In March, 1948, the total amount of money in circulation in New Zealand in the form of coin, notes, and bank demand deposits was £(N.Z.)154·16 millions more than in March, 1939, the increase since March, 1947, being £(N.Z.)22·57 millions. Causes of changes in the two periods 1939–48 and 1947–48 are shown in the following table:—

CAUSES OF CHANGES IN THE AMOUNT OF MONEY*

(£(N.Z.)millions)

—	1939–48.	1947–48.
(a) Overseas transactions†	+78·68	−14·59
(b) Bank credit—		
(1) Reserve Bank advances	+23·82	+12·20
(2) Reserve Bank investments in New Zealand	+ 1·18	+ 4·00
(3) Trading bank advances and discounts ..	+38·27	+20·78
(4) Trading bank investments in New Zealand	+10·24	− 2·67
(5) Total bank credit ((1) to (4))	+(73·51)	+(34·31)
(c) Shift from time to demand liabilities of trading banks‡	− 9·22	− 3·70
(d) Other items	+11·20	+ 6·55
Total change	+154·16	+22·57

* For 1947 and 1948 the figures relate to last Wednesday in March; the figures for 1939 relate to last Monday in March. † As shown by changes in Reserve Bank's sterling exchange plus overseas investments, and trading banks' assets overseas in respect of New Zealand business, less overseas liabilities in respect of New Zealand business. ‡ Minus sign indicates shift from demand to time liabilities.

The above table shows that over the whole period 1939–48 about half the increase in the amount of money in circulation was due to an excess of external receipts over external payments, resulting in a corresponding accumulation of New Zealand banking assets overseas and of bank deposits within New Zealand. From March, 1947, to March, 1948, external payments have exceeded external receipts by £(N.Z.)14·59 millions; but although the net overseas assets of the banks fell by that amount, the consequent reduction in the amount of money in circulation in New Zealand was more than offset by an increase of £(N.Z.)34·31 millions in bank credit—namely, £(N.Z.)16·2 millions by the Reserve Bank and £(N.Z.)18·11 millions by the trading banks.

During the past few years the non-availability of essential imports has resulted in an accumulation of foreign exchange, an increase in spending-power in New Zealand, and a relative shortage in the supply of goods. This has been one of the reasons for the adoption during wartime and the continuance after the war of various economic stabilization regulations. As imports become more readily available, the unbalanced monetary condition tends to adjust itself to the extent that the supply of goods in New Zealand is increased and the amount of money in circulation is reduced by drawing on existing bank deposits to pay for them. During the past financial year this adjusting process was counteracted by an expansion of bank credit partly by the Reserve Bank