

are felt, traders will no doubt require more accommodation from their bankers to care for the heavier stocks they will require to carry. Reconditioning of plants, enlargement of premises, and the large arrears generally of building are all potential avenues for the increase of advances.

A number of overseas manufacturing concerns have decided to establish branches of their factories in New Zealand. In some cases the necessary capital is provided from overseas entirely, in others local capital has been raised to supplement that provided by the parent concern. The Bank has obtained a fair share of this business and is assisting by providing working capital by way of overdraft. The resultant expansion of urban industries must have a beneficial effect on employment. In fact, there is at present a shortage of labour.

There has been a steady repayment of bank loans to farmers through the operations of the Government in purchasing farms for rehabilitation of servicemen. These purchases being for cash result in the release of large funds, and when a bank loan is involved the bank's advances show a corresponding reduction and there is also an increase in deposit liability, representing the equity, with an increase in the amount of cash on deposit by the Bank with the Reserve Bank.

DROUGHT RELIEF

Owing to the drought this year, which affected farming lands in the northern half of the North Island, the Government realized that many farmers would not be in a position to carry on unless afforded some extra financial assistance. The majority of farmers are happily in a position to arrange their requirements in this respect through ordinary lending channels, but it was found that others were not so fortunate. To cover such cases, the Minister of Finance arranged that the bank, when satisfied that accommodation which could not be obtained otherwise, was necessary, should make advances to enable farmers to—

- (1) Purchase additional fodder :
- (2) Cover replacement of stock next spring :
- (3) Cover living and operational expenses until next season :
- (4) Purchase fertilizers essential to the maintenance of pastures (if absolutely necessary).

Such advances, bearing interest at 3 per cent. per annum, are individually limited to £200, and it is intended that they be liquidated by orders on dairy companies, covering, in most cases, a period of two years. In view of the pressing necessity to assist farmers in real need and set them on their feet again, so that production can be maintained, the Government has agreed to indemnify the Bank against loss on these transactions.

This method of dealing with disaster relief is a new departure, as hitherto the banking system has not been used in this connection. Though the actual loans are made by this bank, the other trading banks have co-operated. It is hoped that the method adopted will prove satisfactory and possibly more expeditious and flexible than former methods.

FINANCE FOR PRIVATE-HOUSE BUILDING

In order to assist in relieving the acute housing shortage, various local bodies have obtained empowering legislation authorizing them to enter into arrangements with financial institutions under which such local bodies are enabled to guarantee advances on newly constructed residences in excess of the usual trustee limits or limits otherwise imposed by statute. Advances guaranteed in this way provide suitable investments for the long-term mortgage department of the Bank, and arrangements have been completed whereby the Bank will participate in the schemes inaugurated by the Auckland and Wellington City Councils and the Masterton Borough Council. Although the business so far entered into under these arrangements is small, it is anticipated that it will assume greater proportions whenever the schemes become more widely known and adequate supplies of the necessary materials for the erection of dwellings become available.