

These arrangements involved, firstly, making estimates of the prospective receipts of overseas funds from all sources during the period concerned and, secondly, fixing a basis for spreading payments in such a way as to give a measure of preference to exporters in the United Kingdom and other parts of the Empire, while at the same time ensuring the early delivery of the goods most urgently needed in the Dominion.

By the end of December, deferred payments totalling approximately £(N.Z.)16 millions had been spread over the first six months of 1940 in respect of licenses which were granted originally for the importation of goods during 1939; but, as part of this arrangement, the expiry date of licenses originally valid for the second half of 1939 only, was also extended to the 30th June, 1940, and about half of the above amount was in respect of such licenses for which remittances had not been made by the end of 1939.

It was recognized that the deferring of payments for imports introduced the possibility of uncertainty as to the amount of sterling which might ultimately be purchased with the amount of New Zealand currency allocated; and, in order to meet this difficulty, the trading banks were authorized to sell sterling forward at the official rate to cover amounts for which deferred Exchange Authorities had been given, provided that the relative goods had been placed on board ship in the exporting country, and subject to certain other requirements.

When making the above alterations in the procedure for dealing with remittances for imports, a change was made also in the arrangements for the issue of Permits in respect of private remittances for other purposes.

Until July, 1939, the granting of a permit merely signified the Reserve Bank's approval of the relative remittance being made by the trading bank concerned, if and when overseas funds were available. The altered procedure, however, provided that the remittance could be made during a specified month.

Having regard to the extent to which import licenses were issued, the above-mentioned basis for allocating funds overseas was expected to preclude any material increase in the combined overseas resources of the Reserve Bank and the trading banks; but certain consequences of the outbreak of war in September, 1939, resulted in a considerable increase in those resources, as is shown by the following table:—

Date.		Reserve Bank.	Trading Banks.	Total.
(000 omitted.)				
		£	£	£
27th March, 1939	..	4,626	4,646	9,272
25th March, 1940	..	13,021	9,988	23,009
Increase	..	8,395	5,342	13,737

This increase was due almost entirely to payment for the principal exports being received earlier than was anticipated, to which reference is made above, and also to the delay in the arrival of licensed imports in respect of which Exchange Authorities had been issued.

These developments could not, of course, be foreseen when a large part of the exchange allocations for 1939 imports were spread over the first half of 1940; but when it was found that overseas funds in respect of which Exchange Authorities had been granted were accumulating to a greater extent than could be availed of by the holders of such Authorities, the trading banks were authorized to provide without further delay for the remittance of any payments which had been deferred beyond their normal due date.

Thus, the holdings of overseas funds at the end of March in excess of reserve requirements represented amounts earmarked for importers but not yet availed of; and it ceased to be necessary to delay remittances beyond the normal date of payment for imports.

TRADING BANKS.

There were several noteworthy changes in the trading banks' figures at the end of March, 1940, as compared with those at the end of the previous year.

Demand and time liabilities increased by £9½ millions, of which £8 millions was in demand deposits. Variations in their assets included a decrease of £7½ millions in advances and discounts, and increases of £6½ millions in Government securities, £5·3 millions in net overseas assets and £4 millions in cash. The increase in overseas assets, however, represented sums held for account of the Reserve Bank, and was more than covered by outstanding Exchange Authorities.

Unexercised overdraft authorities stood at £28·8 millions, which showed an increase of £5·3 millions.

POST OFFICE SAVINGS BANK.

Fresh sums deposited in the Post Office Savings Bank, excluding accrued interest, amounted to £25·2 millions for the year and withdrawals to £29·5 millions as compared with £30·4 millions and £34·6 millions, respectively, for the previous year. At the end of March, 1940, the total amount, including interest, standing to the credit of depositors was £58 millions, the figure for March, 1939, being £60·7 millions.