

1942.

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, 1942.

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, 1942.

On the 30th April, 1941, Mr. W. F. L. Ward, who, as Deputy Governor, had been carrying out the functions of Governor of the Bank since Mr. Lefeaux's appointment had expired in December, 1940, was appointed Acting-Governor (pursuant to the provisions of the Reserve Bank Emergency Regulations 1940). The appointment was for a period of three months commencing on the 1st May, 1941, and this has been renewed each three-monthly period since then.

By Order in Council dated the 21st May, 1941, issued pursuant to the provisions of section 25 of the Reserve Bank of New Zealand Act, 1933, Mr. E. C. Fussell was appointed Deputy Governor. Both Mr. Ward and Mr. Fussell have been with the Bank since its inception—Mr. Ward as Deputy Governor and Mr. Fussell as Secretary and subsequently as Assistant to the Governors.

Two of the Bank's Directors, Mr. G. Lawn and Mr. M. Silverstone, completed five years' service on the Board on the 23rd August, 1941, and were both reappointed Directors pursuant to the provisions of section 7 of the Reserve Bank of New Zealand Amendment Act, 1936.

After making provision for depreciation and contingencies, the net profit for the year amounted to £350,241 19s. 9d. This amount has since been paid into the Public Account to the credit of the Consolidated Fund.

Major changes in the balance-sheet figures as at 31st March, 1942, as compared with those of the previous year were as follows :—

LIABILITIES.

Bank Notes.

An increase of £2,704,231 10s.

The upward movement mentioned in last year's report continued throughout the year under review, as also did the figure for effective note circulation.

The following table shows how this upward movement has continued since the Bank commenced operations :—

(£(N.Z.)000.)

As at last Monday in March.	Total Notes outstanding.	Effective Note Circulation.*
1935	9,341	6,236
1936	10,153	7,105
1937	13,179	9,844
1938	13,554	9,536
1939	15,334	11,176
1940	18,379	14,835
1941	21,441	17,162
1942	24,132	20,177

* Notes in the hands of the public.

Demand Liabilities.

(a) *State*.—An increase of £6,185,732 to £12,455,283. Receipts from income-tax held in the Public Account accounted largely for this increase.

(b) *Banks*.—An increase of £3,502,478. Balances held by the Bank rose in February, 1942, to a total of £21,482,000. They declined quickly in March when income-tax payments became due, and at 31st March, 1942, totalled £16,346,248.