

This increase is mainly attributable to—

- (1) Reduced purchases of sterling from the Reserve Bank by the trading banks :
- (2) Compensation which the trading banks received in New Zealand currency for the exchange appreciation of the 19th August, 1948 :
- (3) The repayment of Government securities held by the trading banks.

No alteration was made to the statutory minimum balances which the trading banks are required to deposit with the Reserve Bank—namely, 7 per cent. of their demand liabilities and 3 per cent. of their time liabilities in New Zealand. The statutory minimum balances as on the 31st March, 1949, amounted to £11·7 millions.

ASSETS

Gold

The value of gold held by the Reserve Bank increased by £430,834 6s. 5d. during the year to £3,232,981 6s. 5d. This increase is due to the Reserve Bank's acquisition of New-Zealand-produced gold and of sovereigns in terms of Regulation 5 of the Finance Emergency Regulations 1940 (No. 2). Further reference to the purchase of gold by the Bank is made later in this report. The above-mentioned regulation became effective with the issue of the Gold Acquisition Notice 1948 on the 19th August, 1948.

Gold coin and bullion are valued in the balance-sheet at cost.

Sterling Exchange

On the 31st March, 1949, sterling exchange held by the Reserve Bank totalled £50,596,285, compared with £69,442,400 on the 31st March, 1948. While this represents a substantial reduction in terms of New Zealand currency, the decline may be attributed mainly to the alteration of the rate of exchange to parity with sterling in August, 1948. The actual reduction in holdings during the year in terms of sterling amounted to £(stg.)5,405,650.

In accordance with section 4 of the Finance Act, 1934, the Bank received compensation from the Government equal to the amount by which the value of its exchange holdings (in terms of New Zealand currency) were reduced as a result of the adjustment of the exchange rate. Further reference to the Government's liability in respect of compensation will be found under the headings of "Investments" and "Exchange Rate."

The average amount of sterling exchange held by the Reserve Bank throughout the year was approximately £(stg.)10 millions less than that of the previous year.

The banking system's aggregate holdings of foreign exchange are reviewed in a separate section of this Report.

Advances to the State or State Undertakings

(1) *Marketing Organizations.*—Advances to these organizations outstanding at balance date totalled £4,164,966. The average amount outstanding during the year on a weekly average basis was £1·332 millions, a decrease from that of the previous year of £167,000.

During the year, consequent upon the passing of the Apple and Pear Marketing Act, 1948, the responsibility for marketing New Zealand apples and pears passed from the Marketing Department to the Board set up by this Act. Overdraft accommodation is made available by the Bank to the Apple and Pear Marketing Board, on terms similar to those extended to the Dairy Products Marketing Commission, at the rate of 1 per cent. per annum. This rate is also applicable to the other marketing organizations.