The total demand and time liabilities of the trading banks have reached a record level and the proportion of time liabilities to demand liabilities is abnormally low.

The trading banks' investments in Government securities declined during the year by £(N.Z.)2·465 millions as a result of the repayment of stock referred to earlier in this report. In March, 1939, the banks' holdings of Government stock were £(N.Z.)10,063,000. They rose to a peak of £(N.Z.)36,330,000 in February, 1943. Successive redemptions of maturing stock have reduced these holdings to £(N.Z.)18,593,000.

The trading banks' advances and discounts increased by £(N.Z.)20,777,000 during the year to a total of £(N.Z.)93,788,000 on the 31st March, 1948.

The Reserve Bank's supervision of certain classes of trading bank advances has continued in accordance with the Government's policy. During the year it became apparent that there were misunderstandings as to the scope and nature of the control. Accordingly the Bank issued a statement outlining these aspects of the restriction policy. A copy of this statement is appended to this report.

The following analysis of the trading banks' advances shows that a large proportion of the increased advances was required to finance merchants, wholesalers, and retailers in the building-up of stocks required to meet the shortages which developed during the war period and the early months of reconversion. Substantial increases were recorded also in advances to manufacturing and productive industries other than those associated with meat and dairy production.

CLASSIFICATION OF TRADING BANKS' ADVANCES AS AT THE LAST BALANCE DAY IN MARCH

(£(N.Z.)000)

—	1945.	1946.	1947.	1948.
Farmers	18,721	19,307	21,626	20,030
Dairy companies, freezing-works, &c.	8,170	8,582	8,847	8,255
Other manufacturing and productive industries	8,611	8,867	12,968	20,158
Merchants, wholesalers—				
(a) Mainly importers	1,976	2,455	4,262	7,962
(b) Others	1,164	919	1,402	4,924
Retailers	2,790	3,071	4,645	9,505
Transport	684	875	1,250	1,752
All others	12,785	13,724	17,637	19,933
Total advances	54,902	57,801	72,637	92,520

NET OVERSEAS ASSETS*

On the last Wednesday in March, 1947 (26th March), the net overseas assets held by the New Zealand banking system on account of New Zealand business totalled £(N.Z.)99·5 millions, while on the last Wednesday in March, 1948 (31st March), the figure had fallen to £(N.Z.)84·9 millions, a decrease of £(N.Z.)14·6 millions during the year, reflecting the excess of payments over receipts shown in the exchange control table on page 5 of this report.

* Reserve Bank's sterling exchange less overseas liabilities plus trading banks' net assets overseas in respect of New Zealand business.