

The repayments during the month of March included the sum of £276,850 8s. 5d. transferred from the Consolidated Fund in repayment of the deficit incurred in respect of the operation of the account for the year ended the 31st July, 1937.

Valuing the stocks of butter and cheese on hand at the 31st March, 1939, at the then current market prices, and allowing for the cost of realization, the Dairy Industry Account showed an estimated deficit of approximately £1,000,000 at that date. Since then, however, prices of dairy-produce in London have fallen still further, and there appears to be every prospect of a substantial increase in the deficit by the end of the current production year (31st July).

To the extent that such deficits exist they represent the creation of credit beyond the equivalent of commodities produced, and the Board considers it important that the inflationary tendency of such accommodation should not be overlooked.

(b) Internal Marketing Account.

Date.	Advances.	Receipts.	Balance.
(000 omitted.)			
1938.	£(N.Z.)	£(N.Z.)	£(N.Z.)
April	97	96	57
May	157	113	101
June	284	155	230
July	175	195	210
August	164	200	174
September	303	333	144
October	245	182	207
November	173	189	191
December	188	172	207
1939.			
January	129	137	199
February	156	141	214
March	268	169	313
	2,339	2,082	..

MANAGEMENT OF THE PUBLIC DEBT.

No new public issues or offers of conversion were made during the year.

STATE ADVANCES CORPORATION.

The list of applications for the 3½ per cent. guaranteed stock or debentures (Series "B") due 1st June, 1944, remained open during the whole of the year.

DISCOUNT RATE.

The minimum rate at which the Bank is prepared to discount or rediscount bills was raised from 2 per cent. to 4 per cent. as from the 19th November, 1938, following on the heavy drain on the Bank's sterling resources which had occurred.

The movements in the rate since the Bank commenced operations have been as under :—

	Per Cent.
As from 1st August, 1934	4
As from 29th July, 1935	3½
As from 2nd March, 1936	2½
As from 29th June, 1936	2
As from 19th November, 1938	4

EXCHANGE RATE.

The rates at which the Reserve Bank was prepared to pay its notes in sterling, and to issue notes in exchange for sterling or gold, remained unchanged at £125 (N.Z.) and £124 (N.Z.) respectively, for £100 sterling until the statutory obligation to redeem notes in sterling was suspended under powers conferred by section 16 of the Reserve Bank of New Zealand Amendment Act, 1936. The buying-rate for sterling has remained unchanged.

On the 21st October, 1938, the trading banks altered their selling and buying rates for telegraphic transfers of sterling from £124 10s.(N.Z.) and £124(N.Z.), respectively, to £125(N.Z.) and £124 10s.(N.Z.) respectively, for £100 sterling; the buying-rate was subsequently reduced to £124 7s. 6d.(N.Z.) on the 4th January, 1939.