

one, and on the latest estimates receipts from exports under all headings show substantial increases. Total overseas receipts for the calendar year 1950 are now estimated at £200 million, compared with £160·7 million for 1949. Notwithstanding this increase of nearly £40 million in receipts, no accretion to our reserves is expected, as payments are also estimated at £200 million, compared with £165·2 million for 1949. Most of the increase is on account of payments for licensed imports. Deferred replacement of durable goods arising out of the war has meant an abnormal demand for imports, and this has been accentuated by the effects of inflation over recent years and by the need for capital imports for developmental purposes. Consequently, the demand for imports can be expected to continue for the next year or two at a high level, and this is recognized in the Import Schedule for 1951 recently issued. At this time receipts from exports during 1951 cannot be estimated with any great accuracy, and our reserves are inadequate to meet any marked adverse fluctuations in overseas prices or trade.

For 1950, as compared with the previous year, wool receipts will be up by over £25 million, but in another year we could easily have an adverse movement of equal magnitude. At the end of 1949 overseas funds held by our banks amounted to £52 million. If half of this were used, and that could have happened this year in the absence of the rise in wool prices, we would be faced with a serious position. It has to be realized that our aggregate payments in and out are now of the order of £400 million. The experience of the past has shown that adverse movements amounting to 10 per cent. of the turnover would not be a record.

Until the recent amendment was made, the Reserve Bank was required to maintain a minimum reserve of gold and sterling equal to 25 per cent. of its demand liabilities. In an emergency the provision could be suspended, but under normal working it had the effect of immobilizing a large part of our sterling balances. Reserves are necessary to cushion fluctuations in overseas trade arising from price changes, bad seasons, or any other cause, but better use can be made of them if the reserves are under the unfettered control of the Board of Directors. The responsibility of maintaining adequate reserves is now placed upon the Board.

There has been a remarkable improvement in our dollar position this year. In 1949 we spent over \$50 million more than we earned. This year it seems that we will be not far off balance in our