

NET OVERSEAS ASSETS

The following table shows changes in the amount of the net overseas assets of the banking system during the financial year ended 31st March, 1950:—

NET OVERSEAS ASSETS* (RESERVE BANK AND TRADING BANKS)
(£000)

Last Wednesday in Month.		Reserve Bank.	Trading Banks.	Total.
	1949			
March	50,697	16,749	67,446
April	53,607	16,730	70,338
May	58,233	16,598	74,830
June	58,923	13,623	72,546
July	55,295	15,281	70,576
August	50,872	13,435	64,307
September	47,559	11,166	58,725
October	42,094	12,691	54,785
November	39,589	13,141	52,730
December	37,024	15,320	52,344
	1950			
January	40,928	16,498	57,426
February	43,257	18,125	61,382
March	47,319	20,100	67,419

* Reserve Bank's sterling exchange and trading banks' assets overseas in respect of New Zealand business, less overseas liabilities.

Net overseas assets held by the banking system at the end of the financial year, £67.42 millions, were approximately the same as at the beginning, £67.45 millions.

The pattern shown by the figures is due mainly to seasonal factors. From January until June net overseas assets normally increase steadily because overseas receipts exceed payments during those months. Export proceeds are at a relatively low level from August until December, while imports show a rising tendency in the last quarter of the calendar year.

The Reserve Bank acquires foreign exchange resulting from the sale of exports through official marketing channels—principally dairy-produce and meat—and the proceeds are usually more than sufficient to meet the Government's requirements of foreign exchange. On the other hand, the trading banks acquire foreign exchange resulting from the sale of other exports and from most "invisible" receipts, but these are not sufficient to meet the public's demand for funds to pay for imports and other remittances. Therefore the Reserve Bank sells sterling to the trading banks from time to time in order to keep them supplied with sufficient working balances to meet current requirements.