1937.
NEW ZEALAND.

RESERVE BANK OF NEW ZEALAND.

ANNUAL REPORT OF THE BOARD OF DIRECTORS AND STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 1937.

Presented to both Houses of the General Assembly pursuant to Section 20 of the Reserve Bank of New Zealand Amendment Act, 1936.

ANNUAL REPORT.

To the Hon. the MINISTER OF FINANCE.

THE Board of Directors herewith presents a general report on the operations of the Reserve Bank during the financial year ended 31st March, 1937.

The net profit for the year amounted to £147,142 13s. 6d. after making provision for rebate on unmatured Treasury bills, depreciation of other assets, and contribution to the Staff Superannuation and Provident Fund. In accordance with a request received from the Acting Minister of Finance under the provisions of section 11 of the Finance Act, 1934, the Board authorized the payment in advance to the Consolidated Fund of £100,000 in respect of the year's operations; the balance of £47,142 13s. 6d. has since been paid to the Consolidated Fund in conformity with the requirements of the Reserve Bank of New Zealand Amendment Act, 1936.

The following three new factors were largely responsible for the amount of the surplus profits being greater than in previous years:—

(i) The cessation of the payment of a dividend to shareholders, which had previously absorbed £25,000 a year, consequent upon the cancellation of the share capital.
(ii) Interest on the overdraft on the Dairy Industry Account.
(iii) Discount on Treasury bills held in respect of temporary accommodation granted to the State.

In addition, sales of sterling were considerably greater than in previous years; but it must be remembered that, in so far as such transactions represented a reduction of the Bank's holding of London funds (and not merely the resale of funds purchased during the year) the resulting profit was non-recurring and, moreover, has been gained at the expense of the future earning capacity of the bank's sterling assets.

British Treasury bills, in which security the bulk of the Bank's sterling funds are invested, continued to be issued at a low rate during the whole of the year. The average rates at which bills were allotted at the weekly tenders in London ranged from 9s. 8d. to £1 0s. 4d. per cent. per annum, and the average rate earned by the bank on such bills was 11s. 1½d., as against 11s. 2d. for the previous year.

The principal changes in the balance sheet as compared with the figures at the close of the previous year were as follows:—

LIABILITIES.

Capital.

In accordance with the provisions of section 2 of the Reserve Bank of New Zealand Amendment Act, 1936, the amount of £500,000 previously shown under this heading was transferred on the 1st April, 1936, to the General Reserve Fund, increasing the total of the latter to £1,500,000.

Bank-notes.

The circulation of notes was maintained at a higher level than during the previous year, and the amount outstanding at the end of the year (£13,121,810 10s.) was £2,934,506 above the corresponding figure at the 31st March, 1936. This increase is due in part to the assumption by the Reserve Bank on the 1st August, 1936, of the liability in respect of the outstanding notes in New Zealand of the other banks carrying on business in the Dominion, which amounted on that date to £549,395; and doubtless the increases in trade activity and in the national wages bill were responsible for a greater demand for notes.

Demand Liabilities.

(*a*) *State.*—A reduction of £941,294 16s. 5d. During the year the Treasury purchased sterling funds for the equivalent of £(N.Z.)4,427,352 16s. 7d. in connection with the repayment in London of £1,869,988 9s. 9d. sterling of the Government's 6-per-cent. 1936–51 sterling loan on the 1st August, 1936, and of the Southland Electric-power Board 5-per-cent. and 6-per-cent. Guaranteed Bonds 1936–54, amounting to £1,549,500 sterling, on the 15th September, 1936.