Overseas Funds, Reserve Bank and Trading Banks.

During the year there was a diminution of £(N.Z.)7,820,000 in the combined net overseas assets of the whole banking system in respect of New Zealand business, as shown by the following comparions of the figures for the last Mondays in March, 1937, and March, 1938, respectively :—

Date.		Reserve Bank.	Trading Banks.	Total.
(Expressed in New Zealand currency.) (000 omitted.)				
		£	£	£
29th March, 1937	..	19,099	15,286	34,385
28th March, 1938	..	16,930	9,635	26,565
Decrease	..	2,169	5,651	7,820

The lowest point reached during the year—viz., £22,985,000, on the 31st January, 1938—was £5,095,000 less than the lowest figure for the previous financial year (on the 28th December, 1936).

The figures relating to external trade shown later in this report indicate that the decrease in overseas funds resulted in the main from a shrinkage in the surplus of exports over imports.

Trading Banks.

The following combined figures are compiled from the monthly returns made by the trading banks to the Reserve Bank in accordance with statutory requirements :—

Date.	Liabilities in New Zealand. Demand.	Liabilities in New Zealand. Time.	Liabilities in New Zealand. Total.	Advances and Discounts.	Net Overseas Assets.	* Bankers' Cash.	Percentage of Bankers' Cash to Total Demand and Time Liabilities in New Zealand.
(000 omitted.)							
1937.	£	£	£	£	£	£	
March 29	36,898	31,975	68,873	46,954	15,286	12,808	18·6
April 26	38,519	32,464	70,983	47,485	16,284	14,736	20·8
May 31	36,667	32,506	69,173	48,033	15,114	14,836	21·4
June 28	36,053	32,948	69,001	47,711	15,413	14,550	21·1
July 26	34,825	33,304	68,129	48,171	14,055	14,452	21·2
August 30	33,699	33,361	67,060	49,476	11,968	14,319	21·4
September 27	32,890	33,051	65,941	50,696	10,919	13,299	20·2
October 25	33,312	32,312	65,624	52,647	10,429	11,923	18·2
November 29	32,622	32,337	64,959	54,781	8,180	11,274	17·4
December 27	33,575	32,092	65,667	54,002	6,662	13,162	20·0
1938.							
January 31	36,186	31,632	67,818	53,313	6,755	15,323	22·6
February 28	36,476	31,371	67,847	53,460	8,269	13,109	19·3
March 28	37,006	31,225	68,231	55,837	9,635	10,528	15·4

* Bankers' cash includes balances with Reserve Bank, Reserve Bank notes and coin, but excludes London funds.

The percentage of cash to liabilities shown above may appear relatively high when compared with the cash ratios of banks in the United Kingdom ; but it must be remembered that the existence of a short-term money-market enables the latter to reinforce their cash reserves with money at call or short notice and also bills of exchange and certain other securities which can immediately be converted into cash. On the other hand, the banks trading in the Dominion can convert into New Zealand currency without delay any liquid funds they hold in London in respect of New Zealand business.

The outstanding variations disclosed by the above figures are the increase of £8,883,000 in the advances and discounts on the one hand and the decrease of £5,651,000 in the overseas assets on the other.

The aggregate of the unexercised overdraft authorities granted by the trading banks fell during the year by £431,026 to £24,799,432.