

(b) *Banks*.—There was a further substantial rise during the year in this item, which on 31st March, 1950, amounted to £67,395,420, an increase of £7,872,347. This was principally the result of a general increase in Reserve Bank credit during the year. In addition, there was the redemption of bank holdings of Government stock amounting to £2·7 millions.

No alteration was made to the statutory minimum balances which the trading banks are required to deposit with the Reserve Bank—namely, 7 per cent. of their demand liabilities and 3 per cent. of their time liabilities in New Zealand. The statutory minimum balances on 31st March, 1950, amounted to £12·7 millions.

ASSETS

Gold

During the year the Bank continued to purchase all gold produced in New Zealand. On 31st March, 1950, holdings were valued (at cost) at £4,070,032, an increase of £837,051 over the previous year's figure. Further reference to this part of the Bank's activities appears later in this report.

Sterling Exchange

There was a fall of £1,440,785 in the Bank's holdings of sterling exchange during the year, from £50,596,285 to £46,155,500. Net overseas assets of the trading banks were, however, higher than in the previous year by £3·35 millions, due to their abnormally large holdings of wool bills. Further reference to the total of net overseas assets is made later in this report.

Advances to the State or State Undertakings

(1) *Marketing Organizations*.—There was a considerable increase in the amount of accommodation required by the marketing organizations during the year. Compared with a total of £4,164,966 on 31st March, 1949, there was £7,450,388 outstanding on 31st March, 1950. The average for the year was £6·6 millions, compared with £1·3 millions in the previous year. The main reason for this was the larger stocks of produce held awaiting shipment, as a result of the highly favourable conditions for dairy production earlier in the season.

(2) *Other Purposes*.—The total of advances to the State for Other Purposes as at 31st March, 1950, was £53 millions, compared with £38 millions on 31st March, 1949.

Accommodation may be granted to the Government by way of overdraft or by the purchase of three-months Treasury bills or of Government stock. The overdrafts and the Treasury bills are shown as "Advances to State or State Undertakings—For Other Purposes." Holdings of Government stock are recorded under the heading of "Investments." In considering the amount of accommodation granted to the Government by the Reserve Bank, reference should be made to both of these headings.

By the Finance Act, 1949, authority was given for the Government Insurance Commissioner to obtain accommodation by way of overdraft from the Reserve Bank. No such advances were outstanding on 31st March, 1950.

Other Advances

Loans to Foreign Governments.—The French and Czechoslovak Governments, to which credits were granted in 1947 and 1948 respectively to finance purchases of New Zealand wool, continued to draw to some extent on those credits during the year.