Banking figures have naturally reflected the general rise in prices and in business turnover, increases being recorded in note circulation, advances, and bank debits. The percentage of trading-bank advances to deposits has risen from 68 per cent. in March, 1937, to 82 per cent. in March, 1938. Post Office Savings-bank deposits during the year exceeded withdrawals by £3,400,000, and accumulated deposits, including interest, have risen from £58,000,000 to £63,000,000.

The maintenance of a high level of business activity has naturally reacted favourably on Government finances, and, in spite of the absence of borrowing overseas, it has been possible to finance an extensive programme of public-works expenditure partly by revenue from taxation, partly by loans from the Post Office Savings-bank and other Government Departments, and, as regards housing, by advances from the Reserve Bank, which, however, have temporarily been repaid out of funds available from other sources. Public-works construction has therefore been an important factor in determining the distribution of capital and labour resources and the nature and volume of employment.

With the exception of the Primary Products Marketing Department overdrafts, all advances made by the Bank to the Government were repaid by the end of the financial year. This restraint in the use of Reserve Bank credit for financing public expenditure is regarded by the Board as a wise course to have followed during a year of relatively high export values, especially as there has been a large increase in trading bank advances and a decrease of £(N.Z.)7,800,000 in the combined net overseas assets of the Reserve Bank and the trading banks.

Whilst not wishing to comment upon the question of public works generally, the Board regards it as highly desirable, on financial grounds, that the extent of such works should be regulated as far as practicable according to the state of employment in other directions, a slowing-down being arranged when the demand for labour for other purposes is relatively satisfactory and an acceleration during periods of comparative business inactivity; but it is considered that in neither event should reliance be placed upon the requisite funds being provided by the Reserve Bank when they can reasonably be derived from other sources unless, and to the extent that, any expansion of the currency is indicated at the time.

If, however, recourse is to be had to additional expenditure on public works during periods of relative trade depression, the Board would stress the importance of avoiding any undue expansion of credit when the trade position of the Dominion is favourable, for in the ordinary course, unless overseas funds are allowed to accumulate when the proceeds of exports—and, consequently, the national income—are at a high level, it would be difficult to maintain purchasing-power—involving a strain on the overseas position—if and when the Dominion's overseas trade position materially deteriorates.

Statistical Summary.

The Bank has arranged to publish a monthly bulletin of statistics which will include a collection of information already available from various other sources, but also some financial data not published hitherto.

Staff.

The Board again has pleasure in recording its appreciation of the manner in which the Staff generally have performed their duties during the past year.

For and on behalf of the Board of Directors—

L. Lefeaux, Governor.
W. L. Ward, Deputy Governor.

3rd June, 1938.