

The effective note-circulation—that is, the notes held by the public—shows a similar tendency, as can be seen in the following table of the effective note-circulation since the Bank commenced operations :—

(£(N.Z.)000)

As at last Monday in March,					Effective Note-circulation.	Increase.
1935	..	..	..	..	6,236	..
1936	..	..	..	..	7,105	+ 869
1937	..	..	..	..	9,844	+2,739
1938	..	..	..	..	9,536	— 308
1939	..	..	..	..	11,176	+1,640
1940	..	..	..	..	14,835	+3,659
1941	..	..	..	..	17,162	+2,327
1942	..	..	..	..	20,177	+3,015
1943	..	..	..	..	26,175	+5,998
1944	..	..	..	..	31,193	+5,018
1945	..	..	..	..	34,186	+2,993
1946	..	..	..	..	36,643	+2,458

Demand Liabilities

(a) *State*.—Deposits under this heading rose by approximately £(N.Z.)9 millions from £(N.Z.)15·59 millions at 31st March, 1945, to £(N.Z.)24·52 millions at 31st March, 1946. This is mainly accounted for by larger balances held at the Bank in the Public Account and in the Post Office Account.

(b) *Banks*.—The total deposits held by the trading banks at the Reserve Bank increased from £(N.Z.)32·71 millions to £(N.Z.)47·77 millions, an increase of approximately £(N.Z.)15 millions. The peak figure recorded for these deposits during the year under review was £(N.Z.)65·50 millions on the 11th February, 1946.

The level of these deposits responds in the following manner to the financing of exports and imports: the deposits rise when the trading banks present for payment at the Reserve Bank the cheques which the Marketing Department has drawn in payment for export produce purchased from the customers of the trading banks; on the other hand, the level falls when the trading banks draw on these deposits to buy from the Reserve Bank part of the overseas proceeds of exports in order to provide their customers with exchange to pay for imports.

Thus the rise during the year in the trading banks' deposits at the Reserve Bank is a reflection of the fact that, compared with exports, imports were in relatively short supply; consequently, the proportion of export proceeds which the trading banks had occasion to buy from the Reserve Bank by drawing on their balances here was considerably less than it would have been had all the imports which were licensed been available to New Zealand.

There are, of course, other exchange transactions and other factors affecting the level of the trading banks' deposits at the Reserve Bank which it is not necessary to mention in detail for the purposes of the above illustration.

The minimum balances which the trading banks are required by statute to hold at the Reserve Bank—namely, 7 per cent. of their demand liabilities in New Zealand and 3 per cent. of their time liabilities in New Zealand—and which form a part of the total figures for deposits given above, rose from £(N.Z.)7,761,660 at 31st March, 1945, to £(N.Z.)9,207,126 at 31st March, 1946, reflecting the increase in their demand and time liabilities over the period.