

deposits, large quantities of liquid assets such as short-term deposits and Government stock, there is no indication of any large-scale movement to turn them into cash in order to finance current expenditure. Thirdly, a large portion of demand deposits is lying relatively idle, as is shown by their low average velocity of circulation.

INTEREST RATES AND YIELDS

There have been no significant changes during the past financial year in the rates of interest which are prescribed for the various types of deposits and for overdrafts. Interest rates payable on new mortgages registered during the year averaged 3·85 per cent., as compared with 4·10 per cent. in the previous year. The reduced average is due largely to the high proportion of rehabilitation loans to returned servicemen at preferential rates of interest.

There has continued to be plenty of money seeking investment in stocks and shares, as is shown by the rising trend in share prices and by the large response to those few public issues of share capital which have taken place during the year. Yields on the market price of company shares have been fairly steady at a level about two-thirds that of 1938. Prices of Government stocks have been firm, with long-term issues yielding about 3 per cent. The fact that a "tap" loan of 3 per cent. at par has been available throughout almost the whole of the year has, in effect, put a ceiling on the prices of comparable issues.

PRICES

During the year 1946-47, price levels, as indicated by the official price indexes, have remained relatively stable, the exception being the export index (all groups), the latest available figure—namely, January, 1947—showing an increase of 18 per cent. above that of March, 1946. The imported items included in the wholesale index show a slight fall in price, this being due in part to the removal of sales tax on clothing and building-materials; but there was a slight rise in the prices of locally produced items. The following table summarizes the price changes which occurred between March, 1946, and March, 1947:—

PRICE CHANGES IN NEW ZEALAND, 1946-47

	March, 1946.	March, 1947.	Change.
Export prices (1926-30 = 1000) ..	1222	1442 (January)	Per Cent. +18·0
Wholesale (1926-30 = 1000)—			
Locally produced	1222	1270	+ 3·9
Imported	1853	1791	- 3·3
All groups	1588	1570	- 1·1
Wartime prices index (15th December, 1942 = 1000)	1009	1013	+ 0·4
Nominal male wage rates (1926-30 = 1000)	1414	1454	+ 2·8
Share prices (1926-30 = 1000) ..	1327	1455	+ 9·6

SUPERVISION OF TRADING BANK ADVANCES

During the period covered by the Government's stabilization programme, arrangements have been in operation whereby the trading banks have co-operated fully with the Government to ensure that their lending policy would be compatible with the war effort.