

The increase of £3·5 millions in the money-supply between 1948 and 1949 is the smallest annual increase in year ended March comparisons since 1939. Summaries of the causes of this increase and of the total increase of £157·7 millions since the end of March, 1939, are shown in the following table :—

CAUSES OF CHANGES IN THE AMOUNT OF MONEY

(£ millions)

Last Balance Day in March.					1939-49 (Ten Years).	1948-49 (One Year).
(a) Overseas transactions*	..	..	..	..	+84·4	+5·8
(b) Bank credit—						
(1) Reserve Bank advances..	..	..	..	..	+27·8	+3·9
(2) Reserve Bank investments in New Zealand	..			..	+ 4·1	+3·0
(3) Trading bank advances and discounts	..			..	+34·1	-4·1
(4) Trading bank investments in New Zealand	..			..	+ 6·0	-4·3
(5) Total bank credit (1) to (4)	..	..	..	..	(+72·0)	(-1·5)
(c) Shift from time to demand liabilities of trading banks †	..			..	- 7·6	+1·6
(d) Other items	..	..	..	..	+ 8·9	-2·4
Total change	..	..	..	..	+157·7	+3·5

* 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.

Apart from the amount of £600,000 paid in cash by the Government to the Reserve Bank, the adjustments consequent on the exchange-rate appreciation neither increased nor decreased the amount of money in circulation in New Zealand in the form of coin, notes, and bank demand deposits, and are therefore not included in the above table.

GENERAL

The banking figures reviewed in this report reflect the buoyancy that still characterizes economic conditions in New Zealand. For several years there has been a sharp upward trend in the values of internal and external trade, production, and national income. Official statistics show that New Zealand's national income increased from £193 millions in 1938-39 to £422 millions in 1947-48. While this would appear to indicate a great increase in national prosperity, it is important to note that real prosperity depends on the actual physical volume of production rather than on its monetary valuation. The extent to which real standards of living are raised is measured by the improvement that occurs in living and working conditions, in the quantities, qualities, and kinds of goods produced, and their equitable distribution. The increase in the money value of the national income during recent years is partly due to a rise in the volume of production, but its main cause is to be found in the high prices that have resulted from war and post-war circumstances both here and overseas.

During times of changing conditions such as arose during the war and still exist, price control is indispensable. In New Zealand, with its exceptionally large export and import trade per head of the population, the best efforts to stabilize internal prices are inevitably limited to some extent by the effect of price changes overseas. This fact needs to be kept always in mind in shaping our economic and our financial policies and practice.