Some of the above figures were affected by the alteration in the method of financing the shipment of dairy-produce consequent upon the passing of the Primary Products Marketing Act, and doubtless for that reason the total of sterling funds was lower and balances at the Reserve Bank higher during part of the financial year than they would otherwise have been.

Advances and discounts increased by £2,035,243, and the total of demand and time liabilities by £396,473, the latter movement being the net result of an increase of £4,951,697 in demand liabilities and a fall of £4,555,224 in time liabilities.

As each trading bank is required to keep a balance at the Reserve Bank of not less than the aggregate of 7 per cent. of its demand liabilities and 3 per cent. of its time liabilities, this movement from fixed to free deposits had a bearing on the amount of such statutory minimum balances. The power to raise the percentage of such reserve balances, conferred by section 23 of the Reserve Bank of New Zealand Amendment Act, 1936, was not exercised during the year.

The ratios in the last two columns of the above summary show that the trading banks as a whole maintained a liquid position throughout the year, whilst their willingness to lend to suitable borrowers is indicated by the fact that the total unexercised overdraft facilities of their customers (as shown in the monthly returns made in accordance with the provisions of section 24 of the Reserve Bank of New Zealand Amendment Act, 1936) did not fall below £20,000,000.

The rates quoted by the trading banks for fixed deposits remained unchanged.

London Funds.

During the year there was a diminution in the aggregate of the London funds held by the Reserve Bank and by the trading banks on account of New Zealand business, as shown by the following comparison of the figures for the last Monday in March, 1936 and 1937, respectively:—

(000 omitted.)

Date.	Reserve Bank.	Trading Banks.	Total.
(Expressed in New Zealand currency.)			
	£	£	£
30th March, 1936 ..	24,830	14,143	38,973
29th March, 1937 ..	19,099	11,048	30,147
	5,731	3,095	8,826

The lowest point reached during the year, according to the respective returns, was £24,442,341 on the 28th December, 1936; but the position at the beginning of the year was sufficiently strong to enable the movement to take place without exerting any undue pressure on the financial system of the Dominion as a whole. It should, however, be realized that as orders for goods to be imported are in many, if not most, cases placed before the amount of the proceeds of produce exported during any season is ascertainable it is necessary for sterling funds to be maintained at a level sufficient to enable the strain of a sudden substantial fall in the prices realized by those exports to be borne without reducing the total of the funds below the minimum amount regarded as necessary to provide a backing for the currency of the Dominion.

External Trade.

According to figures published by the Government Statistician the values of the Dominion's exports and imports (excluding specie) to and from all countries during the financial year were—

	N.Z. Currency. (000 omitted.)
	£
Exports ..	60,235
Imports ..	47,621
Showing an excess of exports of ..	£12,614

which was approximately equivalent to the amount absorbed by interest on the Government and local bodies' debt, and by the debt redemptions referred to above.