

From these figures it will be seen that the chief single factor in the increase of £(N.Z.)92·2 millions in the volume of money since March, 1939, has been the receipt of overseas income in excess of overseas expenditure. As a result, the net overseas assets of the banking system have reached a record high level. When these funds are drawn on to meet overseas debt commitments and to provide payment for capital equipment and other imports as they become available, a considerable reduction in the surplus money in circulation should eventuate.

During the same period since March, 1939, the net expansion in bank credit for all purposes was £(N.Z.)37·9 millions, of which the increase in the Reserve Bank's advances and investments accounted for £(N.Z.)17 millions.

This expansion caused practically all the remainder of the increase in the supply of money.

The increase has been substantial; but it must be recognized that during abnormal wartime conditions of rapidly accelerating State expenditure it is extremely difficult, if not entirely impracticable, to avoid some expansion of bank credit; and the amount of expansion which has taken place for all purposes should be considered in relation to the fact that the total war and civil expenditure of the State for the same period of six years has amounted to over £(N.Z.)800 millions.

The extent to which it has been found possible to rely on non-inflationary sources of war finance has been due to the fact that, in addition to meeting the necessarily heavy demands of taxation, the people of this Dominion have readily responded to appeals for war loans and national savings.

It is customary for the amount of central bank credit availed of by the State to fluctuate during the year as the proceeds of taxation and war loans are received and expended; but after allowing for these periodic changes it is the view of the Board that under present conditions any material net addition to bank credit would detrimentally affect the financial and economic strength of the country. On the other hand, universal public support of the policy designed to safeguard the community from monetary inflation and its consequences will contribute greatly to the smooth and effective change-over from war to peace time activities.

STAFF

The staff at the 31st March, 1945, totalled 307, of whom 139 were temporary employees. During the year 7 returned to duty, on release from service with the Armed Forces. There were 23 men and 2 women absent on war leave—7 in the Navy, 12 in the Army, and 6 in the Air Force.

The standard of work of the staff, both permanent and temporary, has remained consistently high, notwithstanding difficulties occasioned by war conditions. The Board is pleased again to record its appreciation of the staff's ready response to all requirements during the past year, and of its efficiency in the performance of its duties.

For and on behalf of the Board of Directors :

W. F. L. WARD, Governor.
B. C. FUSSELL, Deputy Governor.

30th June, 1945.