coins will no longer be issued.

The introduction of the new gold coloured \$1 and \$2 coins is expected to take up to two years. Once the final dimensions, metallic content and design for the new coins are agreed it will be necessary to arrange tendering, manufacture, distribution, etc.

The average life of \$1 and \$2 bank notes is around six – seven months while coins, on the other hand, have a life expectancy of at least twenty years and cost about the same to produce. Consequently, there will be considerable savings resulting from the reduction in the costs of printing and distributing replacement bank notes.

The decision to cease issuing any new 1 cent and 2 cent coins was made because the cost of providing bronze coinage is greater than the face value of the coins themselves; the 1 cent piece now costs approximately 1.6 cents to produce while the 2 cent piece costs about 2.3 cents. Moreover, there seems to be general agreement among the retail trade and the general public that these coins have outlived their usefulness.

The dollar and the cent will remain as the units of account and as such, transactions involving cheques, credit cards, direct credits, etc. will not change. Only cash transactions may need to be rounded.

The Reserve Bank will continue to issue 1 cent and 2 cent coins at least until the end of this year when the situation will be reviewed.

## THE NEW NOMINAL EXCHANGE RATE INDEX – HISTORICAL SERIES

*A historical series of the new Reserve Bank Trade Weighted Exchange Rate Index is presented.*

On 23 November 1987, the Reserve Bank switched from publishing a trade weighted exchange rate index series that was calculated as an arithmetic index to one that one calculated as a geometric index. The reasons for the change to the new index were given in the article "A New Measure of the Effective Exchange Rate" published in the June 1987 *Bulletin*. A historical series of the new Reserve Bank Trade Weighted Index is provided in this note. The figures shown in the following table are as at 3 p.m., at the end of each month going back to June 1979. Updates of this series can be found in table C3 of the *Bulletin* and *Weekly Statistical Release*.

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Jan	..	98.3	90.2	84.3	81.9	76.7	61.0	63.5	59.8	66.5
Feb	..	98.0	89.5	84.0	81.9	76.7	61.3	60.3	61.6	66.7
Mar	..	97.0	89.2	83.8	77.3	76.3	61.3	61.7	60.3	64.1
Apr	..	96.7	88.8	82.9	77.3	76.3	61.7	64.9	61.0	65.7
May	..	95.6	88.4	82.8	77.1	76.3	60.5	64.6	61.0	66.8
Jun	100.0	94.8	87.4	82.9	77.1	76.6	64.0	62.2	63.0	67.1
Jul	99.6	94.6	87.2	83.1	77.2	61.5	66.2	59.6	60.7	66.1
Aug	99.4	93.8	86.4	83.3	77.5	61.4	68.8	56.0	63.8	60.7
Sept	99.0	93.0	85.8	83.4	77.1	61.3	67.7	55.7	69.2	61.6
Oct	98.9	92.4	85.7	83.3	76.9	61.2	71.2	58.6	61.5	60.5
Nov	99.3	92.0	84.8	82.6	76.8	61.0	68.8	58.7	65.7	
Dec	98.7	90.6	84.5	82.4	76.8	61.1	60.7	59.5	64.6	