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1952

SOUTH AFRICAN RESERVE BANK

REPORT OF THE THIRTY-SECOND ORDINARY GENERAL MEETING

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W.P.—7336—14/8/52

SOUTH AFRICAN RESERVE BANK

Established under the Currency and Banking Act, 1920

BOARD OF DIRECTORS.

MICHIEL HENDRIK DE KOCK	GOVERNOR.
ERNST HEINRICH DANIEL ARNDT	DEPUTY-GOVERNOR.
WILLIAM DUNCAN BAXTER CHARLES EDWARD JAMES WILLIAM HENRY ARTHUR LAWRENCE REGINALD HEINRICH PARKER ROBERT PYOTT GIDEON JOUBERT ROSSOUW	COMMERCIAL, AGRICULTURAL & INDUSTRIAL REPRESENTATIVES.
EDWIN WINTER CATTELL GERRIT PETRUS JOHANNES LOTZ EUGENE O'CONNELL MAGGS	GOVERNMENT REPRESENTATIVES.

HEAD OFFICE—PRETORIA.

CHIEF CASHIER
L. J. COCKHEAD.

SECRETARY AND CHIEF ACCOUNTANT
G. RISSIK.

DEPUTY CHIEF CASHIERS
R. F. A. LOUW
S. F. T. GREAVES.

ASSISTANT TO THE GOVERNORS
J. B. DE K. WILMOT.

PRO. DEPUTY CHIEF CASHIERS
B. C. J. RICHARDS.
J. E. SPOTSWOOD.

ASSISTANT SECRETARY
H. E. MOGGRIDGE.

ASSISTANT CHIEF ACCOUNTANT
A. P. MCLOUGHLIN.

STATISTICAN
T. W. DE JONGH.

INSPECTOR
E. W. WARREN.

SOUTH AFRICAN RESERVE BANK

Thirty-Second Ordinary General Meeting of Stockholders

MINUTES OF PROCEEDINGS

The Thirty-second Ordinary General Meeting of Stockholders was held at the Head Office of the Bank, Pretoria, on Wednesday, 30th July, 1952, at 11.30 a.m., the Governor presiding.

The Governor declared the Meeting duly convened in terms of the Regulations framed under the South African Reserve Bank Act.

The Minutes of the previous Meeting were taken as read and confirmed.

After the Governor had drawn the attention of the Stockholders to the fact that the Report of Directors had been expanded to include the review of the accounts which hitherto had been given in the Governor's address to Stockholders at the Annual General Meeting, the Reports of the Board and of the Auditors for the year ended 31st March, 1952, were presented and taken as read.

The Governor then addressed the Meeting and said:

Gentlemen, in proposing that the Annual Accounts and the Reports of the Board and the Auditors be taken as read, I wish to draw your attention to the fact that the Report of the Board has been expanded so as to include the elucidation of the more important changes in the Balance Sheet and the Profit and Loss Account, which it has hitherto been customary to give to stockholders in the address at the annual general meeting. With your permission, therefore, I will proceed immediately with my usual general review of the principal factors bearing on the current financial and economic situation in the Union.

BALANCE OF PAYMENTS.

The balance of payments of the Union (including South-West Africa) showed a marked deterioration in 1951 relative to the position in 1950. Notwithstanding increases of £67,000,000 in the value of exports other than gold and gold products and of £1,000,000 in the value of the net gold output, there was a deficit on current account of £109,000,000 as against nil in 1950. In short, our imports of merchandise in 1951 increased by the phenomenal amount of £162,000,000, while the net current invisible claims against the Union rose by £15,000,000 as a result, primarily, of the higher value and volume of imports. On capital account, there was again a surplus of £71,000,000 as in the preceding year, so that the final outcome was a net deficit in the balance of payments of £38,000,000 in 1951 as compared with a net surplus of £71,000,000 in 1950.

The unfavourable turn in the Union's balance of payments, which commenced in the second quarter of 1951, is, thus, attributable to the considerable increase in imports which followed upon a general relaxation of import control. This relaxation was a matter of deliberate Government policy aimed at enabling importers of consumer and producer goods to replenish and, where considered necessary or desirable, even to increase their stocks in view of the uncertain international political outlook and the growing scarcity and rising prices of certain commodities at that time. The admission of imports on a larger scale in 1951 was, in any case, rendered possible by the enhanced value of exports and the maintenance of the net capital inflow at the same level as in 1950. In the circumstances, however, it was decided to authorise imports for 1951 in excess of the anticipated increased net receipts available for imports and to draw to a substantial extent upon the increase in the monetary reserves which had resulted from the favourable margin in the balance of payments during 1950.

With regard to the import programme for 1952, the Government again decided, as explained by the Minister of Finance in his Budget Speech in March last, to allocate an amount for imports in excess of the estimated net receipts after allowing for an anticipated decrease in the value of exports and in the net capital inflow. It was estimated that the outcome would be a deficit of about £20,000,000 in the balance of payments for the whole of

1952 and, of course, a more or less equivalent drain on the monetary reserves.

Although the amount of £400,000,000 preliminarly allocated for imports in 1952, was £70,000,000 lower than the actual imports in the previous year, the large carry-over of unexecuted orders at the end of 1951, together with deliveries under the new permits, caused imports to be maintained at a somewhat higher level during the first six months of 1952 than during the corresponding period of 1951. Exports, on the other hand, showed a decline, the result being an estimated deficit of £56,000,000 on current account over this period.

As far as the capital account is concerned, there was an estimated surplus of £40,000,000 for the first half of 1952, which was larger than had been anticipated. Indeed, the actual amount of capital obtained from outside the sterling area during this period was relatively larger than it has ever been. This is accounted for by the fact that the Union Government and the Orange Free State Investment Trust raised loans in Switzerland of about £5,000,000 and £2,000,000, respectively, the bulk of which was converted into dollars. Furthermore, the Kennecott Copper Corporation made a further loan of £2,000,000 in dollars to the Virginia Gold Mining Company, while the Government and the Electricity Supply Commission drew £3,200,000 under the dollar loans granted by the International Bank for Reconstruction and Development, and the Reserve Bank about £1,700,000 under the revolving credit granted to the Government by a group of American banks. In addition, an amount of almost £4,700,000 in dollars was received by several gold mining companies for the erection of plant for the extraction of uranium, as a by-product. With regard to the sterling area, an amount of £2,400,000 was received for the extraction of uranium, while several mining and finance companies obtained relatively large amounts in Great Britain from new issues of shares or debentures. There was, indeed, also some evidence of an outflow of capital during this period, but as far as it has been possible to ascertain, the amount was insignificant compared with the inflow of new funds.

The net result for the first half of 1952, therefore, was an estimated deficit of £16,000,000 in the balance of payments.

MONETARY AND BANKING SITUATION.

It will be recalled that, after dropping from £419,000,000 at the end of 1948 to £372,000,000 at the end of 1949, the total money supply of the Union had again increased to £446,000,000 by the end of 1950, due mainly to the large favourable balance of payments in that year, and had continued to rise to a new peak of £464,000,000 in March, 1951. Thereafter, however, it showed a declining tendency and stood at £437,000,000 in December, 1951.

Thus, notwithstanding a deficit of £38,000,000 in the balance of payments, there was a net decline of only £9,000,000 in the money supply during 1951. The remainder of the deficit, as well as a shift of about £4,000,000 from demand to time deposits with the commercial banks, was offset by a net increase of £33,000,000 in bank credit, namely, an increase of £34,000,000 on the part of the commercial banks as against a decrease of £1,000,000 in in the case of the Reserve Bank.

With regard to the commercial banks, there was an unprecedented increase of £67,000,000 in their advances and discounts in the Union, i.e. an increase of almost 50% within a year. This exceptionally rapid rate of expans.on was, no doubt, associated with both the large increase in imports and exports and the further increase in the general price level and economic activity in the Union during 1951. On the other hand, the commercial banks reduced their investments in the Union by about £18,000,000 and drew almost £15,000,000 from their call deposits with the National Finance Corporation, thus leaving a net creation of commercial bank credit to the extent of £34,000,000 in 1951.

Furthermore, as a result of the deficit of £38,000,000 in the balance of payments and the increase of over £7,000,000 in the note and coin circulation outside the banking system, and in the absence of net credit creation by the Reserve Bank, the commercial banks' total cash reserves in the Union were reduced by over £37,000,000, namely, from £96,300 000 to £59,000,000, and their cash ratio from 25.7 to 15.5% between the end of 1950 and the end of 1951. Moreover, the commercial banks had about £3,500,000 in bills under rediscount with the Reserve Bank and the National Finance Corporation at the end of 1951, as compared with £1,000,000 at the end of 1950; and they also had to draw upon their foreign balances to some extent during the year.

During the first six months of 1952 there was a further drop of £4,500,000 in their cash reserves, which reduced their cash ratio from 15.5 to 14.8% in spite of a decline of £12,300,000 in their liabilities to the public. There was, however, also a net decrease of £10,200,000 in commercial bank credit during this period, of which £5,300,000 was in respect of advances and discounts.

While the Reserve Bank was able to make a net reduction of about £1,000,000 in its advances, discounts and investments in the Union in 1951, it was called upon to create £13,200,000 of new credit during the first six months of 1952, namely, £1,800,000 in rediscounts for the commercial banks and the National Finance Corporation, £6,600,000 in advances to Government and quasi-Government bodies for the importation and storage of jute goods and foodstuffs, and £4,800,000 in net purchases of Government and other securities made in the course of carrying out its policy of maintaining orderly conditions in the gilt-edged market.

Thus, although there was a decrease of £10,200,000 in commercial bank credit, a further shift of £10,300,000 from demand to fixed and savings deposits with the commercial banks, and an estimated deficit of £16,000,000 in the balance of payments during the first six months of 1952, the creation of new Reserve Bank credit to the amount of £13,200,000 caused a decline of less than £23,000,000 in the money supply.

MONEY RATES.

In the absence of any slackening in the demand for money and credit, the steady decline in the money supply since March, 1951, naturally brought about a general firming of money rates in the Union, which was further reinforced by the rising trend of money rates in Great Britain, the United States and in various other countries, as well as by official policy in the Union.

Thus, the market yields on long-term Union Government, municipal and public-utility securities increased by from $\frac{3}{4}$ to 1% during the past year, for example, from $3\frac{1}{2}$ to $4\frac{1}{4}$% in the case of Government stocks with a maturity exceeding 15 years; and although the Government succeeded in issuing a five-year conversion loan in August, 1951, at the same rate as a similar issue in November, 1950, namely at 2⅞%, the market yields on stocks with a maturity of 5 years or less have since increased by about ⅜%. Accordingly, the rate charged by the Government on loans to the Provincial Administrations, local authorities, the Land Bank, the National Housing Commission, etc., was raised from 3½ to 4% in January, 1952, and again to 4½% in April, 1952. Higher rates on mortgage loans were likewise charged by the Land Bank, building societies, insurance companies, trust companies, savings banks, etc., while higher rates on deposits had, of course, also to be paid by the institutions concerned, as well as on fixed and indefinite-period shares in the case of building societies.

Furthermore, the Reserve Bank, which had previously raised its discount rate from 3 to 3½% in October, 1949, made a further increase to 4% in March, 1952, which was followed by similar increases in the discount and advance rates of the commercial banks and by increases of from ½ to 1% in their rates for fixed and savings deposits. The rates on Union Treasury bills were also raised by ¼% as from the 1st April, 1952, namely, to 1¼% and 1¾% per annum for 6 and 12 months' bills, respectively; and the National Finance Corporation simultaneously raised its rate on call deposits from ⅞ to 1⅛%. Finally, the Post Office Savings Bank likewise increased its rates for savings deposits and savings certificates by ½%, while the rate on tax redemption certificates, in respect of income-tax liabilities up to £5,000 per annum, was raised by as much as 2% to 3½%.

EXCHANGE RATES.

Our rates of exchange for various currencies showed substantial fluctuations during the past year. Firstly, the fluctuating rates of the Canadian dollar, in terms of the U.S. dollar and sterling, were naturally reflected in our rates of exchange on Canada, which ranged, in the case of the selling rate, from $2.97⅞ in June, 1951, to $2.66⅜ on the 7th July, 1952. Secondly, as a result of the reopening of the London foreign exchange market on the 17th December, 1951, and the widening of the official margin within which fluctuations of exchange rates between Great Britain and the United States as well as various other countries were allowed to take place, the Union was confronted with the problem of deciding whether to maintain stable rates with sterling or with the U.S. dollar, and, of course, also with the problem of fluctuating rates with all other currencies which fluctuated in terms of the currency with which the South African pound was kept stable.

In view of the extensive and intimate commercial and financial relations with the sterling area, it was decided, for the time being, to maintain stability with sterling rather than with the dollar, i.e. subject to the lowest and highest limits of \$2.78 and \$2.82 for the sterling-dollar rate, as laid down by the British monetary authorities.

At the beginning of January, 1952, however, it was decided also to make an adjustment in our rates on London while still adhering to the principle of stability with sterling. Thus, our T.T. buying and selling rates on London, which had been maintained at £100 and £100.10.0, respectively, per £100 sterling since July, 1945, were reduced by $\frac{1}{8}$% to £99.17.6 and £100.7.6, respectively, per £100 sterling. In short, whereas formerly the whole of the required margin of $\frac{1}{2}$% between the T.T. buying and selling rates was loaded on to the selling rate, part of the load was now shifted on to the buying rate. This adjustment was rendered necessary by the weakening of sterling to \$2.78$\frac{1}{2}$ and \$2.78$\frac{1}{4}$ for the selling and buying rates, respectively, and the consequent need to shift some of the existing load in our selling rate for dollars in order to allow for a minimum margin of $\frac{1}{2}$% between our buying and selling rates on New York while ensuring that the latter rate would not be more than 1% away from our gold parity with the dollar, which is the maximum deviation permitted under the provisions of the International Monetary Fund Agreement.

The abovementioned reduction in our rates for sterling could, in fact, have been justified at an earlier stage in view of the continuation of the wartime arrangement under which the Reserve Bank was able to sell gold for sterling to the Bank of England, delivered at Union ports, and to buy gold at the same price in Union currency from the local producers ex the Rand Refinery. A downward adjustment had indeed been made on this account in July, 1945, but not to the full extent, firstly, because the partial adjustment already involved not only an appreciable reduction in the Bank's wartime margin of profit on exchange transactions, but also a decrease of $\frac{1}{4}$% in the Union currency proceeds of merchandise exports and capital inflow, and, secondly, because there was no certainty at the time that the existing gold sales arrangement with the Bank of England would be continued. Although the immediate cause of the recent adjustment in our rates on London was the substantial weakening of the sterling-dollar rate in the latter part of December, 1951, it was nevertheless decided to leave the rates on the new basis when sterling temporarily strengthened to above par with the dollar during March-May, 1952, as this basis is in any case regarded as more appropriate.

Our rates on New York have accordingly fluctuated in line with fluctuations in the sterling-dollar rates, except that our rates are based on the closing London rates of the previous day. Thus, the South African buying and selling rates have ranged from \$2.78$\frac{3}{4}$ and \$2.77$\frac{1}{4}$, respectively, on most days in January and February, and again at the end of June, 1952, to \$2.81$\frac{3}{4}$ and \$2.80, respectively, on the 2nd April, 1952.

PRICE OF GOLD.

The fluctuations in the sterling-dollar rate also led to the re-opening of the question of the price to be paid in sterling by the Bank of England for gold sold to it by the Reserve Bank, and therefore, the price to be paid in Union currency by the Reserve Bank for gold bought from the producers. By mutual arrangement between the Bank of England and the Reserve Bank, the price for each week was, as from the 1st January, 1952, based on the average closing middle sterling-dollar rate of the previous week. Thus, as compared with the former fixed price of 248s. 3d. per fine ounce, the price since January has ranged from a high point of 249s. 11d., during the six weeks ended 1st March, to a low point of 247s. 6d., for the week ended 3rd May. The average price realised over the six months January to June, 1952, was 248s. 11$\frac{1}{2}$d., i.e. 8$\frac{1}{2}$d. per fine ounce over the net parity price for gold at the existing rates of freight and insurance on gold shipments.

With regard to the gold which the producers themselves are authorised to sell at a premium, it may be mentioned that, in a statement issued in September, 1951, the International Monetary Fund modified its policy concerning restrictions on gold transactions at premium prices, and that several member countries decided to permit the sale of the whole of their gold output, or that of territories under their jurisdiction, at a premium with or without regard to purpose or destination. In the Union, however, the restrictive conditions previously imposed by the Treasury have been retained, including the limitation on sales to a maximum of 400,000 ounces a month and the requirement that sales be effected only for industrial purposes and against payment in dollars.

During the year ended the 31st March, 1952, the total premium realised by the Union's gold producers on sales for industrial purposes amounted to £6,200,000, i.e. an average of approximtely 10% over the monetary price. It may be mentioned, however, that the premium realised in the second half of this period was substantially smaller than in the first half, as the price of gold in free markets generally has, for various reasons, shown a declining tendency since September, 1951.

STATE AND TREND OF MONETARY RESERVES.

After a sharp rise from £104,000,000 at the end of 1949 to £172,000,000 in March, 1951, the Reserve Bank's holdings of gold and foreign exchange declined to £137,000,000 in December, 1951, and further to £121,500,000 at the end of June, 1952. This decline of £50,500,000 between March, 1951, and June, 1952, consisted of a decrease of £20,500,000 in the gold reserve, £27,700,000 in sterling and £2,300,000 in other currencies.

The increase in the Union's dollar expenditure during 1951 had already manifested itself in the decline of the gold reserve from an average of £74,000,000 over several months to £67,000,000 at the end of that year. During the first half of 1952, imports from the United States and Canada, and from dollar sources of oil outside the United States, continued at a high level. Furthermore, as announced by the Minister of Finance in Parliament, a special sale of £10,000,000 of gold was made to the Bank of England in March last over and above the normal quarterly gold sales in terms of the existing arrangements between the Governments of the Union and the United Kingdom. In addition, the Union undertook, as from the beginning of 1952, to settle in gold or dollars, not only for the net dollar expenditure through London on South African account, but also for the Union's net expenditure in countries belonging to the European Payments Union, to the extent that the United Kingdom itself was called upon to settle in gold for the sterling area's total deficit with these countries. Owing to the delay involved in compiling the necessary data, January, February and March were the only months in respect of which settlement of the latter expenditure had been effected by the end of June, the proportions payable in gold or dollars being approximately 60%, 80% and 80% respectively, and the amount involved being about £5,000,000, the whole of which was paid in gold.

In all these circumstances, therefore, it is gratifying that the Bank's gold reserve declined by only £15,000,000 during the first six months of 1952, namely, from £67,300,000 to £52,300,000. Undoubtedly, the large capital receipts during that period in dollars and in Swiss francs, to which reference has already been made, were of material assistance in preventing the decline in the gold reserve from assuming larger proportions.

It should also be borne in mind in this connection that the special sale of £10,000,000 of gold mentioned above was, strictly speaking, a 'sale on account' in respect of gold due to be delivered during the second half of 1952 under the mutually agreed arrangement, and was mainly intended to assist in meeting the drain on the central gold reserves of the sterling area, which was expected to continue throughout the first half of the year. The total amount of gold actually to be sold to the Bank of England during 1952, as a net contribution to the central reserves, will finally depend upon the share of our import trade obtained by the sterling area *vis-à-vis* the dollar area and other non-sterling countries, particularly those of the European Payments Union.

In considering the recent trend of our monetary reserves, due account must also be taken of the deterioration in our terms of trade as the result of the decline in the prices of several of our export commodities in conjunction with the continuance of rising prices for the major proportion of our requirements of imported goods. The latter factor has had a bearing on our balance of payments position in the sense that the Union, on the whole, received a smaller volume of goods for the foreign exchange allocated to imports in 1951, and that the allocation for 1952 had, in the circumstances, to be larger than would otherwise have been necessary to secure a given volume of goods.

As far as the near future is concerned, the probability is that the deterioration in our terms of trade will continue for some time because of the inevitable lag in the prices of manufactured and semi-manufactured goods behind those of raw materials. Thus, just as the Union reaped an advantage when raw materials showed a rapid rise in prices, it now suffers a disadvantage on account of the sharp decline in such prices. It is also likely that the net inflow of capital will be on a much smaller scale than during the past few years, and that this situation may likewise continue for some time, since there has been a considerable contraction in the supply of capital available abroad for investment in developing countries like the Union. This is due not only to the abnormal demand in recent years for post-war reconstruction and new development in many parts of the world and to the large current internal requirements for rearmament and other purposes in the United States, Great Britain and Western Europe, but also to the restrictive monetary policies which are being followed in those countries as an anti-inflationary or disinflationary measure. These factors ar now making themselves felt and are reflected in higher interest rates generally. Thus, although the Union received an unexpectedly large inflow of capital during the first six months of 1952, there would appear to be little probability of this recurring in the near future.

If, as anticipated, the unfavourable terms of trade continue and a sharp contraction in the capital inflow also takes place, there is likely to be an appreciable further deficit in the balance of payments during the remainder of the year. On the other hand, it is not improbable that imports will show a considerable drop during the latter part of the year, not only as a result of the smaller import allocation for 1952 and the existence of surplus local stocks in certain lines of commodities, but also on account of monetary stringency in the Union and the deterring effect of the recent downward trend in the overseas prices of various commodities.

Notwithstanding their steady decline since March, 1951, the position of our monetary reserves is still relatively sound. The aggregate amount of about £121,500,000 at the end of June, 1952, for example, represents 77½% of the Reserve Bank's liabilities to the public and almost 30% of the total money supply, so that the reserves still afford a relatively wide margin of security against a further deficit in the balance of payments. In order to safeguard the reserves against any undue drain, however, it will be necessary, on the whole, to continue a disinflationary monetary policy in the Union, to which I will again refer later.

INTERNAL ECONOMIC SITUATION.

The principal features of the general economic situation which prevailed in the Union during the past year were the continued inflation of commodity prices and production costs, the maintenance of an exceptionally high level of economic activity, and the continuation of strains and bottlenecks in various parts of the economic structure.

The continued inflation of commodity prices was manifested in the further rise in the wholesale price index (base 1938=100) from 223.3 in May, 1951, to 257.7 in May, 1952, and in the retail index from 170.4 to 183.5, i.e. by 15.4 and 7.7% respectively. As far as production costs were concerned, there was, for example, an increase in the working costs of the gold-mining industry (excluding the mines which started production in the meantime) from an average of 31s. per ton of ore milled, in May, 1951, to 33s. 3d. in May, 1952, i.e. an increase of 7¼%.

In my address last year, I took the opportunity of pointing out that, with the aid of food and other subsidies as well as price and rent controls, the Union had apparently been able to offer substantial resistance to imported inflation. Thus while the wholesale price index for imported goods had shown an increase of 170% between 1938 and March, 1951, that for locally produced goods had increased by only 81%, in spite of the fact that the higher cost of imported materials and equipment was, to no small extent, also reflected in the cost of goods produced in the Union. Between March, 1951, and May, 1952, however, the latter index increased in almost the same proportion as the former, namely, by 19.7 and 20.1% respectively. It is probable that this development was largely the result of a natural shortening of the lag in the prices of locally produced goods behind those of imported goods, but there is some evidence that it was also caused by the continuance of inflationary pressures from purely local sources, to which I will revert later.

With regard to the volume of economic activity in the Union, it must first be emphasised that an unprecedented high level had been reached during the year ended 30th June, 1951. The net national income and total bank debits, for example increased during that year by 18.6 and 21.5%, respectively, over the previous year, as compared with increases of 11 and 6% in the wholesale and retail price indexes respectively, and by 83 and 130%, respectively, in relation to the year ended 30th June, 1945, as compared with increases of 39 and 26% in the wholesale and price indexes respectively. From this it is evident that there had been a considerable expansion in the physical volume of economic activity during the period of six years ended 30th June, 1951, and that the expansion had still continued at a rapid rate during 1950-51.

As far as the year 1951-52 is concerned, there were several factors which operated in the direction of slowing down the tempo of economic activity. Apart from the retarding effects of a declining money supply and rising money rates, there were the bottlenecks to which I already had occasion to refer last year, namely, the general shortage of both skilled and unskilled labour, and the inability of power, transportation and communication services to cope with the demand during peak periods, due to the shortage of both labour and capital equipment. These bottlenecks served not only to restrict output but also to raise working costs through the disturbances which they created in the normal rhythm of production. Another adverse factor was the drought conditions which prevailed over a large part of the country for some considerable time and, thus, detrimentally affected agricultural and pastoral production. There was also some contraction in the textile, leather and certain other industries, as a result, *inter alia,* of overimportation of the goods concerned.

On the whole, however, there would appear to have been an appreciable net expansion of industrial output during the past year as various new factories, including steel and engineering works, came into production or got more fully into their stride. There was, moreover, a small increase in mineral production as well as an acceleration of mining development, particularly as several new gold mines reached the stage where they could start with underground development and the erection of reduction plants.

There were also other indications of a continued increase in the physical volume of economic activity, as reflected, for example, in the total revenue-earning traffic on the railways (in terms of ton miles) and in the index of electric current generated, although in both cases the rate of increase was lower than in the previous year. Bank debits for 1951-52 likewise showed an increase over the previous year, after allowance is made for the further increases in the wholesale and retail price indexes, on the one hand, and for the decline in the turnover of stock-exchange and certain other financial transactions during the past year, on the other hand; but, as in the other cases mentioned above, the net result indicated a reduced rate of increase.

In the circumstances, therefore, it can justifiably be concluded that, while the physical volume of economic activity continued to increase during 1951-52, the rate of increase slowed down substantially as compared with that of the previous year as well as with the average annual rate during the period 1945-51.

LOCAL INFLATIONARY PRESSURES.

In my address last year I had occasion to emphasise that, although rising import costs and export incomes had apparently played the major part in the persistent generation of inflation in the Union, there were also several internal contributory factors which conjointly must have exerted an important inflationary influence. I referred, for example, to the considerable expansion of bank credit, the rapid tempo of development and the sharp increase in Government and other public expenditures, and I submitted that the prevailing and prospective conditions in the Union appeared to call for both a contraction of bank credit and a cessation, if not a reversal, of the sharp upward trend in public expenditures, at least until the general inflationary process had definitely been checked. Neither of these objectives, however, was realised during the past year.

With regard to bank credit, there was a net increase of £14,800,000 during the year ended 30th June, 1952. Commercial bank credit, as explained previously, continued to expand until the end of 1951, but began to decline thereafter and showed a decrease of £2,700,000 during the period mentioned above, although there was an increase of £17,500,000 in their advances and discounts. The delay in implementing the restrictive credit policy which the Reserve Bank, with the support of the Treasury, had last year again urged upon the banks, was attributable to the difficulty experienced by them in arresting the increase in their advances and discounts in the face of increased imports and local production, an accumulation of stocks, a higher level of prices and the consequent increase in the demand for working capital from industry and trade generally. In the case of Reserve Bank credit, however, there was a net expansion of £17,500,000 during the period concerned. This increase, although in conflict with the general objective of a disinflationary monetary policy, was unavoidably caused by the circumstances which have already been mentioned.

Notwithstanding this net expansion of bank credit, there was a decrease of £35,000,000 in the total money supply during that period, due primarily to the deficit in the balance of payments. If Government and Provincial deposits with the Reserve Bank are excluded, however, the decrease amounts to only £10,000,000. This decline in the quantity of money in circulation served at least to counteract the inflationary repercussions of the expansion of bank credit, and its disinflationary effect was reinforced by the general and substantial rise in money rates which helped to emphasise the undoubted fact that a real financial stringency had developed and that the situation demanded caution and consolidation. Accordingly, it can be claimed that purely monetary factors tended to reduce inflationary pressures during the past year.

The disinflationary monetary influences, however, were offset by non-monetary inflationary factors, the effect of which was to increase the velocity of circulation of the reduced money supply. Thus, for example, the rate of turnover of bank deposits increased from 24 to 28 between the years ended 31st May, 1951, and 31st May, 1952.

The principal inflationary factors were, firstly, the continuance of the rapid rate of development, which exerted inflationary pressures by maintaining, in relation to the country's existing level of consumption, an excessive demand for labour and materials for capital projects, particularly of the type which can only add to the current supply of marketable goods and services after a considerable lapse of time; and, secondly, the further substantial increase in current public expenditures, primarily on account of increased provisions for defence, food and other subsidies, salaries and cost of living allowances, as well as social benefits and services, which naturally helped to increase or maintain the demand for consumer goods. Thus, the current expenditures of the Union Government increased from £155,500,000 in the financial year ended 31st March, 1951, to almost £194,500,000 in 1951-52. The current expenditures of the Provinces likewise increased from £57,000,000 to £64,000,000 between 1950-51 and 1951-52. While the continued increase in current public expenditures is to be regretted under the prevailing economic conditions, it can at least be said that they were defrayed from taxation and other sources of revenue, even though tax arrears and certain non-recurrent receipts were mobilised for that purpose. It is also gratifying that the capital expenditures of the Government and other public bodies during the past year were met from surplus revenue, special receipts, loan recoveries, loans raised abroad, and from local loans which did not involve the direct or indirect creation of much, if any, net additional bank credit. Thus, the inflationary influence of the increase in public expenditures was derived primarily from the fact that it increased spending power and helped to bring about an increase in the velocity of the circulation of money.

ECONOMIC OUTLOOK.

In spite of some disquieting features such as the continuation of price and cost inflation and of disequilibrium in the balance of payments, the financial as well as the general economic situation in the Union is still relatively sound in the circumstances. It is also evident that most of our economic troubles during the past few years have been associated with an excessively rapid rate of development concurrently with the maintenance of a high average rate of consumption; that the rate of increase in the economic activity of the Union has recently begun to subside; that there are certain basic economic facts from which we cannot escape; and, in particular, that the economic outlook for the Union, in the near future, depends more upon external than upon internal factors.

It is true, for example, that phenomenal progress has been made with industrial development in all directions, including the processing of the country's own raw materials for local consumption or export, and that the Union would consequently be in a better position to weather a world crisis in the future than in the past. It is also true that the extensive programmes of mining development have been brought to an advanced stage; that four new gold mines in the Orange Free State and Western Transvaal have already started production and that several more are expected to do so during the next twelve months; that a comparatively large amount of capital is still in hand or on call for mining expansion or new development; and that the production of uranium, as a by-product of certain gold mines, will start in the near future and provide a new source of foreign exchange. In addition, huge capital expenditures have already been incurred on the provision of housing, power, water, transportation and other services required by the new goldfields and the rapidly growing industrial centres.

Nevertheless, the fact remains that the Union is still largely dependent upon imports of certain essential lines of finished consumer goods and capital equipment for mining, manufacturing, agriculture, power and transport as well as certain raw materials and a large variety and volume of semi-finished materials for manufacturing purposes, and that the cost of such imports affects the local price and cost structure at many different points and in various ways. Moreover, the available world markets for our exportable products and the prices received therefor in relation to the prices paid for our requirements of imported goods, together with such foreign capital as we can obtain from time to time, determine our capacity to import and materially affect the rate of our economic development and the state of our general welfare. Although the Union has acquired a tremendous amount of capital from various countries during the past six years, it still requires a steady inflow to supplement our own savings if various mining and industrial enterprises and ancillary services already in hand or about to be undertaken as necessary or desirable projects are to be brought to completion without unnecessary delay and dislocation.

In so far, therefore, as the economic outlook for the Union in the near future depends upon the international situation, it is not easy to predict the course of events. The world economic outlook is obscure not only because of international political tensions and their repercussions, but also on account of the problems arising from disequilibria in international economic relations.

The sterling area, for example, is faced with an overall balance of payments crisis which has caused the United Kingdom to adopt not only a disinflationary monetary policy in conjunction with its disinflationary fiscal policy, but also to intensify its restrictive and discriminatory controls over imports from the dollar area as well as certain other non-sterling countries. The other members of the sterling area have implemented similar measures in varying degrees, depending upon local circumstances, and some of them have even had to restrict imports from fellow members. Several other countries are also suffering from either an overall deficit in their balance of payments or from a deficit with the dollar area alone and have likewise had to adopt various restrictive measures. Some of the "surplus" countries have even found it necessary to impose restrictions on exports to "deficit" countries. Accordingly, the ultimate result might be a general decline in the volume of international trade, with all the evils which usually accompany it.

In the United States, which is the predominant factor in international trade and finance, the economic outlook is clouded by cross-currents owing to the prevalence of both inflationary and deflationary pressures. On the one hand, increasingly heavy expenditure on rearmament is an underlying inflationary factor in those spheres of economic activity directly or indirectly concerned therewith. On the other hand, production has caught up with, or even exceeds, demand in certain industries, consumers' resistance has developed, money has tightened and interest rates generally have firmed as the outcome, *inter alia*, of a monetary policy with some disinflationary bias designed to counter such inflationary pressures as still exist. The result is that there is continued pressure for higher prices and wages in some directions, where shortages of labour and materials still prevail, while in other directions prices have fallen substantially, stocks have accumulated and unemployment has increased.

In the circumstances it is difficult to determine whether the inflationary or the deflationary forces in the United States will gain the upper hand in the near future. It would, however, appear that, in the absence of any serious deterioration of the international political situation, there is little likelihood of a resumption of the inflationary spiral in the dollar area, while in the sterling area and several other countries disinflationary policies are being carried out as a matter of necessity. Furthermore, the evils and dangers of severe inflation have come to be more widely recognised and understood, as also the fact that the increase in the money supply in the leading countries by three, four or more times, since 1939, has been an important contributory factor in the persistent world-wide inflationary trend. This has been increasingly reflected, during the past two years, in a distinct re-orientation of monetary policy in the direction of scarcer and dearer money as an anti-inflationary instrument and a means of facilitating necessary readjustments in the economic structure.

Thus, after more than a decade of virtually uninterrupted inflation, the world appears to have arrived at a turning-point in the economic situation. There are already signs of an appreciable easing of inflationary pressures and of a recession of economic activity in some countries. Prices of most raw materials have dropped considerably from the peak reached after the outbreak of the Korean war, although generally they are still substantially higher than before that time. In some countries steps have even been taken recently which are presumably intended to prevent an undue contraction of consumer demand. In the United States and Canada, for example, the authorities have suspended their consumer-instalment credit controls and also their arrangements for voluntary credit restraint on the part of the commercial banks. Moreover, in Holland the official discount rate, which had previously been raised from 2½ to 3% and then to 4%, was lowered to 3½% in January last, and in Western Germany it was reduced from 6 to 5% at the end of May. Together these instances may be taken as evidence of an actual or anticipated change in economic conditions.

We must, therefore, reckon with the possibility of a recession in world economic activity, which would, of course, affect different countries in different ways and degrees. In view, however, of the large expenditures which are being incurred by many countries on rearmament and the Korean war and the techniques which have been developed to mitigate deflationary pressures, there would not appear to be much likelihood of any such recession developing into a real depression. It is more probable that any general decline in economic activity which may occur will take the form of a gradual and healthy readjustment after the inflationary boom conditions which have prevailed for many years.

CONCLUSION.

In the light of the prevailing and prospective circumstances, therefore, the safe course for the Union, in its short-term economic policy, would be to place the emphasis on consolidation of the tremendous progress made in recent years rather than on new development. In fact, it does not appear to have much, if any, choice in the matter.

In the first place, the existing financial stringency in the Union is not merely the result of a disinflationary monetary policy. As I have pointed out, our commercial banks have for some time found themselves in a relatively tight cash position on account of both the considerable increase in their advances and discounts and the deficit in the balance of payments. The latter factor has also caused a substantial decline in the country's monetary reserves. Although the Reserve Bank is still in a relatively strong and liquid position, its ability to relieve the financial stringency at this juncture is limited as it has to conserve its strength in order to meet not only the probable further deficit in the balance of payments but also the additional financial strains which may arise in the event of a world-wide recession. Moreover, a disinflationary monetary policy is, in any case, still necessary to attain equilibrium in the balance of payments as soon as possible, by discouraging the demand for imports.

Secondly, for the reasons already mentioned, there is little likelihood of a further appreciable inflow of capital for some time to come. We shall, therefore, have to make the most of whatever we will be able to obtain from the various sources which we still can tap. After having been spoilt for years by easy and abundant money, we are now returning to a situation where financial skill and discipline will again be at a premium.

Thirdly, the deterioration which has taken place in our terms of trade, due to the decline in world prices for some of our export products and the usual lag in the prices of finished or semi-finished goods which we have to import, will probably last for some time and may even worsen, temporarily, in the event of a world recession. In such event, however, our principal export, gold, should command a larger purchasing power abroad and help to counteract the deterioration, while in due course the gold-mining industry, which is now operating well below capacity and which would benefit from a recession through both lower costs and an increased supply of labour and power, should also be able to increase its output. In fact, an increased gold output, in conjunction with the anticipated early commencement of uranium production, should go a long way towards relieving the impact of a world recession upon the economy of the Union.

Finally, the current situation in the Union would, in any case, appear to call for a slowing down of new private development not only in order to adjust the labour shortage, relieve the pressure on wages and restore incentives to greater productivity, but also to catch up with the backlog in public services and works, which has been hampering both production and development already in hand. The public sector has for years lagged behind the private sector in development, and the former should, accordingly, be enabled to draw to a relatively greater extent upon the available capital, labour and materials until it has been brought into a better alignment with the latter. In short, the backlog in the most essential public services and works will have to be made up in one way or another, and it is desirable that this should be achieved without adding to the existing strains upon the economy. Moreover, should a world recession actually develop, such works would, of course, help to counteract the inevitable decline in private economic activity in the Union.

A policy of consolidation appears, therefore, to be the logical course to follow in present circumstances in order to attain a better balanced economy and to safeguard the foundation for the future development of our natural resources.

At the conclusion of his address the Governor moved "That the Report and Accounts be adopted."

Mr. L. L. French seconded the motion which was then put to the meeting and carried unanimously.

On the motion of the Governor, seconded by Mr. S. R. Barnes, it was unanimously resolved—

> That Mr. C. E. James and Mr. R. Pyott whose period of office expired on the 1st July, in accordance with the terms of the South African Reserve Bank Act, be re-elected as Stockholders' Representatives on the Board of Directors.
>
> The Governor then moved—

1. That Messrs. Whiteley Brothers and Messrs. Deloitte, Plender, Griffiths, Annan and Company be paid the sum of Two Thousand guineas each, in accordance with the recommendation of the Board, for auditing the accounts of the Bank for the year ended 31st March, 1952.

2. That Messrs. Whiteley Brothers and Messrs. Deloitte, Plender, Griffiths, Annan and Company be appointed Auditors of the Bank's accounts for the current year.

The motions were seconded by Mr. D. J. Tredoux and having been put to the meeting were carried unanimously.

Mr. H. Entwistle in proposing a vote of thanks to the Governor for presiding said that he felt that it might be regarded as presumptuous to congratulate him on his address which both the stockholders and the public generally had come to expect to be a clear and authoritative review of the Union's economic position.

Because of their close association with the Reserve Bank the commercial banks perhaps more than the other members of the community appreciated his great services to the country and it was, therefore, a particular pleasure for him not only on behalf of those present at the meeting but also on behalf of all stockholders to thank the Governor for his interesting and illuminating review.

After the Governor had suitably thanked Mr. Entwistle the proceedings terminated.

1952

South African Reserve Bank

REPORT OF THE BOARD OF DIRECTORS TO BE PRESENTED TO THE STOCKHOLDERS AT THE THIRTY-SECOND ORDINARY GENERAL MEETING TO BE HELD AT PRETORIA ON THE 30th JULY, 1952.

In accordance with the provisions of the South African Reserve Bank Act, 1944, and the Regulations framed thereunder, the accompanying statement of the Bank's accounts for the year ended 31st March, 1952, certified by the Auditors as prescribed, is presented to Stockholders.

In the past it has been the practice to elucidate the more important changes that have taken place in these accounts in the Governor's address to Stockholders, but so as to make this information available at an earlier date, it has been decided henceforth to do so in the Report of the Board.

Capital.—The Bank's capital of £1,000,000 was held by 981 stockholders of whom 50.1 per cent. held less than £500 stock each.

Reserve Fund.—In accordance with the provisions of Section 16 (3) of the Act, £85,000 of the surplus profit of the past year was allocated to the Reserve Fund, thus increasing it to £2,505,000.

Notes in Circulation.—The Reserve Bank note issue increased by approximately £7,000,000 to £82,676,000. But as the commercial banks' holdings of such notes increased by approximately £2,000,000, the net increase in the active note circulation amounted to £5,000,000, representing an increase of 7.5 per cent. as compared with 11 per cent. in the preceding year. This increase can be ascribed to the further increase in the general price level and in the economic activity of the country.

Deposits.—Total deposits declined by approximately £40,000,000 to £76,317,000, as contrasted with an increase of almost £20,000,000 during the preceding year. As a result of a decrease in their total liabilities to the public, the reserve balances of the commercial banks declined by £700,000 while their current accounts with the Bank decreased by over £19,000,000. Similarly, Government and Provincial deposits declined by nearly £19,000,000 and other deposits by more than £1,000,000.

This aggregate decline which took place despite an increase of more than £7,300,000 in the Bank's domestic discounts, advances and investments over and above the increase in its note circulation, is attributable to the deficit in the Union's balance of payments.

Foreign Currency Liabilities Incurred as Agent for the Union Government.—The Bank's U.S. dollar liability increased from £3,571,000 to £10,714,000, as a result of the drawing of the full amount of $20,000,000 under the three-year revolving credit granted to the Union Government by a group of American banks, in January, 1951. The Swiss franc liability remained unchanged at £2,993,000 and reflects the loan granted to the Government by Swiss banks in January, 1950, which is repayable in January, 1953.

Gold Coin and Bullion.—The Bank's gold reserve, valued at the statutory price of 248/- per fine ounce, decreased by £12,926,000 to £59,778,000. To the extent of approximately £10,000,000 (£9,985,000 at the statutory price), this decline is accounted for by the special sale of gold which was made to the Bank of England, at the end of March, 1952, as a contribution towards the strengthening of the central reserves of the Sterling Area, to which reference was made by the Minister of Finance in his Budget speech. The balance of the decline is associated with the country's unfavourable balance of payments.

Purchases of gold from Union producers during the past year, valued at the statutory price, amounted to £84,467,000, while a further amount of £36,000 was acquired from other sources. During the first nine months the Union producers were paid the previous fixed price of 248/3 per fine ounce. In view of the fluctuations in the London/New York exchange rates, however, which resulted from the widening of the official U.S. dollar quotations in London, in December 1951, and from the permission granted to the London exchange market to deal at any rates within these limits, the local price of gold as also the price paid by the Bank of England to the Reserve Bank has, since January, 1952, been based on the average London/New York closing rates for the preceding week.

Total gold sales by the Bank during the year, valued at the statutory price, amounted to £97,429,000. Of this amount sales to the Bank of England, exclusive of the special sale of £9,985,000 referred to above, accounted for £65,289,000 and sales to the U.S. Assay Office for £19,968,000. The latter amount represents an increase of £16,700,000 over that of the previous year, which is attributable to the greater expenditure in the dollar area, due largely to the relaxation of import control in 1951. In addition, gold to the value of £616,000 was sold to the Bank for International Settlements against U.S. dollars, at rates somewhat better than the value obtainable by direct shipment to America, besides a further small amount of £85,000 sold for Swiss francs. Of the balance of £1,486,000, an amount of £1,090,000 was transferred to the Mozambique Government in respect of deferred pay due to native mine-workers from that territory employed in the Union, while £297,000 was sold to the South African Mint for dental, jewellery and other purposes.

As far as the sale of industrial gold is concerned, the average premium realised by the Union's gold producers, during the past year, was approximately 10 per cent. of the statutory price. In September, 1951, the International Monetary Fund issued a statement which had the effect of greatly relaxing the restrictions it had previously recommended members to impose on gold transactions at premium prices. But notwithstanding, premium sales of industrial gold by Union producers continued to be restricted to approximately 40 per cent. of current output and subject to the same essential conditions as the Treasury had previously imposed.

Balances with Overseas Banks; Balance Employed in London Market at Call; Foreign Bills Discounted.—These items, in addition to a further amount of £240,000 in investments domiciled abroad, constitute the Bank's total foreign exchange resources aggregating £73,314,000, which were held as to £71,480,000 in sterling, £940,000 in U.S. dollars, £620,000 in Canadian dollars, £270,000 in Swiss francs, besides small amounts in certain other currencies. Notwithstanding the special sale of £10,000,000 of gold for sterling to the Bank of England, this aggregate amount nevertheless shows a decline of approximately £26,000,000, which, in the absence of that sale, would accordingly have amounted to £36,000,000. Likewise, under such circumstances, the decline in the Bank's gold reserve would have been approximately £3,000,000 instead of nearly £13,000,000 so that these revised figures conjointly provide a truer indication of the manner in which the Union's unfavourable balance of payments during the past year was met.

Domestic Bills Discounted.—As a result of increased temporary accommodation granted to some of the commercial banks, domestics bills under discount increased from £1,282,000 to £6,970,000, consisting of £5,500,000 in Union Treasury bills and £1,470,000 trade bills.

Loans and Advances.—This item which represents advances to Government and quasi-Government bodies for the importation and storage of jute goods and foodstuffs, increased by £5,373,000 to £11,183,000.

Government and Other Securities.—The total investments of the Bank amounted to £22,511,000, representing an increase of £3,535,000 over the previous year. Apart from an investment of approximately £225,000 in sterling and dollar securities of the International Bank for Reconstruction and Development, this increase is accounted for by net purchases of Union Government, municipal and public utility securities by the Bank as a result of its open market operations.

Furniture and Fittings, and Fixed Property.—As shown in the Profit and Loss Account, the entire expenditure, during the year, on furniture and fittings and on fixed property was written off thus leaving the balance on these two accounts at the nominal figure of £1 in each case. Against these amounts are held all the furniture and fittings of the Bank, including strong-room equipment and safes, as also its fixed property in Bloemfontein, Cape Town, Durban, East London, Johannesburg, Pietermaritzburg, Port Elizabeth and Pretoria.

PROFIT AND LOSS.—After meeting all expenses and making full provision for income tax and other liabilities and contingencies, and after writing off £42,000 from Fixed Property Account; £18,000 from Furniture and Fittings Account; and after contributing £38,000 to the Pension Fund; there was left a net profit of £954,000. In terms of Section 16 of the South African Reserve Bank Act, 1944, £100,000 of this net profit was applied to the payment of a total dividend of 10 per cent. to stockholders; one-tenth of the remaining surplus, i.e. £85,000, was allocated to the Reserve Fund; leaving a balance of £769,000 which is payable to the Government.

DIVIDENDS.—During the past year the Directors declared an interim dividend of 5 per cent. for the half-year ended 30th September, 1951, and a final dividend of 5 per cent. for the half-year ended 31st March, 1952, making a total dividend of 10 per cent. for the year ended 31st March, 1952.

DIRECTORS.—In accordance with the Act, Messrs. C. E. James and R. Pyott retire by rotation, but, being eligible, offer themselves for re-election.

AUDITORS.—Stockholders will be requested to determine, upon the recommendation of the Board, the remuneration of the Auditors, Messrs. Deloitte, Plender, Griffiths, Annan and Company and Messrs. Whiteley Brothers, for the recent audit, and to appoint Auditors for the current year.

Messrs. Deloitte, Plender, Griffiths, Annan and Company and Messrs. Whiteley Brothers offer themselves for re-election.

M. H. DE KOCK

E. H. D. ARNDT
G. P. J. LOTZ
EUGENE O'C MAGGS
Directors.

G. RISSIK, Secretary. 28th May, 1952.

BALANCE SHEET 31st MARCH, 1952.

Capital				£1,000,000	0	0
Reserve				2,505,020	11	8
Notes in Circulation				82,675,951	0	0
Notes of Other Banks in Circulation				146,685	5	0
Deposits—						
Bankers' Reserve Accounts	£35,838,744	0	0			
Bankers' Current Accounts	3,448,422	19	8			
Government and Provincial Current Accounts	34,885,692	17	1			
Other Accounts	2,143,991	2	7			
				76,316,850	19	4
Rebate on Bills not yet due				141,540	10	11
Foreign Currency Liabilities incurred as agent for the Union Government—						
United States Dollars	£10,714,285	14	1			
Swiss Francs	2,993,033	4	8			
				13,707,318	18	9
Other Liabilities				3,971,986	19	2
Stockholders — For Final Dividend				50,000	0	0
Government — For Remainder of Surplus				768,984	9	7
				£181,284,338	14	5

Gold Coin and Bullion	59,778,086	5	11
Other Coin	221,007	11	3
Balances with Overseas Banks	1,822,653	0	4
Balance Employed under the Guarantee of the Bank of England	1,500,000	0	0
Foreign Bills	69,750,844	2	6
Domestic Bills Discounted	6,970,221	14	8
Loans and Advances	11,182,750	15	5
Government Securities	21,682,821	13	3
Other Securities	827,722	11	3
Furniture and Fittings	1	0	0
Fixed Property	1	0	0
Other Assets	7,548,228	19	10
	£181,284,338	14	5

PROFIT AND LOSS ACCOUNT
for the year ended 31st. March, 1952.

General Expenditure— Including Rates, Salaries, Directors' Fees, etc.		£524,099 9 0	**Gross Revenue—** After making provision for Income Tax, Rebate on Bills not yet due, Sundry Liabilities, etc.	£1,576,731 14 0
Written Off—				
Fixed Property ..	£41,904 9 6			
Furniture and Fittings	17,800 11 6			
		59,705 1 0		
Pension Fund Contribution		38,500 0 0		
Profit for the Year— Allocated as under:— (Vide Report of Board of Directors)—				
Stockholders ..	£100,000 0 0			
Reserve	85,442 14 5			
Government ..	768,984 9 7			
		954,427 4 0		
		£1,576,731 14 0		£1,576,731 14 0

G. RISSIK, Secretary.

M. H. DE KOCK, Governor.

E. H. D. ARNDT
G. P. J. LOTZ
EUGENE O'C MAGGS
} Directors.

PRETORIA,
28th May, 1952.

To the Stockholders of

The South African Reserve Bank.

We have audited the Balance Sheet dated 31st March 1952, above set forth and report that, in our opinion, the Balance Sheet is a full and fair Balance Sheet and is properly drawn up so as to exhibit a true and correct view of the whole of the Bank's affairs, according to the best of our knowledge and the explanations given to us and as shown by the books of the Bank as at 31st March, 1952. We also report that, in our opinion, the affairs of the Bank have been conducted in accordance with the provisions of the South African Reserve Bank Act, 1944, and the Regulations thereunder, so far as they affect the Balance Sheet and Accounts.

WHITELEY BROTHERS,
DELOITTE, PLENDER, GRIFFITHS, ANNAN AND CO.,

Auditors.

Johannesburg, 27th May, 1952.

BRANCH OFFICES.

Branch:	Agent:
Bloemfontein	E. Moore.
Cape Town	H. J. Alston.
Sub Agent	C. J. G. Van Hoogstraten
Durban	A. F. Halliday.
East London	R. H. Mills.
Johannesburg	A. F. Celliers.
Sub Agent	R. E. Spence.
Pietermaritzburg	N. K. Spradbury.
Port Elizabeth	A. J. van Zyl.
Pretoria	C. T. Vorster.
Sub Agent	G. Luscombe.