Causes of Changes in Volume of Money

—	1939–40.	1940–41.	1941–42.	1942–43.
Overseas transactions§	+7·6	+1·9	+15·3	+2·3
Bank credit—				
Reserve Bank—				
Advances	+4·4	—1·5	+3·3	+12·5
Investments	+0·4	..	+0·6	+5·9
Trading banks—				
Advances	—3·1	+2·4	—6·5	+0·8
Investments	+2·5	+5·9	+11·4	+2·7
Shift from time to demand deposits at trading banks‖	+2·5	+0·4	+0·2	—1·2
Other items	+1·4	—1·0	+2·1	+2·4
Change during year	+15·7	+8·1	+26·5	+25·3

Changes in Volume of Money

	1939–43.
Coin (estimated)	+1·0
Notes held by public	+17·7
Demand deposits at—	
(*a*) Reserve Bank†	+14·1
(*b*) Trading banks‡	+42·8
Total	+75·6

Causes of Changes in Volume of Money

	1939–43.
Overseas transactions§	+27·0
Bank credit:—	
Reserve Bank—	
Advances	+18·7
Investments	+7·0
Trading banks—	
Advances	—6·4
Investments	+22·5
Shift from time to demand deposits at trading banks‖	+1·9
Other items	+4·9
Total	+75·6

NOTES

* 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 Reserve Bank's sterling exchange 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 deposits.

As indicated by these tables, the amount of immediately available spending-power in the form of coin, notes, and bank deposits increased by £(N.Z.)75·6 millions during the four-year period 1939–43.

The three principal causes of the increase are—

(*a*) Receipts from overseas in excess of payments overseas amounting to £(N.Z.)27 millions.

(*b*) Net increase in trading banks' advances and investments, £(N.Z.)16·2 millions.

(*c*) Net increase in Reserve Bank advances and investments, £(N.Z.)25·6 millions.

Notwithstanding the fact that a high degree of success has been achieved in implementing the policy of meeting war expenditure out of taxation and loans from genuine savings, there has been an increase of £(N.Z.)41·8 millions, or 45 per cent., in the combined advances and investments of the Reserve Bank and the trading banks since the end of 1939.

Of the £(N.Z.)137 millions of immediately available spending-power in December, 1943, the Government held £(N.Z.)17 millions on current deposit at the Reserve Bank and also a proportion of the coin and notes in active circulation. The balance, amounting to probably more than £(N.Z.)125 millions, was in the hands of the general public and constituted a potential immediate demand for locally produced and imported goods and services.