

The banks maintained balances in excess of their statutory requirements during the whole of the year. The aggregate of the statutory minimum balances on the 31st March, 1938, was £3,491,429.

There was no occasion during the year to alter the percentages of those minima to demand and time liabilities in New Zealand under the powers conferred by section 23 of the Reserve Bank of New Zealand Amendment Act, 1936.

(c) *Other*.—The operations of the State Advances Corporation were mainly responsible for the decrease of £635,969 13s. 8d. under this heading.

ASSETS.

Sterling Exchange.

The sterling exchange eligible as a reserve for notes in circulation and other demand liabilities decreased during the year by the equivalent of £(N.Z.)2,852,696 2s. 2d. (= £(sterling)2,300,561 7s. 7d.).

Any surplus London funds available from the proceeds of the sale of dairy-produce, after providing for the Government's requirements in London, are made available to the trading banks under a special arrangement. The decrease in the Reserve Bank's holding of sterling was due mainly to further purchases by them, outside the scope of this arrangement, in excess of their sales to the Bank.

Subsidiary Coin.

The increase of £72,822 16s. 1d. represents the replenishment of the Bank's holding of silver coin. This had been allowed to fall below normal requirements by the end of the previous year in anticipation of the arrival of King George VI coins, which have since been received.

Advances.

(a) *To the State or State Undertakings* :—

(i) **Primary Products Marketing Department** : This sub-title was altered during the year so as to include any overdraft on the Internal Marketing Account as well as the overdraft on the Dairy Industry Account. At the close of the previous year the overdraft on the Dairy Industry Account totalled £6,225,908 8s. 7d. By the 31st March, 1938, the total of the combined overdrafts was smaller to the extent of £1,025,059 11s. 2d. Further particulars of the operations of the above-mentioned accounts are given later.

(ii) **Other Purposes** : Nil. During the year accommodation granted against Treasury bills in connection with the Government's housing scheme rose from £100,000 to £1,300,000. In the month of March, however, when Government balances were swollen as a result of revenue collection, the Treasury utilized some available funds by temporarily relieving the Bank of all the Treasury bills which had been taken up in this connection.

(b) *Other*.—As in the previous year, a certain amount of temporary accommodation was granted to the banking system to assist in tiding over the period during which the maximum effect of the collection of the national revenue was being felt; but repayment was effected before the end of the financial year.

Investments.

Despite the fact that the average holdings included under this heading were higher than during the previous year, there was a decrease for the year of £482,925, partly on account of the further temporary utilization of available balances on public accounts consequent upon the collection of revenue.

ADVANCES TO PRIMARY PRODUCTS MARKETING DEPARTMENT.

Particulars of the accommodation granted to the State during the year through the medium of the two accounts operated by this Department are shown in the following tables :—

(a) *Dairy Industry Account.*

| Date. | Amounts advanced. | Repayments. | | | Total. | Balance of Advance outstanding at End of Month. |
|----------------|----------------------|-------------|---|-----------------|---------|--|
| | | Sterling. | New Zealand Equivalent of Sterling. | In New Zealand. | | |
| (000 omitted.) | | | | | | |
| 1937. | £(N.Z.) | £ | £(N.Z.) | £(N.Z.) | £(N.Z.) | £(N.Z.) |
| April .. | 1,884 | 1,694 | 2,100 | 84 | 2,184 | 5,926 |
| May .. | 1,520 | 2,177 | 2,699 | 74 | 2,773 | 4,673 |
| June .. | 1,750 | 1,377 | 1,707 | 108 | 1,815 | 4,608 |
| July .. | 1,600 | 1,724 | 2,138 | 72 | 2,210 | 3,998 |
| August .. | 1,920 | 1,186 | 1,471 | 76 | 1,547 | 4,371 |
| September .. | 1,900 | 1,823 | 2,261 | 55 | 2,316 | 3,955 |
| October .. | 2,270 | 1,658 | 2,056 | 24 | 2,080 | 4,145 |
| November .. | 2,188 | 1,382 | 1,714 | 28 | 1,742 | 4,591 |
| December .. | 3,843 | 1,813 | 2,248 | 23 | 2,271 | 6,163 |
| 1938. | | | | | | |
| January .. | 2,920 | 1,902 | 2,359 | 160 | 2,519 | 6,564 |
| February .. | 1,932 | 1,932 | 2,396 | 183 | 2,579 | 5,917 |
| March .. | 2,394 | 2,518 | 3,122 | 45 | 3,167 | 5,111 |
| Totals .. | 26,121 | 21,186 | 26,271 | 932 | 27,203 | .. |