No longer will it be possible for credit created by the Bank to find an outlet to any appreciable extent in the purchase of goods from overseas (except by using the Bank's statutory reserves for that purpose). Whilst the demand for commodities was being partially satisfied by the utilization of the Dominion's available sterling reserves, the effect of the expansion of credit on internal prices was not very great; but, in existing circumstances, any additional credit expansion would inevitably tend to cause, sooner or later, a general rise in prices, with a consequent diminution in the value of all savings, wages, salaries, and pensions.

The Board would therefore stress the desirability of the avoidance of further recourse to the Reserve Bank for accommodation and of limiting governmental expenditure to such a sum as can be raised by taxation in addition to what can be borrowed from the public, either in the Dominion or overseas. If such a policy were adopted, and, still further, if steps were taken to reduce the outstanding advances from the Bank, there would be a better prospect of the Bank being able to assist by granting accommodation during relatively unsatisfactory export periods without jeopardizing the financial economy of the Dominion.

Statistical Summary.

As the Bank has published a monthly statistical summary since June, 1938, tables of banking and other statistics are not given so fully in this report as on previous occasions.

Staff.

The Board wishes to place on record its indebtedness to the staff as a whole for the loyal and efficient way in which the work of the Bank has continued to be performed.

For and on behalf of the Board of Directors,

L. Lefeaux, Governor.
20th June, 1939. W. L. Ward, Deputy Governor.

Profit and Loss Account for Year ended 31st March, 1939.

Dr.	£	s.	d.	*Cr.*	£	s.	d.
General charges, including salaries, rent, cost of note-issue, and other expenses	108,902	7	6	Balance of profit after making provision for rebate on Treasury bills not yet due, and for sundry liabilities and contingencies	359,187	17	10
Balance, being profit for year	250,285	10	4				
	£359,187	17	10		£359,187	17	10

Profit and Loss Appropriation Account.

Dr.	£	s.	d.	*Cr.*	£	s.	d.
Payments to New Zealand Government in terms of section 36 of Reserve Bank of New Zealand Act, 1933	195,811	3	7	Balance at 1st April, 1938	195,811	3	7
Balance	250,285	10	4	Balance from Profit and Loss Account ..	250,285	10	4
	£446,096	13	11		£446,096	13	11

Balance-sheet as at 31st March, 1939.

Liabilities.	£	s.	d.	*Assets.*	£	s.	d.
General Reserve Fund	1,500,000	0	0	Gold (at face value)	2,801,791	0	0
Bank-notes	15,246,970	10	0	Sterling exchange	4,663,051	6	7
Demand liabilities—				Subsidiary coin	226,271	6	1
(*a*) State	4,386,770	2	5	Advances—			
(*b*) Banks	8,350,113	9	3	To the State or State undertakings—			
(*c*) Other	902,256	19	11	(1) Primary Products Marketing			
Liabilities in currencies other than New Zealand currency	26,220	12	4	Department	7,235,461	15	2
				(2) For other purposes ..	12,225,000	0	0
Other accounts	304,583	17	7	Investments	3,689,904	19	2
Profit and Loss Appropriation Account	250,285	10	4	Other assets	125,720	14	10
				N.B.—Holdings of sterling have been converted into New Zealand currency at the rate of £100 sterling equals £124 (N.Z.).			
	£30,967,201	1	10		£30,967,201	1	10

W. R. Eggers, Deputy Chief Accountant. L. Lefeaux, Governor.
W. L. Ward, Deputy Governor.

Auditors' Certificate and Report.—We have audited the balance-sheet as at 31st March, 1939, above set forth, and have obtained all the information and explanations we have required.

We have accepted the certificate of the Bank of England as to assets held on account of the Reserve Bank of New Zealand.

In our opinion the balance-sheet is properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Bank as at 31st March, 1939, according to the best of our information and the explanations given to us and as shown by the books of the Bank.

D. G. Johnston, J. L. Griffin } Public Accountants, Auditors.

Wellington, New Zealand, 24th May, 1939.

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