EXCHANGE RATE

Since 9 p.m. on the 19th August, 1948, New Zealand currency has been at parity with sterling. This exchange-rate appreciation of the New Zealand currency is expressed in the alteration of the Reserve Bank's official buying and selling rates for sterling to the following:—

Buying sterling	£(N.Z.)100 = £(stg.)100
Selling sterling*	£(N.Z.)101 = £(stg.)100

* In respect of authorized transactions.

In consequence, adjustments were made by the trading banks in the whole range of their exchange-rate quotations. The principal rates quoted by the trading banks as at the 31st March, 1949, for buying and selling sterling will be found in an Appendix to this report.

The total liability of the Consolidated Fund in respect of compensation for the alteration of the rate of exchange was approximately £20·6 millions including £17·3 millions in respect of assets held by the Reserve Bank. The balance of £3·3 millions comprised the Reserve Bank's liability to the trading banks in respect of assets held by them as agents for the Reserve Bank and compensation for losses incurred under forward exchange contracts. This compensation was paid to the Reserve Bank by the Government, partly in stock and partly in cash, in settlement of the Government's liability to the banking system. Payment of the last instalment, amounting to £1·6 millions, was effected at the end of March, 1949.

ACQUISITION OF NEW-ZEALAND-PRODUCED GOLD

In his Budget address on the 19th August, 1948, the Minister of Finance stated that provision would be made immediately for purchase by the Reserve Bank of all gold produced in New Zealand. On the following day an Emergency Regulation brought into effect Regulation 5 of the Finance Emergency Regulations 1940 (No. 2), which requires all gold-producers to offer their entire production to the Reserve Bank for purchase "at such price as may be determined by the Minister having regard to the current price of gold in London."

Acting through various branches of the trading banks situated in the gold-producing localities, the Reserve Bank, in accordance with these regulations, has purchased all gold offered at a uniform price of £8 8s. 6d. per fine ounce. This price, which is based on the official price in London, provides the Bank with an expense margin to cover various costs incurred in handling the gold and shipping it overseas for refinement. This processing must in practice be carried out at one of the mints authorized to furnish "Good Delivery" certification in accordance with international monetary practices.

To enable New Zealand manufacturers and dentists to obtain supplies of gold of local origin arrangements have been made with two licensed gold-dealers with refining facilities at their disposal to supply granulated pure gold and various gold alloys to these users under the Bank's general supervision. The maximum selling-price for these specialized forms of refined gold has been fixed at £9 per fine ounce.

UNDERWRITING OF NEW ZEALAND GOVERNMENT LOANS IN LONDON

(1) 3-per-cent. £(stg.)16,000,000 1966–68 Conversion Loan

During the year under review a New Zealand Government loan bearing interest at 4½ per cent. per annum maturing 1st March, 1948–58, became available for redemption in London. Of the total indebtedness of £(stg.)19,225,465, stockholdings amounting to £(stg.)3,225,465 were repaid in cash from sterling resources, while the holders of the balance £(stg.)16,000,000 were offered conversion into a 3-per-cent. stock maturing 1st September, 1966–68. This conversion offer was accepted by the holders of £(stg.)7,833,700