

Changes in Volume of Money, 1939-1946

Coin estimated	+ 1·5
Notes held by public .. .. .	..	..	..	..	..	+ 25·5
Demand deposits at—						
Reserve Bank† .. .. .	..	..	..	..	..	+ 25·2
Trading banks‡ .. .. .	..	..	..	..	..	+ 72·5
Total .. .. .	..	..	..	..	..	+124·7

Causes of Changes in Volume of Money 1939-1946

Overseas transactions§ .. .. .	..	..	..	..	..	+ 93·1
Bank credit—						
Reserve Bank—						
Advances .. .. .	..	..	..	..	..	+ 14·8
Investments in New Zealand .. .. .	..	..	..	..	..	— 2·2
Trading banks—						
Advances .. .. .	..	..	..	..	..	+ 2·4
Investments .. .. .	..	..	..	..	..	+ 18·8
Shift from time to demand deposits at trading banks|| .. .. .	..	..	..	..	..	— 2·7
Other items .. .. .	..	..	..	..	..	+ 0·4
Total .. .. .	..	..	..	..	..	+124·7

* Excludes deposits held at savings-banks.

† *I.e.*, Government and other demand deposits at Reserve Bank, excluding trading banks' balances at Reserve Bank.

‡ *I.e.*, Trading banks' total demand liabilities in New Zealand.

§ As shown by changes in the Reserve Banks' sterling exchange plus overseas investments and trading banks' assets overseas in respect of New Zealand business, less overseas liabilities. Plus sign indicates that overseas exchange receipts exceeded disbursements, and minus sign indicates an excess of disbursements.

|| Minus sign indicates shift from demand to time liabilities.

An examination of the foregoing table shows that the amount of money in the form of coin, notes, and demand deposits increased by £(N.Z.)32·4 millions during the twelve months up to the last Monday in March, 1946, which is the nearest date to the end of the financial year for which the combined figures of the Reserve Bank and the trading banks are ascertainable.

It will be seen that this increase was more than accounted for by the excess of £(N.Z.)37 millions in receipts over expenditure under the heading of "Overseas Transactions."

As a result, however, of the repayment after the last Monday in March of the Memorandum of Security advance of £(stg.)18·25 millions in London, the excess in overseas receipts was reduced, and, to the extent that accommodation was required from the Reserve Bank, the Bank's advances in New Zealand were increased; but, as the transaction did not involve expenditure in New Zealand, there was no resultant increase in the domestic supply of money.

The chief reason for the present high level of net overseas assets of the banking system and consequential rise in the volume of money as demonstrated in the money supply table was the delay in the arrival of a large proportion of authorized imports.

As imports become available in more adequate quantities the result should be that the volume of money will be brought into more balanced relationship with the volume of goods and services offered for sale in New Zealand, and the upward pressure on prices should become less.