

The Reserve Bank's control of advances has been continued during the year in accordance with the public announcements of policy. It is designed to avoid the use of bank credit for purposes which would more suitably be financed by loans or capital from other sources. The operation of the policy has not hampered ordinary trading business, but it has been much misunderstood by the general public. That it has not prevented an increase in advances is obvious, but without it the advances may well have been higher. Such a policy must be reasonably flexible if it is not to force hardship on certain people, and the Reserve Bank has administered the policy with every consideration.

In last year's report two years' figures relating to our New Zealand business were quoted showing the analysis of the advances as at March under the various headings used for statistical purposes, and quoted hereunder are three year's figures, as they are of particular interest. The figures have been reduced to percentages of the total advances for each of the years:—

(New Zealand business only)

	25th March, 1946.	26th March, 1947.	31st March, 1948.
	Per Cent.	Per Cent.	Per Cent.
Farmers	39.10	34.11	25.47
Industries allied to primary production	14.72	15.75	14.47
Other manufacturing and productive industries	10.31	10.15	14.04
Merchants, wholesalers	4.24	8.15	11.78
Retailers	5.19	6.28	8.68
Transport	1.43	1.54	1.76
Local bodies, municipal authorities, public utility concerns, &c.	1.77	1.73	1.59
Stock and station agents	1.15	1.33	1.25
Hotels, restaurants, &c.	3.42	3.61	3.23
Entertainment concerns	0.50	0.39	0.38
Financial companies, societies, &c.	1.56	1.35	1.78
Religious and charitable	0.35	0.39	0.37
Professional	1.96	1.82	1.78
Private individuals	10.04	9.05	8.35
Miscellaneous	4.26	4.35	5.07

It will be seen that there has been a marked increase in the requirements of—

- (a) Other manufacturing and productive industries :
- (b) Merchants, wholesalers :
- (c) Retailers.

The reasons for this have already been set out.

	£
<i>Long-term Mortgage Department</i>	703,125
<i>Transfers to Mortgage Department</i>	17,480
	<u>£720,605</u>

This Department has increased its advances during the year by £96,367, and is now using £17,480 transferred from the ordinary banking funds in terms of the relative statutory provision. The increase is accounted for by loans under local-body housing finance schemes arranged in recent years, as mentioned in previous reports.