

(b) *Banks*.—The increase of £2,872,339 10s. 1d. in these balances was due in the main to the expenditure by the Government of sums advanced by the Reserve Bank after the suspension of the Bank's obligation to sell sterling. Until that time the increase in the trading-banks' deposits resulting from accommodation granted to the State was offset by purchases of sterling to meet the requirements of their customers. A further factor offsetting the increases in these balances was the expansion of the circulation of Reserve Bank notes.

During the whole of the year the banks maintained balances in excess of their statutory obligations. The aggregate of the minimum balances on the 31st March, 1939, was £3,526,186, their free balances thus amounting at that date to £4,823,927.

The powers conferred by section 23 of the Reserve Bank of New Zealand Amendment Act, 1936, were not used to raise the percentage of the minimum balances.

ASSETS.

Sterling Exchange.

The sterling exchange eligible as a reserve for notes in circulation and other demand liabilities decreased during the year by the equivalent of £(N.Z.)11,872,002 9s. 5d. This decrease was due mainly to the fact that the Bank's sales of sterling to the trading banks greatly exceeded the surplus available from the proceeds of the sale of dairy-produce in London after providing for the Government's sterling requirements; in addition, there were considerable sales of sterling to the public prior to the suspension, on the 7th December, 1938, of the Bank's obligation to give sterling in exchange for its notes in accordance with section 16, subsection (1), of the Reserve Bank of New Zealand Act, 1933.

Advances.

To the State or State Undertakings :—

- (i) *Primary Products Marketing Department*: The total under this heading, which includes the overdrafts on the Dairy Industry Account and on the Internal Marketing Account, was £2,034,612 17s. 9d. higher on the 31st March, 1939, than a year previously. Further particulars of the operations on these accounts are given below.
- (ii) *Other Purposes*: Of the total amount of £12,225,000 advanced under this heading, £5,600,000 was on account of the Government housing programme, and the rest was for general purposes. All these advances were provided against the issue of Treasury bills to the Bank.

Investments.

The increase of £1,266,379 19s. 2d. is accounted for in part by the fact that the total of investments at the 31st March, 1938, was temporarily reduced by allowing certain State Departments to take over some of the Bank's securities for a short time, thus employing their surplus cash balances.

ADVANCES TO THE PRIMARY PRODUCTS MARKETING DEPARTMENT.

Particulars of the accommodation granted to the State in the two accounts operated by the Primary Products Marketing Department are shown in the following tables :—

(a) *Dairy Industry Account.*

Date.	Amounts advanced.	Repayments.			Balance of Advance outstanding at End of Month.
		In London.	In New Zealand.	Total.	
(000 omitted.)					
1938.	£(N.Z.)	£(N.Z.)	£(N.Z.)	£(N.Z.)	£(N.Z.)
April	1,388	2,644	17	2,661	3,872
May	2,380	2,414	45	2,459	3,793
June	1,476	1,543	35	1,578	3,691
July	2,186	2,222	17	2,239	3,638
August	1,517	1,772	25	1,797	3,358
September	1,746	1,335	22	1,357	3,747
October	1,927	1,827	23	1,850	3,824
November	2,308	1,393	27	1,420	4,712
December	2,861	1,968	81	2,049	5,524
1939.					
January	2,682	2,154	33	2,187	6,019
February	2,515	1,868	52	1,920	6,614
March	2,516	1,913	294	2,207	6,923
	25,502	23,053	671	23,724	..