

The figures showing the greatest relative movement during the year were those for deposits at the Reserve Bank, the highest figure (£21,480,000 for February, 1942) exceeding that of £8,716,000 for November, 1941, by £12,764,000. Total cash in New Zealand tended upwards, and the net rise since March, 1941, was £3,078,000.

While advances and discounts have shown a fairly steady decline during the year—the net fall being £4,051,000 since March, 1941—the proportion of advances and discounts to total demand and time liabilities fell from 65·2 per cent. to 55·2 per cent. during the year. On the other hand, the trading banks' holdings of Government securities rose steadily throughout the year, the net increase being £8,299,000.

On the liabilities side a net rise of £7,843,000 is shown in the figures for demand liabilities, the increase occurring mainly in the latter part of the year under review. Little movement was shown in the figures for time liabilities, the net change being a fall of £210,000.

#### WAR-TIME CHANGES IN MONEY SUPPLY.

Since the outbreak of war the supply of money in New Zealand, as indicated in the following table, has increased by £(N.Z.)42·8 millions :—

(£(N.Z.) Millions.)						
Category.						
						September, 1939.
						March, 1942.
						Increase or Decrease.
Coin held by public (estimated)	..	..	..	..	..	1·5
Notes held by public	..	..	..	..	..	13·4
Government deposits at Reserve Bank	..	..	..	..	..	1·8
Other demand liabilities of Reserve Bank	..	..	..	..	..	0·3
Demand deposits at trading banks	..	..	..	..	..	37·4
Total	..	..	..	..	..	54·4
						97·2
						+42·8

This increase was due almost entirely to the causes mentioned below :—

#### (a) Net Income from Overseas—

The Dominion's receipts overseas exceeded external expenditure by as is shown by the rise in the combined net overseas assets of the Reserve Bank and the trading banks, from £(N.Z.) 8·6m. in September, 1939, to £(N.Z.) 30·9m. in March, 1942.

#### (b) Credit Expansion in New Zealand—

(i) Advances by the Reserve Bank increased by .. .. . 9·8

(ii) Holdings of securities in New Zealand by the trading banks .. .. . £(N.Z.) Million.

increased by .. .. . 13·9

but the effect of this increase was offset to the extent of .. .. . 4·0

by a fall in trading bank advances, leaving a net increase of .. .. . 9·9

Thus, the above causes accounted for .. .. . 42·0

of the total increase of £42·8m. in the supply of money in New Zealand.       

#### STAFF.

As at 31st March, 1942, thirty-six members of the staff were on active service in His Majesty's forces. This represents approximately 70 per cent. of the Bank's permanent staff eligible for such service. The remainder are either serving in the Home Guard or under the E.P.S.

It is with deep regret that the Board places on record the death whilst on active service of two members of the staff, Second Lieutenant P. E. Sefton and Bombardier W. R. Jourdain.

The Board desires to congratulate Sergeant D. P. Phillips, R.N.Z.A.F., who was recently awarded the Air Force Medal for devotion to duty.

The extra work at the Bank arising from the war has imposed a severe strain on the permanent staff who remain at the Bank and on the temporary staff who have been engaged to assist over the war period. The Board desires to record its deep appreciation of their loyal and cheerful services throughout the year.

For and on behalf of the Board of Directors :

W. F. L. WARD, Acting-Governor.  
E. C. FUSSELL, Deputy Governor.

29th June, 1942.

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