

1939.

NEW ZEALAND.

RESERVE BANK OF NEW ZEALAND.

ANNUAL REPORT OF THE BOARD OF DIRECTORS AND STATEMENT OF ACCOUNTS FOR THE YEAR
ENDED THE 31st MARCH, 1939.*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 reports as follows on the operations of the Reserve Bank during the financial year ended the 31st March, 1939.

After making such provision as the Board thinks proper for depreciation in assets, superannuation and retiring-allowances for the staff and other purposes deemed to be advisable in the circumstances, the net profit for the year totalled £250,285 10s. 4d. This amount has since been paid to the Consolidated Fund in conformity with the requirements of the Reserve Bank of New Zealand Amendment Act, 1936, no request having been made for any payment in advance in accordance with the provisions of section 11 of the Finance Act, 1934.

Despite an increase of approximately 20 per cent. in expenses—occasioned mainly by larger supplies of bank-notes and additions to the staff and to office accommodation consequent upon the expansion of the note-issue and the introduction of exchange control, as well as by normal increases in salaries—the profit again showed a substantial advance on the amount realized in previous years.

The principal factors responsible for the larger profit were:—

- (i) An increase in the return from advances to the State;
- (ii) Additions to the total holding of investments; and
- (iii) Heavier sales of sterling.

As has been pointed out in previous reports, however, whilst net sales of sterling yield an immediate exchange profit, they do so at the expense of the future earning-power of the Bank's sterling assets.

The yield on British Treasury Bills, in which the main part of the Bank's sterling reserve is invested, continued at a low rate, the average yield obtained by the Bank from that source once more being not much in excess of one-half of one per centum per annum.

The principal changes in the balance-sheet, in comparison with the figures at the close of the previous year, were as under:—

LIABILITIES.

Bank-notes.

As in the previous year, the total of notes outstanding (consisting of the combined holdings of the public and the trading banks) was consistently higher than on the corresponding dates of the previous year. The amount outstanding at the end of the year (£15,246,970 10s.) exceeded the figure at the 31st March, 1938, by £1,693,424.

The effective note-circulation—that is, notes held by the public—increased from £9,536,178 on the 28th March, 1938, to £11,175,725 on the 27th March, 1939.

This increase is a continuation of the expansion movement which was noticed last year, and was in a measure to be expected in view of the further increase in the national wages bill and in the rise in retail prices which took place.

Demand Liabilities.

(a) *State*.—The total of the balances under this heading declined by £1,751,448 8s. 2d. during the year. The cash resources of the various Government Departments were naturally reduced to a low level as the State was heavily indebted to the Bank at the end of the year, whereas there were no such advances—apart from those to the Primary Products Marketing Department—outstanding at the beginning of the year.