

1941.
NEW ZEALAND.

RESERVE BANK OF NEW ZEALAND.

ANNUAL REPORT OF THE BOARD OF DIRECTORS AND STATEMENT OF ACCOUNTS FOR THE YEAR
ENDED THE 31st MARCH, 1941.

Presented to both Houses of the General Assembly pursuant to Section 20 of the Reserve Bank of New Zealand Amendment Act, 1936.

ANNUAL REPORT.

To the Hon. the MINISTER OF FINANCE.

THE Board of Directors presents hereunder the report on the operations of the Reserve Bank during the financial year ended the 31st March, 1941.

On the 31st December, 1940, the term of appointment of Mr. Leslie Lefeaux as Governor expired. The Board at its next meeting placed on record its appreciation of the distinguished services rendered to New Zealand and to the Bank by Mr. Lefeaux during his term of office as first Governor of the Bank.

After making such provision as was considered necessary for depreciation and contingencies, the net profit for the year amounted to £351,906 10s. This amount has been paid into the Public Account to the credit of the Consolidated Fund.

The decrease in expenditure of approximately £16,000 was due in the main to a large decrease in the cost of the note issue. Fresh purchases were on a lower scale during the year under review, and as a measure of war economy, notes are now reissued to a larger extent than heretofore.

Salaries paid again showed an increase, due largely to the increased staff needed to cope with the administration of the Finance Emergency Regulations 1940 (No. 2).

Revenue for the year was less than that for the previous year by £25,575. Advances to the Marketing Department were throughout the year at a lower level than during the year ended the 31st March, 1940, but the reduction in revenue from this source was offset by an increase in revenue from the Bank's holdings of British Treasury Bills. Smaller income from investments in Government Stocks and from other sources thus accounts for the decline shown.

The principal changes in the balance-sheet as at 31st March, 1941, compared with that of the previous year were as follows :—

LIABILITIES.

Bank Notes.

The increase of approximately £3,000,000 in bank notes outstanding was a continuation of the upward movement shown in the preceding year. Throughout the year the figure for notes outstanding was consistently higher than in the corresponding periods in the previous year. The effective note circulation—that is to say, notes in the hands of the public—totalled at the 31st March, 1941, £17,162,096, being £2,326,837 higher than at the last Monday in March, 1940.

Demand Liabilities.

(a) *State* : The decline of £586,008 from last year's figure represents a decrease in the sums held in the "Wool Account" awaiting distribution.

(b) *Banks* : Trading banks' balances declined by £1,600,835 to £12,843,770. As these balances fluctuate considerably from month to month, this decrease calls for no special comment.

(c) *Other* : The balance under this heading increased by £679,777 to £931,872; this item also fluctuates widely throughout the year, and at 31st March large amounts were held temporarily at the Reserve Bank on account of certain overseas banks.

ASSETS.

Sterling Exchange.

The increase of £4,079,223 was due to the high level of export income in conjunction with delays in deliveries of licensed imports.

Advances.

To the State or State Undertakings :—

(i) *Marketing Department* : The advances under this heading include a deficit in respect of the guaranteed price for butter and cheese accumulated prior to the war, and the remainder is accounted for by the fact that payments are made to suppliers before receipt of the purchase price from the United Kingdom Government.

(ii) *Other Purposes* : Although these advances had been throughout the year largely in excess of the figure of £15,500,000 as at 31st March, 1941, the Government, before the balance date, had paid off all advances under this heading other than those for housing purposes.