The Government policy of not permitting the trading banks to invest in Government loans still applies and is having its effect. Over the last five years the reduction of our investments in such securities is £8,229,618.

Australian Government Securities (£774,491) show a decrease during the year of £312,469, which is accounted for by repayments at maturity and variation of Australian funds in relation to New Zealand currency.

Fiji Government Securities (£158,251) show a decrease during the year of £17,249, accounted for by the variation in the exchange-rates.

Municipal and Other Local-body Securities (£1,165,435), a decrease of £94,163, due mainly to repayments at maturity.

As mentioned in previous years, in accordance with Government policy, the trading banks are not at present investing in local-body loans.

	£
Other Advances and Securities and Debts Due to the Bank (After Deducting Provision for Bad and Doubtful Debts)	35,475,934
Bills Discounted	870,312
	£36,346,246

These show a decrease on last year's figures of £3,291,815 and £352,248 respectively, a total decrease of £3,644,063, though, as previously mentioned in this report, there was a higher average level of advances throughout the year.

Our advances to customers in New Zealand had been increasing since 1944, with a marked increase in the years ended 31st March, 1947 and 1948, the increase in the first period being caused by the return to more normal trading and the building-up of depleted stocks after the war, while the increase in the second period was due to the volume and high price of imports which arrived towards the end of 1947 and caused importers to temporarily lean very heavily on their bankers pending the goods going into consumption.

Our advances to customers in New Zealand at 31st March, 1949, show a reduction of £1,886,285 compared with the figures at the same date last year, with, as was to be expected, a reduction in the advances to merchants, wholesalers, and retailers, due to their stock position having been adjusted.

The following analysis of our advances in New Zealand, on a percentage basis of the total advances, shows under the various headings the requirements of our customers. To give a wider comparison the percentages at the end of March in the last four years are quoted :—

——	25th March, 1946.	26th March, 1947.	31st March, 1948.	31st March, 1949.
	Per Cent.	Per Cent.	Per Cent.	Per Cent.
Farmers	39·10	34·11	25·47	25·58
Industries allied to primary production ..	14·72	15·75	14·47	18·01
Other manufacturing and productive industries ..	10·31	10·15	14·04	16·12
Merchants, wholesalers	4·24	8·15	11·78	7·08
Retailers	5·19	6·28	8·68	7·53
Private individuals	10·04	9·05	8·35	8·30

(The percentage requirements of other classes of customers are small and show little variation.)

The Reserve Bank's control of advances has been continued throughout the year, and while this works as smoothly as can be expected, it results in considerable first-class loan business having to be declined on account of the restrictions, with resultant accumulation of idle money. The cost of ingathering and holding deposits is steadily increasing, and unless a proper proportion of these funds can be used to earn interest the effect on the Bank's net earnings must be adverse.