

local body securities to play their part in ensuring for the Dominion an era of cheap money that will protect investments by maintaining values at a higher level and generally be a powerful aid to economic recovery.

Bank overdraft rates.

Concurrently with the efforts made to lower rates of interest on long-term investments, steps were taken to deal with short-term rates. From the point of view of helping the people of the Dominion, it was recognized that a reduction of bank overdraft rates would prove of immediate and far-reaching benefit to all sections of the community. The overdraft rates of the banks and the advances rates of other institutions are, of course, definitely linked with deposit rates, for, obviously, the rate at which money can be lent is governed to a large extent by the rate at which it can be borrowed. The Government made every effort to bring about all-round reductions, and a comparison between the overdraft rates obtaining in May, 1930, when 7 per cent. was being charged, and the rate ruling for best accounts as from the 1st May last—namely, 5 per cent.—speaks for itself.

Concurrently with reduction of the overdraft rates, as a result of representations made to the New Zealand Live-stock, Auctioneers, and Agents' Association, the rate of interest now being charged on stock and station accounts was also reduced down to a minimum of 6 per cent.

With bank advances standing at about £50,000,000, a reduction of 2 per cent. in this direction alone means a direct saving of £1,000,000 a year, and it is obvious that this relief has been afforded where it is most urgently needed. Even £1,000,000 is but a fraction of the saving that has resulted from the lowering of overdraft rates, for the interest charges on innumerable transactions are directly linked with these rates. Just as an increase in overdraft rates is reflected in a rise all round, so a reduction has a "snowball" effect.

Deposit rates.

This brings us to the question of deposit rates, embracing banks, savings-banks, building societies, and trading companies. It will be remembered that, following the passing of the National Expenditure Adjustment Act, steps were taken to fix by Order in Council the maximum rates of interest that could be paid by savings-banks or might be offered for future deposits by building societies, investment companies, and trading companies. Deposit rates generally are based upon rates offered by the banks, and the extent of the reduction effected in the bank rates is indicated by the following:—

Period.	April, 1930. Per Cent.	July, 1933. Per Cent.
Three to six months	3 $\frac{3}{4}$	2
Twenty-four months	5	3

Rates for intermediate periods were reduced in proportion.

These reductions in the bank rates rendered it possible to reduce the maximum rates that might be paid by building societies, investment companies, and trading companies. As an indication of the position, I may quote the maximum rates now ruling for call and two-year deposits:—

	Call. Per Cent.	Two Years. Per Cent.
Trading banks	3
Post Office Savings-bank—		
Up to £1,000	3	..
Over £1,000 and up to £2,000	2 $\frac{3}{4}$..
Trustee savings-banks	3	..
Building and investment societies—		
New deposits	2 $\frac{1}{2}$	4
Renewals of old deposits	3	4 $\frac{1}{2}$
Trading companies and stock and station agents	3 $\frac{1}{2}$	5

It is significant that the prescribed returns from building and investment societies and trading companies since the recent legislation came into operation disclose that interest rates as high as 10 per cent. were being paid by certain of these institutions, while rates as high as 6 $\frac{1}{2}$ per cent. were quite common.

It will be observed that, in so far as savings-banks are concerned, the rate for both the Post Office Savings-bank and the trustee savings-banks is now as low as