

Demand Liabilities

(a) *State*.—The increase of approximately £(N.Z.)2 millions in these deposits from £(N.Z.)13·550 millions at 31st March, 1944, to £(N.Z.)15·586 millions at 31st March, 1945, represents a normal fluctuation arising from day to day transactions in the various Government accounts under this heading.

(b) *Banks*.—During the year the total of trading banks' deposits with the Reserve Bank fluctuated between £(N.Z.)23·288 millions and a peak of £(N.Z.)38·596 millions. A repayment to the banks during the year of short-term New Zealand Government securities totalling £(N.Z.)7·115 millions is reflected in the net increase of £(N.Z.)4 millions in the total deposits at 31st March, 1945, compared with 31st March, 1944.

ASSETS

Sterling Exchange

During the year sterling exchange receipts, particularly those arising from exports, have been high in comparison with the previous year. This factor, in conjunction with a decrease of approximately £(N.Z.)3 millions in outgoings of exchange, has effected a steady increase in the Reserve Bank's holding of sterling exchange, which moved from £(N.Z.)27·963 millions at 31st March, 1944, to £(N.Z.)48·125 millions at 31st March, 1945, a net increase of approximately £(N.Z.)20 millions.

Advances

(i) *Marketing Department*.—The Department maintains several accounts with the Reserve Bank, and the decrease of £(N.Z.)427,000 between 31st March, 1944 and 1945, represents the net movement in the aggregate advances outstanding in those accounts which were overdrawn at those dates. The Department's accommodation requirements for its marketing operations have been on a very much lower level during this year than in previous years, and over the major portion of the year advances made to individual accounts have been more than counterbalanced by credit balances in the other accounts maintained by the Department.

(ii) *Other Purposes*.—The amount of £(N.Z.)27 millions outstanding at 31st March, 1945, represents a decrease of £(N.Z.)8·885 millions on the amount outstanding at the commencement of the financial year, as compared with an increase of £(N.Z.)4·750 millions during the previous year.

There has been no change in the rates for accommodation granted to the State or State undertakings throughout the year. These rates are as follows:—

					Per Cent. per Annum.
Marketing Department—					
First £(N.Z.)5,000,000	..	..	..	..	1
Thereafter	..	..	..	..	1½
Other Advances (Treasury Bills)					
First £(N.Z.)5,000,000	..	..	..	..	1
Thereafter	..	..	..	..	1½

Investments

The principal factor in the increase in investments of £(N.Z.)1·224 millions is the value of New Zealand Government 3½ per cent. 1962-65 stock taken up in London by the Bank under its underwriting arrangement for the conversion in London of the 4½ per cent. New Zealand Government Loan of £(stg.)7,580,907 which matured on 1st March, 1945.

The total amount offered for conversion was £(stg.)17,238,187, comprised of the 1st March, 1945, maturity, referred to above, and the 3 per cent. loan of £(stg.)9,657,280 which matured on 1st April, 1945; the latter of these two loans is mentioned here for convenience of reference, though the conversion took place immediately after the end of the year under review. Under the conversion arrangements the Bank agreed to take up in the new loan an amount equivalent to the total unconverted in the maturing loans up to a limit of £(stg.)4·5 millions. New cash subscriptions were not invited, and the unconverted portion of the loans was repaid to holders at maturity. This procedure was similar to that followed in dealing with the loan maturity of the previous year.

The 1st March, 1945, operation resulted in a total of £(stg.)1·234 millions out of £(stg.)7·581 millions being unconverted, while information to hand since the 1st April, 1945, shows that, of the total of £(stg.)9·657 millions dealt with on that date, only £(stg.)1·100 millions was unconverted.

The conversion of approximately £(stg.)14·9 millions in a total of approximately £(stg.)17·2 millions is a very satisfactory result and reflects continued confidence in the Dominion's securities.

DISCOUNT RATE

The minimum rate for the discounting of approved bills of exchange has remained unchanged at 1½ per cent. Following is a tabulation of the rates which have been quoted since the Bank commenced business:—

					Per Cent. per Annum.
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
As from 6th September, 1939	..	..	..	..	3
As from 27th May, 1940	..	..	..	..	2
As from 26th July, 1941	..	..	..	..	1½