

BANCA D' ITALIA

ABRIDGED TRANSLATION OF THE
REPORT OF THE GOVERNOR

AT THE
ANNUAL GENERAL MEETING OF THE
SHAREHOLDERS

HELD IN ROME ON THE 29th MARCH, 1934.

YEAR 1933.

Gentlemen,

The conditions of the international market as they appeared a year ago and the general position at the outset of spring last year allowed for feeling of greater confidence, especially in view of the hopes which were entertained on the possible results of the World Monetary and Economic Conference. But these hopes were disappointed by various events which followed.

In April, the Washington Government decided to unlink the dollar from the currencies on a gold basis, founding on motives of internal policy this initial step of a far-reaching economic and financial experiment. Attention must be drawn, however, to the disorganising effect, not confined to the monetary field alone, which was produced on the relations of the various markets with the United States and between themselves, and the great encouragement given to speculation in European currencies. Thus, consideration of the new situation which had arisen overshadowed inevitably the pre-arranged plans for the work of the London Conference.

On the basis of the Annotated Agenda issued on the 20th January, 1933, by the Committee of Experts which had been appointed on the 15th July, 1932, by the Council of the League of Nations, the Conference started on the 12th June with the participation of representatives of 64 States. The Bank of International Settlements, the International Labour Bureau and the International Institute of Agriculture also participated. From the outset, the representatives of many States recognised the impossibility of proceeding to the examination of economic problems unless the necessity of adopting gold as a common international monetary basis was previously admitted.

Since this fundamental premise was not unanimously accepted, it clearly appeared almost immediately that the Conference would be unable to lead to positive results. In fact, it was impossible to continue the discussion of the various subjects on the part of the representatives of those nations which, like Italy, regard the stability of the currency as an absolute foundation for the re-establishment of financial and economic international relations, and for consolidating and strengthening the confidence of the people.

From the financial point of view, the only subject on which negotiations were possible was "indebtedness." On this subject a resolution was unanimously adopted, based on the following principles :—

1. The service of external debts is in different degrees an important item among the liabilities in the balance of payments of many countries, and can only be assured if the debtor country can procure the necessary resources. The facility with which such resources can be procured in the present and in the future may depend on the revival of economic activity and credit. It would be assisted by a return to a reasonable degree of freedom in the movement of goods and services, and the creditor countries in particular should co-operate to this end. It will also depend on the economic and financial policy adopted by the debtor country. In present conditions, a solution of the problem of indebtedness may, in certain cases, be necessary for the re-establishment of equilibrium. It should not, however, be dealt with in such a way as to impair credit.

2. The conditions in the debtor countries vary considerably, and it is not possible to lay down a uniform treatment applicable to all cases. But debtors should make every possible effort to meet the service of their debts and to fulfil their contracts. It is indispensable, indeed, for the restoration of credit that contracts should be respected in the absence of modifications agreed between the parties concerned.

3. When arrangements are recognised to be necessary, care should be taken by all concerned, to secure the maintenance of confidence. They should, therefore, be limited to those cases where they are unavoidable, be made directly between debtors and creditors and be based on the debtor's ability to pay. As regards State loans, it is in the interest of the creditors themselves, to conclude arrangements of such a nature as will permit the adoption at the same time of a programme of economic and financial restoration by the debtor countries and its effective application.

4. It is desirable that in each of the countries concerned, there should exist organisations in a position to represent the several classes of creditors in respect of foreign loans, including, in suitable cases, short as well as long term loans, and that such organisations should maintain such contact with one another as may be necessary to facilitate their proceedings.

5. The question of inter-governmental debts lies entirely outside the field of discussion of the Conference.

Interesting discussions also took place on monetary matters, particularly on the functions of Central Banks, on the co-ordination of their policies, on currency reserves and on silver. On the other hand, the debates were suspended on the subject of the gold exchange standard and other means for economising the use of gold. The resolutions which were adopted may be resumed as follows :—

1. That it is undesirable to put gold coins or gold certificates into internal circulation.

2. That in order to improve the working of future gold standard, greater elasticity should be given to Central Banks legal cover provisions ; for instance, in so far as the system of percentage gold cover is applied, a minimum ratio of not more than 25 per cent. should be considered as sufficient. Similar elasticity should be achieved by appropriate measures where other systems are applied. However, such changes must not be taken as an excuse for unduly building up a larger superstructure of notes and credits ; in other words, the effect of this resolution should be to increase the free reserve of Central Banks and thereby to strengthen their position.

3. That Central Banks should have the necessary independence, with requisite powers and freedom to carry out an appropriate currency and credit policy. Moreover, it is recommended that Central Banking Institutions should be created where they do not exist at present.

4. That a closer and continuous co-operation between Central Banks is desirable, taking advantage of the Bank for International Settlements as an instrument for common action.

Finally, general principles relating to the monetary policy of Central Banks were adopted, although the United States Delegation was unable to express its views on the subject, considering the discussion of the question to be premature at the time (1).

On the other hand, in the economic field, failing, as mentioned, unanimity on the indispensable premise of international monetary stability, without which the withdrawal of restrictions and obstacles to international trade is impossible, no definite conclusions were reached (2). Generally speaking, it can be said that the Conference accepted the view that it was opportune to bring about everywhere

(1) The principles are as follows :—

- (a) The proper functioning of the gold standard requires in the first place the adoption by each individual Central Bank of a policy designed to maintain a fundamental equilibrium in the balance of payments of its country. Gold movements which reflect a lack of such an equilibrium constitute therefore an essential factor in determining Central Bank policy.
- (b) Gold movements so far as they seem to be of a more permanent character should normally not be prevented from making their influence felt both in the country losing gold and in the country receiving gold.
- (c) While gold should be allowed freely to flow out of and into the countries concerned, Central Banks should always be prepared to buy gold at a publicly announced fixed price expressed in their currency, and to sell gold at a publicly announced fixed price, expressed in their currency, the latter at least when exchange rates reach gold points.
- (d) Central Banks should obtain from their markets the fullest possible information concerning the demands that might be made upon their reserves.
- (e) The discretion of each Central Bank in regulating the working of the gold standard in its own country should remain unimpaired. Central Banks should, however, recognise that in addition to their national task they have also to fulfil a task of international character. Their aim should be to co-ordinate the policy pursued in the various centres in order to contribute towards the satisfactory working of the international gold standard system. In adopting their measures of credit regulation, consideration should be given to any tendency towards an undue change in the state of general business activity. An expansion of general business activity of a kind which clearly cannot be permanently maintained should lead Central Banks to introduce a bias towards credits restriction into the credit policy which they think fit to adopt, having regard to internal conditions in their own countries. On the other hand, an undue decline in general business activity in the world at large should lead them to introduce a bias towards relaxation. In pursuing such a policy the Central Banks will have done what is in their power to reduce fluctuations in business activity and thereby also undue fluctuations in the purchasing power of gold.
- (f) With a view to arriving at an agreed interpretation of the data revealing the tendency of the developments in general business activity, and at an agreed policy, Central Banks should consult together continuously, each Central Bank in case of difference of opinion acting on its own judgment of the situation. The Bank for International Settlements constitutes an essential agency for Central Bank action designed to harmonise conflicting views and for joint consultation. This instrument should continue to be employed as far as possible for the realisation of the above principles. It should continuously examine the application of the principles of the working of the gold standard and study such modifications thereof as experience may prove desirable.

(2) The discussions in the economic section were mainly academic and were confined to the consideration of secondary problems, especially for the co-ordination and limitation of production in order to protect the prices of certain commodities such as dairy produce, sugar, wine, coffee, cocoa, timber, coal, copper and tin.

a greater equilibrium between costs of production and market prices for all commodities, and particularly for raw materials and agricultural produce ; but fundamental differences appeared as to the means to be adopted for attaining this object. In conclusion, it can be said that the practical results of the Conference were confined to the agreement on silver between the leading producing and consuming countries, with a view to ensuring greater stability in the price of this metal (1).

The most remarkable effect of the Conference was, on the other hand, to cause a Declaration on the part of the countries which were determined to maintain the stability of their currencies on a gold basis at their respective existing rates, such Declaration having been subscribed on the 27th June by the representatives of the Belgian, French, Dutch, Italian and Swiss Governments, to which also the Government of Poland subsequently adhered (2).

The Declaration was followed by an Agreement concluded in Paris on the 8th July between the Governors of the Central Banks of the said countries, by which the means for giving effect to the principles of the Declaration were defined. The group of Central Banks of the States adhering to the gold basis held at the time of the above Agreement over 40 per cent. of the world monetary gold.

(1) The Silver Agreement concluded in London on the 22nd July between the representatives of the United States, Mexico, Canada, Australia and Peru, as the principal producing countries, and those of India, China and Spain as the leading consumers on the one hand and holders of large stocks of the metal on the other, requires the producing countries to withdraw from the market, for monetary uses or otherwise, for a period of four years beginning on the 1st January, 1934, an annual amount of 35 million fine ozs. of the home production. India undertakes not to dispose annually of more than 35 million fine ozs. of its stocks arising from the demonetisation of silver rupees ; Spain undertakes not to dispose annually of more than 5 million fine ozs. from the stocks held by the Bank of Spain, while China undertakes not to sell silver derived from demonetisation during the above-mentioned period. The United States Government have ratified the Agreement and were accordingly authorised to purchase for monetary use 24 million fine ozs. of home produced silver at the price of 64.50 cents per oz. which is nearly one-third more than the current market price of the metal. The Agreement has also been ratified by India and China. The Conference adopted a resolution by which the nations not included in the Agreement would abstain from taking measures which might affect the silver market, undertaking not to reduce the fineness of their silver coin below 800/1000 and to replace small notes by silver coin, provided that the Agreement is enforced not later than the 1st April, 1934, that the engagement does not extend beyond the 1st January, 1938, and that in the meantime the price of silver does not reach a level exceeding the face value of the respective silver coins.

(2) The following is the text of the Declaration :—

“The Governments signatories of the present Declaration, convinced that the maintenance of their currencies at the existing levels is essential for the economic and financial restoration of the world, for the resumption of credit and for safeguarding the social progress reached by them, confirm their formal will of maintaining the free functioning of the gold standard in their respective countries at the existing gold parities and within their existing currency legislation. They request, accordingly, that their respective Central Banks keep in close touch with each other in order to give the utmost effect to the present Declaration.”

The London Conference adjourned on the 27th July, empowering an Executive Committee, including the representatives of the leading nations, under the chairmanship of the British Prime Minister, to provide for all that would be necessary during the recess, and eventually reassemble the Conference. The Italian Delegation, presided over by the Finance Minister, gave to the Conference a valuable contribution of sound and practical counsel. In every section and in every discussion the impartial and balanced judgment of the Italian representatives was appreciated, even when dealing with problems, as was the case for silver, in which the country has no direct interest (1).

In view of the causes which led to the adjournment, since in the meantime nothing has occurred to warrant the further consideration of the fundamental problems which remained unsolved at the Conference, so far no suggestion has been made for its resumption. In any case, the Conference has once more proved the impracticability of international gatherings with a too numerous representation.

The same events which, from the outset, made futile the object of a better international solidarity as the outstanding aim of the Conference induced the several States, as soon as the meetings were concluded, to revise and extend their monetary and trade defensive plans. Limitations or even embargoes on imports followed, as well as increased customs duties in support of commodity prices, a stricter control of foreign exchanges and the adoption of the most divergent measures in the management of currencies.

In substance, the already remarkably strained relations among peoples became worse, and more notable disturbances in the economic as well as in the monetary and political fields ensued.

(1) In the speech delivered at the closing session of the Conference by Signor Jung, the economic and monetary principles of the Italian Government were expressed with crystalline clearness. "Italy," he said, "stabilised its currency in terms of gold in December, 1927, and is firmly determined to maintain the parity which was then laid down. The Italian Government considers incomes from work and saving as sacred, since, in our opinion and in the opinion of our people, they provide us with the only sound means by which to ensure the economic development needed by our growing population. We do not believe in an elastic measure of value nor in a managed currency. In my opinion a managed currency is inconceivable as affording an international monetary standard, unless the countries with smaller economic and financial resources be willing to forego their independence and to subordinate proceeds obtainable from their economic activities to the interests of the major financial organisation. We are also of opinion that, whatever the theoretical developments of the monetary system based on price-indexes may be, their practical adoption is beyond the possibilities of actual economic reality."

Meanwhile the North American experiment entered its second stage, in which currency was submitted to economic reforms aiming at the regulation of production and trade as a means to overcome the persisting ill-effects of excessive competition and speculation, and of the misused function of credit. Hence, the creation of the National Recovery Administration, on whose actions judgments are still uncertain, also in view of the subsequent return of the United States Government to currency manipulation. In fact, in October, in order to control the dollar rate, an official price for gold was fixed at which the Reconstruction Finance Corporation was authorised to purchase bullion both in the home and foreign markets (1). All this had a deep reaction on the international economic situation, and resulted in a greater irregularity and shrinking of trade, since the monetary instability contributed to setting up the high tariffs and quotas which make all the more distant the goal of reconciling the conflicting interests of the various economic national units.

The process was intensified in the last quarter of the year, as warranted by the successive notices given on the Tariff Truce.

The question of war debts has remained almost crystallised under the Lausanne Agreement of 9th July, 1932, by which reparations were suspended, consolidating the German debt in a final amount of bonds for a nominal amount of 3,000 million gold marks, to be issued through the Bank for International Settlements within a period of five years, pending complementary agreements in respect of the other indebtedness arising from the war. The United States of America did not participate in the Lausanne Agreements and consequently, when the Hoover moratorium expired on the 1st July, 1932, the debtor European Governments were requested to meet the engagements undertaken in their respective contracts. On the 15th

(1) At the beginning of the present year the provisions announced in the message of President Roosevelt of the 15th January, which were enforced on the 1st February, illustrate the new currency and credit policy which was adopted. The gold content of the dollar was provisionally fixed at 59.06 per cent. of the old parity (with the President retaining the power conferred upon him by Congress to further reduce it down to 50 per cent.), raising accordingly the price of gold. The gold holdings of the Federal Reserve Bank became the property of the United States Treasury, which issued in its place gold certificates. The concentration of gold holdings with the Treasury is intended to meet adverse balances on international payments and the possibility, which was contemplated, of its use for a future re-distribution of the world's monetary gold, appears to be very distant. The proceeds of the revaluation of gold at the new parity of the dollar have been to the extent of 2,000 million dollars assigned to an equalisation fund to be utilised for Government gold purchases at home and abroad. The fund may also be used by the State for purchasing foreign currencies and Government securities, so that the Treasury is vested with the function of regulating credit concurrently with the Federal Reserve System.

December, 1932, full payment was made by the debtor States, with the exception of France, Belgium, Esthonia and Hungary. Subsequently, President Roosevelt declared that he would be prepared to negotiate with the debtor Governments a revised settlement, provided that the debts were admitted: accepting in the meantime, as proof of solvency, token payments on account of the sums due at the respective maturities. On the 15th June, 1933, in order to facilitate the task of the debtors, the United States Government declared that they would be prepared to receive token payments in silver valued at 50 cents per fine ounce, as against a market price of about one-third below that level. Availing themselves of this facility, the Governments of Great Britain and Italy paid on the 15th June in silver, nominal amounts of 10 million and 1 million dollars respectively, which were equivalent to 13.16 and 7.41 per cent. of the amounts due. Payments were also made by Finland, Czechoslovakia, Latvia and Rumania, whereas France, Belgium, Poland, Esthonia, Hungary, Lithuania, Yugoslavia and Greece did not effect any payment. In September, Great Britain sent an official mission to Washington to negotiate a revision of the debt, but without result. Also on the maturity of the 15th December the United States agreed to receive token payments without, however, admitting that these should be made in silver. On this occasion, Great Britain paid $7\frac{1}{2}$ million dollars and Italy 1 million dollars. Payments were also made by Finland, Czechoslovakia, Lithuania and Latvia, while the other debtor States made no payment.

In the course of the past year the political horizon provided no cause for optimism in the various markets. Since the month of July the uncertainty concerning the development of international problems has gradually diminished in spite of the slow and difficult progress towards equitable solutions. International trade is too closely linked with the political situation to allow disregard of the necessity of solving the complex problems of security and peace, when understandings of an economic nature must be reached. The recent Conference between the Italian Prime Minister and the Representatives of Austria and Hungary marks an important step towards clearing the international political atmosphere, and towards a concrete economic reconstruction. This event is a further evidence of Fascist Italy's contribution towards peace, by undertaking

initiatives by which peace and confidence may be restored in the relations between European States, and in all matters which, directly or indirectly, may assist in the world's economic recovery.

As regards Italy, the steady work of reconstruction and re-^{The Home}organisation undertaken by the Government with the co-operation ^{Market} of the economic and financial elements and the hearty and unanimous consensus of the people, has attained further favourable results, in spite of the persistent economic difficulties outside her borders, and the increasing disorder of world currencies. The stability of the lira, the easier money rates, the steady progress of Government securities, the gradual settlement of production and of frozen credits, and the efforts to improve the trade balance, may be regarded as the outstanding features of the year 1933.

Signs of improvement which had appeared in the last months of 1932 for some of the leading manufacturing industries developed, especially during the first half of last year, and spread to other industrial departments (1). These symptoms may be regarded as evidence that the depression is being gradually overcome, particularly in some of the more deeply affected branches of industry. The following items are clear indications of an increased industrial activity: larger imports of coal and raw materials; increased consumption of electric power; the falling off and replenishment of commodity stocks; larger employment and increase of average working hours; and, finally, the steadier and greater use of machinery.

Efforts have been made not only to improve the quality of goods, but also to enlarge the home market through organisation and propaganda and to increase its absorbing capacity, since the manufacturing industries are facing ever growing direct and indirect obstacles to placing their output in foreign markets, through tariffs, quotas, currency depreciation and restrictions, moratoriums and blocked commercial credits.

(1) In the last months of the year, however, signs appeared here and there of a setback in producing activity.

The problem of reducing the costs of production has made further headway through technical improvements and increased rationalisation, the reduction of general expenses, the development of trade organisation and the careful research for new outlets. The methods and action of the corporative system have substantially contributed to a fuller discipline and co-ordination of all elements of production. Competition among industries of the same kind has been confined within reasonable limits, such as to attain an equilibrium between price levels and costs of production, especially where the producing capacity is still considerably higher than the possibilities of consumption.

Agreements among those concerned in the same or kindred branches of industry for better regulating production and sales have been on a larger scale, while the application to the industrial field of collective labour contracts on a national or local basis, founded on the intimate co-operation between employers and employees, was very considerably developed (1). Meanwhile a fundamental step for completing the corporative system was made at the beginning of the present year, by the creation of the corporations which are "the instruments which, under the ægis of the State, attain the total, organic and unitarian discipline of all productive forces." (2)

The figures of unemployment (3) which remain proportionately lower than those of almost every other important industrial nation were effectively maintained within reasonable limits thanks to the policy of public works undertaken by the State or by local authorities, and, according to the latest figures, a considerable reduction of labour unemployment has taken place.

(1) It is very praiseworthy that industries should have spontaneously, through the Syndicates, made social and assistential provisions in addition to what is called for by legislation.

(2) From the resolution moved by the Prime Minister, concluding the debates at the General Meeting of the National Council of the Corporations, on the principles, functions and objects of the new Corporative Regime (see the Report of the Prime Minister in his capacity as Minister of Corporations on the Bill introduced in the Senate on the 8th January, 1934).

(3) According to the figures supplied by the Ministry of Corporations, the number of unemployed industrial workers, including those entitled and not entitled to benefit, was on the 31st December, 1933, 795,873 as against 864,263 on the 31st December, 1932. The total unemployment, however, showed an insignificant rise between the two dates, the number of unemployed persons being 1,132,257 on the 31st December ultimo as compared with 1,129,654 on the 31st December, 1932. On the 28th February, 1934, the number of unemployed was 1,103,550 as against 1,229,387 on the corresponding date of last year, showing thus a decline of 125,837 units.

Also in the past year the ready and steady support of the Fascist Government in aid of the productive forces has not been lacking. The numerous and varied State provisions to assist the branches more seriously tried by the depression added to the power of resistance of the manufacturers, thus strengthening their will and confidence in the struggle for the defence, organisation and expansion of Italian industry.

The abundance of liquid funds, which was one of the features of the money market since the end of 1932, increased in the course of 1933, causing a general fall in the official discount rates which, on account of special contingencies of a temporary nature, were raised only by the Netherlands Bank, by the Federal Reserve Bank of New York and, more recently, on 8th February of the present year, by the Bank of France. (1) The fall in money rates has assisted producers in an immediate and practical way as a result of the adjustment, now in full progress, of the other interest charges which weighed too heavily on the costs of production.

In Italy, the official discount rate was gradually reduced to a level which has no precedent. From 5 per cent., as it stood at the beginning of the year, it was reduced to 4 per cent. in January, 3½ per cent. in September, and 3 per cent. at the beginning of December. (2) The market thus grew steadily more favourable to placing Government securities and other bonds, and important

(1) The Netherlands Bank raised its discount rate up to 4½ per cent. on the 29th June, 1933, reducing it subsequently, by degrees, to 2½ per cent. on the 19th September, 1933. The Federal Reserve Bank of New York raised its rate up to 3½ per cent. on the 2nd March, 1933, but brought it down to 2½ per cent. on the 25th May and subsequently to 1½ per cent. on the 1st February, 1934.

(2) Concurrently with the fall in money rates the interest on the various kinds of deposits has been further reduced. Under agreements concluded between the banks in October, 1933, and February, 1934, following the understanding arrived at in August, 1932, the interest on current accounts was fixed at 1.50 per cent.; for three to six months' notice deposit accounts, 2½ per cent.; and for deposits at more than six months' notice, 3 per cent. On savings deposits the rate was fixed at 2½ per cent. for amounts not exceeding 20,000 lire and at 2 per cent. for larger sums. At the same time the interest on postal savings certificates has been reduced, according to the maturities, from a minimum of 3 per cent. to a maximum of 4 per cent., while the interest on postal savings has remained at 2.76 per cent. On Post Office current accounts the interest has been reduced to 1.50 per cent. The Banca d'Italia has also revised, where possible, the rates allowed on deposits as will be seen in the note on page 23.

issues (1) were made at decreasing interest rates, which met with increasing demand. (2)

A notable success was achieved in the issue, made on the 10th January of the present year, of 9-year Treasury Bonds falling due in 1943, bearing interest at the rate of 4 per cent. for a nominal amount of 4,000 million lire in cash, in addition to an amount equivalent to the outstanding 5 per cent. 9-year bonds maturing in 1934, accepted for conversion into the new bonds. (3) In four days only, the cash subscriptions totalled L. 6,897,060,500, which

(1) The following issues were made after the issue of 1,000 million of 4½ per cent. premium bonds of the Institute for Industrial Reconstruction at 91 per cent. on the 6th February, 1933, to which reference was made in the previous Report :—

Two series of 4½ per cent. bonds of the Credit Consortium for Public Works for the electrification of the State Railways, for a total nominal amount of 1,200 million lire, issued at 91 per cent. (1st June and 10th July); and 4 per cent. bonds of the Institute for Industrial Reconstruction concerning the Società Torinese Esercizi Telefonici, for a nominal amount of 400 million lire (16th November) issued at par.

These issues as well as the one of the 4 per cent. 9-Year Treasury Bonds, which is dealt with later in this Report, were undertaken under the auspices of a Consortium presided over by the Banca d'Italia, and composed of the following institutions: National Insurance Institute, National Social Insurance Office, Banco di Napoli, Banco di Sicilia, Banca Nazionale del Lavoro, Istituto di San Paolo in Turin; Monte dei Paschi di Siena; Italian Savings Banks National Association; Italian Savings Banks Credit Institute; Banca Commerciale Italiana; Credito Italiano; Banco di Roma; Società Italiana per le Strade Ferrate Meridionali; Banca d'America e d'Italia; Istituto Italiano de Credito Marittimo; Banca Popolare Cooperativa Anonima di Novara; Banco Ambrosiano; Banca Popolare di Milano.

(2) In the Annual Report of the Committee of the Credit Consortium for Public Works for the year 1933 the following statement appeared :—

“The exceptional progress realised by the Fascist Regime in the financial structure of the country, in the particular field of our activities, can be appreciated by the following figures: on the 31st December, 1922, the amount of bonds outstanding in Italy was altogether slightly over 3,500 million lire. On the 31st December, 1933, the amount of bonds outstanding in the Italian market exceeded 19,000 million lire, of which the bonds issued by the Credit Consortium for Public Works, the Credit Institute for Public Utility Undertakings and the Institute for Shipping Credit exceeded 6,000 million lire. The bonds issued by Real Estate Mortgage Institutes exceeded 5,600 millions and those issued by companies or private undertakings were over 4,000 millions.”

DATE of issue	SECURITY	CAPITAL ISSUES (00,000 Omitted)		Price of issue %	INTEREST RATE PER ANNUM	
		In cash	Against existing bonds		On face value	On price of issue
May, 1931	9-Year Treasury Bonds ..	1,659.5	3,340.5	95	5.00%	5.26%
April, 1932	Do.	3,164.3	835.7	97	5.00%	5.15%
February, 1933 ..	Institute for Industrial Re- construction Bonds	1,000.0	—	91	4.50%	4.94%
June, 1933	State Railways Electrifica- tion Bonds	600.0	—	91	4.50%	4.94%
July, 1933	Do. do.	600.0	—	91	4.50%	4.94%
November, 1933 ..	STET (Turin Telephone Ser- vice Company) Bonds ..	400.0	—	100	4.00%	4.00%
January, 1934 ..	9-Year Treasury Bonds ..	4,000.0	2,499.0	99	4.00%	4.04%

(3) The outstanding amount of 5 per cent. 9-Year Treasury Bonds maturing on the 15th May and 15th November, 1934, was altogether 2,915,501,000 lire nominal.

was over 72 per cent. of the amount required, while the maturing bonds paid in, amounted to L. 2,449,029,500. (1) The large participation of the people's savings to this issue can be appreciated by the average amount applied for in cash which was L. 75,550, whereas the number of applications for amounts not exceeding L. 20,000 was in the proportion of about 47 per cent. to the total. (2)

But the outstanding financial event has been the conversion of the 5 per cent. Consols in a 3½ per cent. Redeemable Loan, announced by the Royal Decree Law of the 3rd February, 1934. The success of this operation is evidence, not only of the patriotism of the Italian investor, but also of the absolute confidence inspired by the wisdom of the Fascist Government in its policy of safeguarding the savings of the people, as well as by the equitable conditions which were offered to the holders of the 5 per cent. Consols. (3) The Banca d'Italia—having been entrusted with the task of carrying out this vast operation, was proud of registering its unqualified success, which is the

(1) The new 4 per cent. 1943 Bonds were issued at the price of 99 per cent. The 5 per cent. maturing bonds were taken at 101·50 and 102 per cent. of their face value, according to whether they matured in May or in November, and the holders received payment in cash for the difference, viz., 2·50 or 3 lire per cent. respectively. The following table gives the details of the cash subscriptions and allotments:—

Application for nominal amounts ('000 Omitted)			Number of applicants	Total nominal amount applied for. ('000 Omitted) Lire	Ratio of allotments	Nominal amounts allotted ('000 Omitted) Lire
L.	—	to 10 ...	824,700	2,749,496	in full	2,749,496
„	10·5	to 15 ...	10,484	146,195	10,000	104,840
„	15·5	to 20 ...	17,859	339,469·5	12,000	214,308
„	20·5	to 25 ...	8,727	216,667	15,000	130,905
„	25·5	to 50 ...	15,270	667,704	20,000	305,400
„	50·5	to 75 ...	1,164	75,248·5	25,000	29,100
„	75·5	to 100 ...	4,965	489,534·5	30,000	148,950
„	100·5	to 200 ...	1,208	210,098·5	40,000	48,320
„	200·5	to 500 ...	1,117	412,008	75,000	83,775
„	500·5	to 1,000 ...	323	302,341	110,000	35,530
„	1,000·5	and over ...	148	1,279,688·5	11%	140,766
Applications in the Colonies ...			—	8,610	in full	8,610
TOTAL ...			885,965	6,897,060·5	—	4,000,000

(2) The deposits with the Post Office Savings Bank, which have risen in the year 1932 from 14,547 to 16,888 million lire, increased in the past year to 18,544 million lire. Postal savings certificates are included in the above figures for 6,023, 8,450 and 10,309 million lire respectively. On the other hand, the savings deposits with Ordinary Savings Banks amounted on the 31st December, 1933, to 16,413 million lire as compared with 15,744 million lire on the 31st December, 1932, and 15,208 million lire on the 31st December, 1931.

(3) As is known, the terms of issue of the old 5 per cent. Consols and Littorio Loan were scrupulously observed by the Treasury, allowing to the holders who converted their bonds into the new 3½ per cent. Loan, redeemable at 101 in a period of 42 years, full payment in advance of the difference between the two rates of interest for the three years from 1934 to 1936, to take place on the 23rd April, 1934. In addition, prizes to the extent of 10 million lire for every 1,000 million lire nominal of the converted bonds are to be drawn once for all. The holders who wished to obtain the reimbursement at par at the proper date of maturity (the 1st January, 1937) were entitled to hand in their applications at the counters of all the branches of the Banca d'Italia in the period from the 5th to the 10th February ultimo.

most decisive and memorable step towards the completion of Italy's economic reconstruction. Out of a nominal amount of 61,392.6 million lire outstanding of the 5 per cent. Consols, the demands for reimbursement did not exceed the sum of 123.3 million lire, or about 2 per mille. (1)

The falling tendency of interest rates referred to above affected the prices of Government securities. In 1933 the average monthly quotation for 5 per cent. Consols (cum interest) was 87.395 per cent., the lowest level having been 82.227 per cent. in March and the highest 96.591 per cent. in December. The corresponding figures for 1932 were 81.15, 79.128 (August), and 84.116 per cent. (December) respectively. The 3½ per cent. Rentes registered an average monthly quotation of 80.67 per cent., with a minimum in March of 73.997 per cent. and a maximum in December of 92.329 per cent., as against 73.405, 70.498 (May) and 78.60 per cent. (December), respectively, in the previous year. During the past year the price of 5 per cent. Consols has risen from 86.50 to 98.90 per cent., and that of the 3½ per cent. Rentes from 80.35 to 93.825 per cent., whereas the final quotations of these securities at the end of 1931 were 82.55 and 74 per cent. (2)

With reference to the Budget, it may be recalled that the actual receipts for the financial year 1931-32 were 19,324.0 million lire, against actual expenditure totalling 23,191.1 million lire, with a final deficit of 3,867.1 million lire, as against the provisional deficit of 4,274.3 million lire appearing in the Treasury statement at the end of the financial year.

(1) In the conversion of the British 5 per cent. War Loan (July-September, 1932) on a nominal amount outstanding of £2,085 million (about 143,000 million lire) the applications for reimbursement were in the proportion of about 8 per cent.; while in the French conversion of September, 1932, out of about 85,000 million francs of bonds to be converted (about 65,000 million lire) the demands for reimbursement were at the rate of about 5 per cent.

(2) The index numbers of the prices of the State Funded Loans according to Professor Bachi (the average for the year 1913 being equal to 100), which had risen in 1932 from 58.9 to 62.1, after declining in the past year to a minimum of 61.7, concluded at 71.7 per cent. The corresponding index numbers for all Government securities, which in 1932 had risen from 60.9 to 64.0, moved in 1933 from 63.8 to 72.9 per cent.

The larger investment of available capital in fixed dividend and particularly Government securities did not prevent in the past year some increase in the activity and an improvement in share values as compared with 1932. The general index of the prices of shares, compiled on the same basis by Professor Bachi, moved in the last months of the year from 57.8 to 71.8; and the yearly average which had declined from 82.0 in 1931 to 59.4 in 1932, recovered to 65.1 per cent. in 1933. The daily average turnover of shares negotiated on the Italian Stock Exchanges was in the last three years 13.3, 9.4 and 9.5 million lire respectively, but for the last quarter of the year it has risen from 6.4 million lire in 1932 to 11.4 million lire in 1933.

The total share capital of Italian companies maintained also in 1933 a downward trend, aggregating 47,761 million lire on the 31st December, 1933, as against 49,602 million lire at the end of 1932.

For the financial year ending on 30th June, 1933, according to the provisional accounts, receipts were 18,217.5 million lire, against an expenditure of 21,766.4 million lire, showing a deficit of 3,548.9 million lire.

The actual budget receipts relating to the financial year ending 30th June, 1933, were 16,235.3 million lire, which is 5.65 per cent. less than in the previous year, while the expenditure, which amounted to 17,373.7 million lire, was also 1.10 per cent. less. From the year 1930-31 to 1931-32 the ratios had shown a decrease of 6.85 per cent. in receipts and an increase of 7.99 per cent. in expenditure.

For the financial year 1933-34 the original estimates were for 17,713.6 million lire of receipts, against an expenditure of 20,614.1 million lire, thus anticipating a deficit of 2,900.5 million lire. Under supplementary estimates up to last February, the receipts have been raised by 98 million lire, and the expenditure by 4,091.8 million lire, so that the deficit is increased to a total of 6,894.3 million lire. But it should be noted that the larger deficit is accounted for by the inscription in the present budget, which took place in February, of the advanced interest payment at the rate of 4.50 per cent., due on 23rd April, on the converted 5 per cent. Consols (deducting the difference between 2.50 to 1.75 per cent. payable on the July, 1934, coupon); of the prizes allocated to the holders of the new $3\frac{1}{2}$ per cent. Redeemable Loan to be drawn, of the printing and other costs relating to the issue of the said Loan and of the 1943 9-year Treasury Bonds. Therefore, the whole of the expenses relating to the above-mentioned extraordinary operations are entirely charged to the present financial year and the next budget will fully benefit by the improved position arising from the conversion. For this reason, in the first eight months of the present financial year, while the budget revenue was 11,596.7 million lire, the expenditure reached 17,583.7 million lire, showing a deficit of 5,987 million lire. On the other hand, the actual receipts were 10,592.8 and disbursements 12,169.4 million lire, both items showing a decline of 3.64 and 3.44 per cent. respectively, as compared with the corresponding period of the year 1932-33.

During 1933, the note circulation of the Bank further declined from 13,672.0 to 13,243.3 million lire, whereas the circulation of

coin moved from 2,139.5 to 2,141.6 million lire, so that altogether the outstanding currency receded from 15,811.5 to 15,384.9 million lire, or 2.70 per cent. (1)

Throughout the year Italy's foreign trade was affected by the difficulties created by international events relating to currencies, and their reaction on customs policies. As against increased imports of raw materials, to which reference has already been made, there was a fall in the importation of wheat. (2) On the other hand the reduced value of exported manufactures has been rather due to lower prices than diminished quantities. (3) In this connection, attention should be drawn to the importance of the consistency of the Government's rural policy embodying a precise and vast economic and social programme, by which the trade balance should be favourably affected.

Pending the resumption of normal conditions in international trade, it may be hoped that the system of balancing imports and exports, which has been adopted with appreciable results, should be further developed, leading through a new practical system of commercial relations to an atmosphere more conducive to agreements such as have been so far vainly expected from international conferences.

The total value of Italy's foreign trade amounted in 1933 to 13,400 million lire, as against 15,100 million lire in 1932, or a fall of 11.26 per cent. The value of imports declined by 854.8 million to 7,412.7 million lire, or 10.34 per cent., whereas exports, totalling 5,979.7 million lire, were 832.3 million lire or 12.22 per cent. less. The adverse trade balance was thus of 1,433.0 million lire, or about 22.5 million lire less than in 1932.

(1) The aggregate amount of demand drafts and circular cheques outstanding moved in the course of the year from 1,262.9 to 1,212.5 million lire, as against 1,197.9 million lire outstanding at the end of the year 1931.

(2) With regard to the wheat crop *see* page 119 of the Italian text.

(3) In his address of the 6th December to the Foreign Trade Permanent Commission, the Under Secretary of State for Corporations, Signor Asquini, said: "Our exports in 1933 were faced in almost every market by the competition of countries armed with the weapon of monetary devaluation or equivalent instruments, and at the same time had to face higher tariff barriers and most stringent import restrictions, by which every country has endeavoured to protect itself against the currency depreciation of others. Moreover, the general fall in incomes and therefore of the standard of living in almost every country—due to the necessity of making good past losses—has caused a shrinkage in the demand for goods of higher quality which represent a large proportion of our exports. Finally, the critical conditions of the countries which are mainly dependent on the exportation of agricultural produce, caused in 1933 a still greater reduction in the capacity to pay and consequently to purchase of certain countries which in the past were important outlets for our export trade."

It is easily realised that from 1932 to 1933 the falling off in foreign trade has considerably slackened since the reduction in the value of trade in 1932 as compared with 1931 was equal to 31 per cent., with a decline at the rate of 29.08 per cent. in imports and of 33.28 per cent. in exports. Comparing the volume of trade for the past year in respect of 1932, it will be found that there was an increase of 4.48 per cent. in imports and of 7.38 per cent. in exports. During the first half of the year the value of imports was 3,918.9 million lire, showing a decline of 17.10 per cent., as compared with the corresponding period of the previous year, while exports amounted to 3,125.7 million lire, or 9.81 per cent. less. In the second half of the year the imports were valued at 3,493.8 and exports at 2,854.0 million lire, which was 1.32 and 14.71 per cent. respectively less than the figures for the corresponding period of 1932. (1)

The foreign exchange market was affected by the increasing instability of the rates, following the American monetary experiment. The average monthly dollar rate moved from 19.55 in December, 1932, to 18.75 in April, 1933, with the maximum of 19.70 and a minimum of 17.25 during this period. Since it was formally detached from gold in May, the dollar rate fell steadily from a maximum of 16.79 in that month to the minimum of 11.98 in December.

The average monthly sterling rate moved from 64.18 in December, 1932, to 62.34 in December, 1933, the highest quotation having been 68.65 in March and the lowest 58.62 in October.

For the Swiss francs the fluctuations were less marked, the average monthly rate moving from 376.50 in December, 1932, to 368.22 in December, 1933, with a maximum of 382.50 in March and a minimum of 361.75 in July, and similarly the French franc averages moved in the last months of the two years from 76.35 to 74.46, with a highest level of 77.50 in March and a lowest of 73.70 in July. (2)

(1) See Table VI on page 150 of the Italian text.

(2) See Table VII on page 151 of the Italian text.

Below are given the rates for the above currencies in the first part of the present year :—

	January			February			March (up to the 20th)		
	Highest	Lowest	Average	Highest	Lowest	Average	Highest	Lowest	Average
Dollars ...	12.20	11.68	12.00	12.00	11.45	11.62	11.66	11.60	11.64
Sterling ...	62.18	59.40	60.73	59.62	57.78	58.59	59.50	58.60	59.20
Swiss Frs.	369.10	368.10	368.70	377.00	367.55	369.28	376.90	373.80	376.12
French „	74.77	74.50	74.61	76.60	74.72	75.09	76.62	76.37	76.54

Shares and
Shareholders

At the end of 1933 the shares of the Bank were inscribed in the names of 10,787 shareholders, of which 10,636 holding 496,739 shares were domiciled in the Kingdom, and 151 holding 3,261 shares resided abroad. During the year, 4,533 transfers were made for 245,964 shares, against 3,953 for 188,479 shares in 1932. (1)

Cash Displacements

The cash turnover recorded by the Bank for the year 1933, amounted to about 421,000 million lire, as against 453,000 million lire in 1932. In payments aggregated L. 210,735,827,333 and out-payments L. 210,554,763,454, as against 227,200 and 226,000 million lire respectively in 1932. (2)

Reserve

The reserve held against sight liabilities on the 31st December, 1933, was as follows :—

		Million Lire	Per Cent.
Gold in hand	... ..	7,091.7	95.88
Other Gold Assets—			
Balances abroad	... ..	304.9	
Foreign Treasury Bills and			
Bank Notes	... ..	0.1	
		305.0	4.12
Total	... ..	7,396.7	100.00

It will be seen that the ratio of gold in hand to the total reserve has risen during the year from 81.74 to 95.88 per cent. (3)

Considering that at the end of 1933 the Bank's notes outstanding and its other sight liabilities amounted to 14,812.2 million lire, the ratio of reserve to these liabilities was 49.94 per cent. as compared

(1) See Tables XI and XII regarding the distribution of the Bank shares on the 31st December and the transfers which took place during the year 1933, on pages 155 to 157 of the Italian text.

(2) See Table XIV on pages 160 and 161 of the Italian text.

(3) At the end of the preceding years the gold and other assets included in the reserve were in the following proportions :—

	1927	1928	1929	1930	1931
Gold in hand	37.55%	45.63%	50.18%	55.03%	72.17%
Other assets equivalent to gold	62.45%	54.37%	49.82%	44.97%	27.83%

with 46.71 per cent. at the end of 1932. The ratio of actual gold held to the above liabilities rose, however, from 38.18 per cent. at the end of 1932, to 47.88 per cent. at the end of 1933. Deducting from the reserve the amount required to provide a 40 per cent. cover against sight liabilities other than notes (namely demand drafts, Treasury and other current accounts), it will be seen that the ratio of the reserve cover moved from 47.50 to 51.11 per cent. (1) On the other hand, the ratio of actual gold to the notes in circulation has risen in 1933 from 42.71 to 53.55 per cent., and is now about 55.88 per cent. Thus there is evidence that the actual metal cover of the bank notes has gradually surpassed the legally prescribed ratio of reserve to sight liabilities. (2) Moreover, at the end of 1933, since the total sight liabilities amounted to 14,812.2 million lire, the reserve required for its legal cover at the rate of 40 per cent. would have been 5,924.9 million lire, so that the surplus reserve available at the end of the year was 1,471.8 million lire, which is 445.6 million lire more than the corresponding amount at the end of 1932, when the surplus reserve had been reduced by 224.3 million lire as compared to a year before. (3)

During the year 1933 the gold holdings increased from 5,839.5 to 7,091.7 million lire. The increase of 1,252.2 million lire is due as to 633.1 million lire to the conversion into gold of foreign credits

(1) See Table XVI on page 163 of the Italian text.

(2) Since the beginning of the present year the following changes have taken place in the reserve :—

	(Million Lire)		
	31st Jan.	28th Feb.	20th Mar.
Gold in hand	7,099.1	7,104.9	6,979.3
Balances abroad	274.2	83.3	36.5
TOTAL RESERVE	7,373.3	7,188.2	7,015.8
Ratio of reserve to sight liabilities combined	48.75%	49.80%	50.50%
Ratio of gold to sight liabilities combined	46.94%	49.22%	50.24%
Ratio of gold to notes outstanding	54.32%	55.91%	55.88%

(3) See Table XV on page 162 of the Italian text.

and for the balance of 619.1 million lire to purchases of gold in the home market. (1)

The other gold assets included in the reserve, apart from the above-mentioned conversion of balances held abroad into gold, diminished in the course of the year by 366.4 million lire, as compared with a reduction of 865.7 million lire recorded in 1932.

The additions to the reserve which took place during the past year were also partly due to capital movements, especially in connection with the monetary events in the United States. Since, however, a gold basis, though of a provisional nature, has been resumed in the United States, it has been accompanied, as was to be expected, by widespread repatriation of American capital and the shipment of gold from the countries which have adhered to the "gold block." Pressure has been more prominent on the Dutch guilder and the Swiss franc, causing considerable gold shipments from Holland and Switzerland to France, whence also gold was shipped in large quantities.

(1) As was mentioned in the last Report as from the 21st April, 1932, the Bank started to purchase gold coin and bullion in the home market and in Italy's overseas possessions. Up to the 31st December, 1932, the amount of these purchases totalled 180.6 million lire; at the end of 1933 they reached 797.5 million lire, of which 67 million lire were in respect of coin, the balance being bullion. The following table shows the amounts purchased in the various districts:—

Region	Coin Lire	Bullion Lire	Total Lire
Abruzzi e Molise ...	359,600	2,113,200	2,472,800
Calabria ...	387,500	1,161,900	1,549,400
Campania ...	3,503,500	43,203,800	46,707,300
Emilia ...	1,305,200	3,838,000	5,143,200
Latium ...	2,020,700	41,050,200	43,070,900
Liguria ...	37,789,600	63,143,200	100,932,800
Lombardy ...	8,951,700	474,219,100	483,170,800
Lucania ...	124,200	233,200	357,400
Marche ...	236,900	921,500	1,158,400
Piedmont ...	4,585,300	41,734,900	46,320,200
Apulia ...	362,700	6,253,300	6,616,000
Sardinia ...	283,500	816,500	1,100,000
Sicily ...	2,839,700	23,302,200	26,141,900
Tuscany ...	999,500	3,475,500	4,475,000
Umbria ...	143,300	647,000	790,300
Venetia ...	1,379,000	13,208,200	14,587,200
Julian Venetia...	816,700	3,738,200	4,554,900
Tridentine Venetia ...	357,500	866,300	1,223,800
	<u>66,446,100</u>	<u>723,926,200</u>	<u>790,372,300</u>
Aegean Islands ...	232,100	4,337,900	4,570,000
Tripolitania ...	112,600	245,700	358,300
Cyrenaica ...	212,300	252,300	464,600
Erythraea & Somaliland	26,000	1,702,100	1,728,100
Grand Total ...	<u>67,029,100</u>	<u>730,464,200</u>	<u>797,493,300</u>

To the above amounts must be added gold parcels collected for account of the Banca d'Italia by the Banco di Napoli, others handed by the Società Finanziaria Industriale Italiana and by the Royal Treasury, and the gold salvaged by the "Artiglio," aggregating in all about 103.1 million lire.

But the maintenance of a sound currency and its convertibility into gold, in spite of inevitable fluctuations in the exchanges, is an essential condition for a wholesome economic and social policy, and it must be regarded as the most effective foundation for a return to a balanced and lasting prosperity.

Italy, which occupies a much appreciated place among the countries of the gold block on account of her determined monetary policy, having secured the financial and economic equilibrium of the country, and being convinced of the indispensable premise of maintaining the stability of the currency, could not escape from bearing the effects of these free gold movements, as gold is the recognised medium for meeting the alternate balances of international payments. (1)

The outstanding notes of the Bank were reduced from 13,672.0 million lire on 31st December, 1932, to 13,243.3 million lire on 31st December, 1933, while the average circulation has moved from 13,460.3 million lire in 1932 to 13,078.3 million lire in 1933. (2) The reduction in respect of the previous year was 447.7 million lire for the first half and 316.3 million lire in the second half of the year 1933. The highest level was reached on the 10th January, with 13,580.8 million lire, and the lowest on the 20th June with 12,613.5 million lire, as against a maximum of 14,213.2 million lire and a minimum of 12,650.8 million lire in 1932. (3)

The turnover of current accounts—namely the debit and credit entries passed into our customers' accounts during the year—was in 1933 52,392.6 million lire as against 41,149.5 million lire in 1932. (4)

(1) The ratio of reduction in the holdings of gold and its equivalent shown in the returns of the leading Central Banks from the 1st January to the end of February, 1934, was equal to 4.23 per cent. in the case of France, 14.20 per cent. in the case of Holland, and 8.77 per cent. in the case of Switzerland, while for Italy the reduction has been 2.82 per cent. In the same period the United States of America recorded net imports of gold for about 380 million dollars.

(2) See Tables XVII, XVIII and XIX on pages 164-166 of the Italian text.

(3) The circulation of notes in the present year has moved as follows:—

On the 31st January, 1933 ...	13,067.6 million lire.
On the 28th February, 1933 ...	12,708.1 " "
On the 20th March, 1933 ...	12,490.0 " "

(4) See Tables XXII on pages 170 and 171 of the Italian text. The following are the interest rates allowed by the Bank on current accounts since the 1st June, 1930:—

	1st June, 1930	1st May, 1931	15th Spt., 1932	20th Spt., 1933
Private Accounts ...	0.50%	Nil.	Nil.	Nil.
Bankers' Accounts ...	1.50%	1.0%	0.50%	0.50%
Accounts of Public Bodies	1.00%	1.0%	0.50%	0.50%
Accounts of Provident and Assistential Bodies	2.00%	2.0%	1.50%	1.00%

The average balances of current accounts for 1933 were 1,090,398,926 lire, against 1,067.6 million lire in 1932, the highest amount having been 1,575.7 million lire on the 20th February and the lowest 713.0 million lire on the 30th June. The balance outstanding at the end of the year was 810,452,303 lire or 33.7 million lire more than the amount outstanding at the end of the year 1932. (1)

The balances held by the Treasury with the Bank varied in 1933 from a minimum of 760.7 million lire to a maximum of 2,886.7 million lire as compared with 945.1 and 4,354.3 million lire in 1932. The average of public deposits has moved from 2,403.7 million lire in 1932 to 1,611.3 million lire in 1933. (2)

Thus, in the course of the year the funds (apart from the note issue) available to the Bank from the issue of demand drafts and money orders, and from the public and private deposits just mentioned, have decreased altogether during the past year from 4,925.9 million lire to 3,379.3 million lire. (3)

Discounts

The average amount of bills discounted in 1933 was 4,628.9 million lire as compared with 4,747.8 million lire in 1932. The highest level of 5,178.9 was reached on the 10th January and the minimum of 3,683.7 million lire on the 31st December. (4)

The number of bills discounted by the Bank in the year was 908,782, representing an aggregate sum of 14,654,278,650 lire, showing a decrease in the number of 172,998, against an increase of about 1,277.3 million lire in the amount as compared with the previous year. Apart from that figure, 2,150,283 lire of bonds and coupons were discounted, as against an amount of 1.6 million lire in 1932. The average discount rate moved from 5.33 per cent. in 1932 to 3.87 per cent. in 1933, the rate for 1931 having been 5.73 per cent.

(1) The balance of current accounts at the end of the year included a sum of 39,527,306 lire on which no interest was allowed. In addition, the Bank held on the 31st December, 1933, private balances on fixed deposit account for an amount of 51.3 million lire.

(2) The Treasury services were performed¹ by the Bank on a larger scale, with its usual regularity. In accordance with the general trend of money rates, the interest allowed on the Treasury balances has been gradually reduced in the course of the year, under Royal Decrees of the 26th January, 21st September and 11th December, to 2, 1.50 and 1 per cent. respectively.

(3) See Table XX on page 167 of the Italian text.

(4) The amount of bills discounted in the first months of the present year was as follows :—

31st January	...	...	3,664.6 million lire.
28th February	...	...	3,986.0 " "
20th March	...	...	4,016.7 " "

The Bank rate, as already mentioned, was 5 per cent. until the 8th January, and from the following day it was reduced to 4 per cent. Since the 4th September it was reduced to $3\frac{1}{2}$ per cent., and from the 11th December to 3 per cent. (1)

The total amount of advances against securities granted by the Bank in 1933 was 9,701,558,564 lire or 3,697.5 million lire less than in the year 1932. The average advances outstanding for 1933 amounted to 569.7 million lire, as against 1,117.9 million lire in 1932. The highest level was reached on the 31st December with 1,009.7 million lire and the lowest on the 20th August with 382.6 million lire. At the end of the year, the advances, amounting as already said to 1,009.7 million lire, were 279.9 million lire less than on the 31st December, 1932. (2)

The above figures do not include the deferred payments at the clearing houses, the amount of which declined in 1933 from 140.5 to 102.7 million lire. (3)

The average amount of discounts, advances and deferred payments at the clearing houses varied altogether from 5,920.9 million lire in 1932 to 5,214.0 million lire in 1933, and the total outstanding, which on the 31st December, 1932, was 6,679.7 million lire, declined to 4,796.1 million lire on 31st December, 1932. (4)

The credit of the Bank with the Industrial Liquidation Section of the Institute for Industrial Reconstruction (formerly the Istituto di Liquidazioni) (5) amounted on 31st December ultimo to 1,137.9 million lire, compared with an outstanding liability of the former Institute of 1,888.1 million lire at the end of 1932, and 1,540.7 million lire at the end of 1931.

(1) See Table XXIII on page 172 of the Italian text, where the changes in the Bank rate for Italy and for the leading foreign countries are shown.

(2) The amounts of outstanding advances in the present year have been as follows:—

31st January, 1934	...	619.8 million lire.
28th February	... ..	1,823.7 " "
20th March	... ..	1,897.4 " "

(3) See on page 125 of the Italian text the note relating to clearing houses in 1933, and the usual comparisons with previous years.

(4) See the averages of the above operations in the last years, and the monthly changes in 1933 in Tables XXV, XXVI and XXVII on pages 174-177 of the Italian text.

(5) See page 9 of the previous abridged English Report.

Gold Abroad due
by the State

The Bank's credit in gold due by the State, arising from the specie lent and deposited in London when the war debts were contracted, has remained stationary since the 1st July, 1931, at the figure of 1,772.8 million lire.

Investments

The average investments of the Bank in Government securities moved between 1932 and 1933 from 1,366.6 to 1,367.9 million lire, the figure at the end of the year having risen from 1,366.2 to 1,370.7 million lire.

Premises

The buildings owned by the Bank for premises at the end of 1932 were inscribed in the balance sheet at 169,059,893 lire. During 1933 additions were made for 4,074,618 lire in respect of disbursements for completing new buildings or alterations and repairs to existing ones, while 315,410 lire were spent in new purchases of land or property, raising the total to 173,449,921 lire. Deducting from this sum, reimbursements in the course of the year amounting to 59,746 lire and 12,000,000 lire written off in respect of buildings recently purchased or constructed, the premises account appears in the 1933 balance sheet at 161,390,175 lire, which is 7.7 million lire less than the amount entered in the previous balance-sheet, but still exceeding the statutory limit by 36,390,175 lire. This, however, is amply covered by the shareholders' reserve of 46 million lire invested in premises.

Foreign Business

At the end of the past year the Bank's credit in respect of foreign bills and balances abroad amounted to 307.9 million lire, of which 2.9 million lire were on account of bills and balances not included in the reserve, whereas 305,007,422 lire were included in the reserve.

As usual, the Bank gave its collaboration to the National Institute of Exchange by supplying the foreign currencies required by the latter. (1)

(1) The National Institute of Exchange undertook, as usual, to provide the foreign currencies required for the normal needs of the Treasury and of Government controlled administrations for the service of the Morgan Loan, and to meet the interest and sinking fund in the case of foreign loans contracted by public bodies or companies, the proceeds of which were originally paid over to the Treasury against an exchange guarantee. The Clearings set up and entrusted to the Institute for the payments arising from the exchange of goods with certain countries were further extended. The Agreement with Hungary originally limited to liquidating Italian credits fallen due prior to the 21st July, 1932, has been extended to the payment of fresh exports to Italy. The Agreement with Yugoslavia has proceeded normally. The Agreement with Bulgaria has made possible the liquidation of Italian frozen book credits and the partial liquidation of overdue bills. By an Agreement signed on the 5th January, 1934, Rumania has confirmed its undertaking to provide the foreign exchange required for the payment of Italian exports to that country. In view of the assurance on the part of the Austrian Government to provide the necessary exchange for the payment of Italian goods and for the liquidation of existing frozen credits, the Clearing arrangements with that country have been cancelled.

The position of the Bank for International Settlements could not remain unaffected by the monetary events of the year, and particularly by those concerning the American market. The balance-sheet of the Bank, which closed at the end of 1932 with a total of 1,024 million Swiss francs, was reduced to 655 million Swiss francs at the end of 1933, especially on account of the contraction of the short term and sight deposits of several banks on their own account. Such deposits, in fact, have fallen in the year from 531 to 156 million Swiss francs. The reasons which led to the reduction in this important item of the B.I.S. balance sheet are well known. They are partly connected with the policy generally adopted by Central Banks of reducing their holdings of foreign currencies, and partly with the policy which is fundamental for the B.I.S. of not accepting deposits in currencies which are not on a gold basis.

But in spite of the considerable decrease of its available funds the B.I.S. carried on its work of collaboration and support. While providing for the renewal of credits previously granted to various Central Banks, it established a valuable link between Central Banks through the numerous and complex financial events of the year.

On the basis of a general bond entered into in London on the 20th July, 1933, by the Austrian Finance Minister with the Trustees appointed by the leading interested countries, an issue took place last August of an International Loan in favour of Austria, to provide a net amount equivalent to 300 million Austrian gold schillings. The bonds, redeemable in 20 years, as from 1st July, 1933, bear interest payable half-yearly on the 1st January and 1st July, and are guaranteed in every issuing country by the respective Governments, the ultimate date of redemption being the 1st July, 1953. In Italy the placing of a nominal amount of such bonds of 92,750,000 lire bearing interest at the rate of 5 per cent. was made privately under the auspices of the Banca d'Italia at the price of 91 per cent. (1)

Austrian International Loan, 1933-5

- (1) The issues which were made concurrently in the month of August were as follows :—
 £4,514,200 in 3% bonds issued at 96 per cent. in Great Britain ;
 Fr. 408,125,000 in 5½% bonds issued at 93 per cent. in France ;
 L. 92,750,000 in 5% bonds issued at 91 per cent. in Italy ;
 Fr. 5,434,000 in 4% bonds issued at par in Switzerland ;

Subsequently there was an issue for
 Belgas 5,160,000 in 6½% bonds at par in Belgium

and for the balance issues are still contemplated in Holland and Czechoslovakia.

The service of these loans has been entrusted to the Ottoman Bank as the seat of the Secretariat of the Trustees of the Loan.

Meanwhile, it should be noted that during the past year it has been possible, by agreement between the foreign creditors, the Austrian Government and the Austrian Credit Anstalt of Vienna, to make progress towards the reorganisation of this Bank (1) which in 1931 marked the beginning of the banking and monetary trouble which subsequently spread over the whole world.

Home Branches

Careful enquiry on the working of the Bank's branches has revealed the fact that some of them, since their inception, have not been on a paying basis, or have yielded profits which are disproportionate to the costs required for their maintenance. The unfavourable results from such branches was due to various causes which could not be counteracted, either through the efforts of the management or through economies in expenditure. It has been decided, therefore, with the Board's sanction, to close from the 1st March the agencies of Iglesias, Postumia, Tolmino and Torre Annunziata, and to transform into first class agencies the branches of Asti, Barletta, Brindisi, Carrara, Grosseto, Pola and Sondrio.

Colonial Branches

Throughout the past year the persistent world depression was felt in the Italian colonies. In addition to the progressive shrinking of business, it was necessary to carry out settlements needed for proceeding towards recovery. The Banca d'Italia, although acting with all the required care, assisted the local trades and industries, collaborating with the Colonial Office and local authorities in the work for overcoming the present difficulties. As regards the Erythraean Branches, Asmara, though having to write off further bad debts, was able to close its accounts for the past year with a smaller deficit. The special section for agricultural credit concluded 92

(1) The outstanding liabilities of the Austrian Credit Anstalt to foreign creditors were calculated to be equivalent to about 420 million Austrian schillings. Under the existing Agreements, the creditors are entitled to receive in respect of their commitments, 70 million schillings in preferred shares of the reorganised Credit Anstalt, 10 million schillings in preferred shares and 130 million schillings in 5 per cent. bonds of a Holding Company established in the Principality of Monaco, to which all the foreign assets of the Bank have been transferred. Against the balance of their claims, the foreign creditors are entitled to receive 20-year bonds of the Austrian Government, to be issued on the 1st March, 1935, the Austrian Government having the option of redemption in seven years at a discount of 33½ per cent. The Austrian Credit Anstalt participates in the share capital of the Holding Company (which amounts to 30 million Austrian schillings) in the proportion of two-thirds, with 20 million schillings of deferred shares. The old shareholders of the Bank received *pro-rata* one million schillings in deferred shares of the reorganised bank. The main contribution of the Austrian State to the reorganisation, in addition to the issue of bonds in respect of the balance of the foreign creditors' commitments, consists in having waived for the benefit of the creditors, the whole of its claims against the Bank, amounting to over 571 million Austrian schillings, handing back the securities held in respect of same. There-against the State holds in deferred shares the majority of the new share capital of the Bank.

transactions for about 266,000 lire. At Massawa the administration of the bonded warehouse was less unfavourable than in previous years.

The Tripoli Branch closed the year with slightly lower profits than in 1932. The administration of the warehouse, which is shared with the Banco di Napoli and the Banco di Sicilia, has given favourable results in spite of a considerable fall in trade.

The Benghazi Branch has progressed, thanks to the economic improvement of Cyrenaica, since the whole region has been completely pacified. The improvements will be greatly enhanced when the harbour works are completed and trade will benefit by more regular and frequent maritime communication. Building is proceeding rapidly, and for that purpose the Bank is making arrangements with the Banco di Roma and with the Savings Bank of Cyrenaica for credit facilities through the creation of a fund of 6 million lire, similar to the one which was set up in Tripolitania.

The Rhodes Branch closed its accounts with a loss greatly reduced as compared with the previous year.

In Somaliland the Mogadiscio Branch was very active and would have shown profits had it not been necessary to write off bad debts from previous years. The Chisimaio Branch, on the other hand, showed actual profits, which, however, were on a very small scale owing to the drought, which caused considerable damage to the crops. (1)

During the year 1933, twelve banks were identified and inscribed in the Register of the Finance Ministry, whereas 263 were cancelled, of which 56 for withdrawal of authority to receive deposits, 14 for

Safeguarding of Savings

(1) The following figures resume the Bank's operations in the Italian Colonies:—
(00,000 omitted)

							Lire
Cash displacements	...	...	...	...	...	...	5,778·1
Bills discounted	...	...	...	...	...	...	204·2
Advances	...	...	...	...	...	...	39·5
Interest bearing current accounts	...	...	...	}	receipts	...	319·6
					payments	...	307·1
					balance	...	43·7
Savings Deposits	...	...	...	}	receipts	...	14·8
					payments	...	13·7
					balance	...	20·0
Foreign Currencies	...	...	...	...	...	...	43·2
Orders to Pay	...	...	...	}	transmitted	...	181·7
					met	...	57·2
Demand Drafts	...	...	...	}	issued	...	439·6
					paid	...	308·3

amalgamation, 85 for liquidation, 48 for deed of arrangement, 51 for bankruptcy and 9 for lack of business. Therefore, at the end of the year 1933, the number of banks subject to control was 3,296 (1) as against 3,547 existing on the 31st December, 1932. (2)

In the past year the Bank initiated a special enquiry to find out the actual number of counters established by the various kinds of banks. The tables appearing at page 127 of the Italian text show, together with the usual data, that at the end of 1932 there existed 2,937 banks established in 4,451 centres, with 9,068 counters, and that on the 31st December, 1933, the number of the banks was reduced to 2,661 in 4,309 centres, with 8,655 counters. The reduction of the counters is due to the closing of a number of banks. (3)

In the past year 414 inspections were carried out (against 429 in 1932), which included 93 joint-stock and co-operative banks, 33 private banks and 288 agricultural banks. (4)

During the year there were 14 applications for amalgamation, involving 69 banks, for which the authority has been granted so far for 4, involving 8 banks. The applications for carrying out agricultural credit operations were 56 of which 50 were admitted.

A further decline took place in the loan facilities exceeding the prescribed limits. (5)

The results of the past year may now be considered, separating as usual the gross profits of the branches from those of the Head Office. The former amounted to 100,401,144 lire as compared with 168,163,866 lire for 1932, being thus reduced by 67,762,722 lire.

(1) The banks may be divided into the following categories : 1,036 joint-stock, co-operative and private banks ; 102 savings banks and pawnbroking establishments (Monti di Pietà) and 2,158 rural and minor banks.

(2) The figure includes banks which, although having suspended business have not actually concluded their liquidation, deeds of arrangement or bankruptcy proceedings.

(3) The desirability of reducing the number of existing counters was applied by maintaining the restrictive policy to the demands for opening new branches. In fact, out of 66 applications for the opening of 119 new branches, authority was given only in respect of opening 34 branches justified by special circumstances.

(4) Since the establishment of the control there have been altogether 2,946 inspections, of which 4 were at national, 72 inter-regional, 104 regional, 285 provincial and 2,478 local banks.

(5) While in 1932 the applications for the granting of credit in individual cases exceeding one-fifth of the bank's resources were 54, involving altogether a sum of 179 million lire of which 42 involving 146.3 million lire were granted, in 1933 the applications were 52 for a total of 121,711,000 lire, out of which 40 applications for 106,184,000 lire were agreed to. On the 31st December, 1933, the cases of loan facilities exceeding the prescribed limit, which at the end of 1932 were 375 for a total amount of 885 million lire, were reduced to 104 for a total of 204,502,000 lire.

The profits of the Head Office, on the other hand, were increased by 5,833,895 lire, having amounted to 215,088,915 lire as compared with 209,255,020 lire in 1932. Thus the gross profits totalled 315,490,060 lire, as compared with 377,418,887 lire in the previous year, showing a decrease of 61,928,827 lire.

Discount operations alone yielded 195,235,331 lire or 27 million lire less than in 1932, which is accounted for by the reduction in the discount rate. The amount of bills carried forward from last year's balance sheet is 31,176,048 lire, as compared with 54.7 million lire brought in for that year.

The interest on advances amounted to 27,545,522 lire or 35.2 million lire less than in the previous year. Deferred payments at the clearing houses yielded altogether 658,698 lire, as against 2.8 million lire in 1932.

The profits from foreign business were confined to 359,825 lire in view of the steady shrinkage of the balances abroad included in the reserve.

The refund of the tax on notes issued for account of the Liquidation Section of the Institute for Industrial Reconstruction amounted last year to 2,867,199 lire, as against about 4.3 million lire charged in the previous year on behalf of the former Istituto di Liquidazioni.

The receipts from other services amounted to 32,044,264 lire, including commissions for 4,565,546 lire. The investments yielded altogether 53,184,108 lire, of which 40,963,516 lire were in respect of interest on Government securities. The previous year's figures were 53.4 and 41.6 million lire respectively. (1)

The gross expenditure for 1933 totalled 262,587,174 lire or ^{Expenditure and Taxes} 62,016,646 lire less than in 1932, when the amount was 324,603,820 lire.

Administrative costs amounted to 91,422,880 lire. The salaries of the staff, are included in the above figure for a total of 80.5 million lire.

(1) The interest on securities does not include the interest on the Government securities, handed over to the Bank by reason of the Royal Decree Law No. 1832 of 6th November, 1926, which is applied to reducing the outstanding liabilities of the late Istituto di Liquidazioni.

The outlay for taxes was 12,277,807 lire, showing a reduction of 4.3 million lire on the figure calculated on the same basis for 1932. (1)

Interest on current accounts implied a charge of 9,619,301 lire or 4.1 million lire less than in 1932, while on deposit accounts the interest allowed was 7.5 million lire or 5 million less than in the previous year. The interest allowed on public deposits was 26,404,482 lire, a decrease of 37.5 lire as compared with 1932, arising from the reduced balances held by the Treasury and the reduced interest allowed on them.

In addition to a sum of 44.3 million lire charged to the balance sheet in respect of unpaid bills, a further amount of 3 million lire has been added to meet further possible losses or depreciation on the bills. Moreover, a further sum of 39,882,114 lire has been set aside for various amortisations, which is 14.4 million lire less than the corresponding sum allocated last year, and finally, in the course of the year, 1.5 million lire were expended for charitable or public utility objects.

To sum up, against gross profits totalling 315,490,060 lire the gross expenditure aggregated 262,587,174 lire, leaving a net profit for the year of 52,902,886 lire, which is 87,819 lire more than for the year 1932.

The Board of Directors of the Banca d'Italia, having considered the report of its Auditors, in accordance with the terms of the Decree

(1) The above total of 12.3 million lire is made up as follows:—

	(000 omitted)
	Lire
Circulation tax on Notes	5,905
Circulation tax on Drafts	297
Income Tax	1,588
Real Estate Tax	1,089
Other taxes, including transfer tax on the Bank's shares	3,399

of the 27th September, 1923, propose that the above net profit be distributed as follows :—

- L.13,874,116 to the State as participation in equal measure as for the years 1922 to 1932 ;
- L.30,000,000 to the shareholders as dividend, equal to the one distributed for the years 1922 to 1932, at the rate of 60 lire on each of the existing shares ;
- L. 8,655,094 to the Shareholders' Special Reserve ;
- L. 281,060 to the Credito Fondiario (Real Estate Mortgage Institute), formerly belonging to the late National Bank, being interest at the rate of 4 per cent. in respect of the reserve transferred to the Banca d'Italia in the year 1913 ;
- L. 92,616 balance to be set against the Bank's credit with the Industrial Liquidation Section of the Institute for Industrial Reconstruction, in accordance with the terms of Art. 3 of the Royal Decree Law of 6th November, 1926, and Art. 10 of the Royal Decree Law of 23rd January, 1933. (1)

L. 52,902,886

The results of the past year, which are submitted to the **Conclusion** examination and approval of this Meeting, may be regarded as satisfactory, especially considering the circumstances which have arisen to render the Bank's work more arduous.

Apart from the more general and inevitable effects of the crisis, which are borne by everyone in every field, attention must be drawn to the reduction of the official discount rate in 1933 to an average of 3.87 per cent., and to the conversion into gold of almost the whole of the foreign currencies included in the reserve, by which a loss of interest, involving under the gold exchange standard regime very large sums, was incurred.

(1) It should be noted that a sum of about 38 million lire in respect of the interest for the year 1933 on the Government securities handed over to the Bank by the late Istituto di Liquidazioni as an offset to its liabilities, which does not appear among the profits in the balance sheet, was duly applied to reducing the outstanding liabilities of the Liquidation Section of the Institute for Industrial Reconstruction.

These factors, on the other hand, were effective for the good of the country, since the gradual fall in the Bank rate has undoubtedly produced vast and beneficial effects on the whole economic structure of the nation, while the conversion into actual gold of foreign currencies has secured in the soundest way, the stability of the lira. The Banca d'Italia, fully adhering to the policy of the Fascist Government, has acted without hesitation, using in every case the most thoughtful consideration.

In the strictly monetary field it is well to repeat that Italy has decidedly declared herself in favour of the maintenance of the gold standard. The Bank is faithful to this principle, by which its action is and will remain inspired.

Concerning the revision of the banking system which calls in every country for special attention, Italy has already taken important action in full keeping with its economic and financial policy. The Italian banking organisation is now based on solid foundations.

The Fascist Government have followed every new feature arising from the crisis, and the consequent reactions with the utmost solicitude and timely action.

By developing the activity of the Syndicate for advances against Industrial Securities, by the creation of the Istituto Mobiliare Italiano first, and subsequently of the Institute for Industrial Reconstruction, Italy has been provided with the necessary organisation for carrying out financial operations more directly concerning the industrial body. Thus it has been possible for the larger banks to resume their traditional function as clearing instruments for the movements of money and credit, to meet the requirements of trade and of the producing cycles. The realisation of this important reform, leading to a more appropriate and safe use of the savings of the people, will certainly bring about a closer collaboration between the various banks and a co-ordination of the functions of the banks of a national character with those of the regional or local banks. The latter also have a very useful task to fulfil in the interest of the national economy.

This leads us to believe that between the deposit banks there should be the understanding which has often been recommended by the Banca d'Italia. Collaboration and co-ordination are essential,

since costs must be adjusted to the possibilities of return, in view of the reduced volume of trade. The achieved stability of our banks will facilitate this task of internal readjustment, by which money rates may be further reduced in accordance with the requirements for the development of economic activity.

The great qualities of work and thrift of the Italian people, united in a single will and guided by the wisdom of their Leader, will overcome the crisis to which a spirit of determined resistance and of secure confidence is opposed. Meanwhile, the Government provides the means to overcome the present exceptional economic cycle by minimising its damaging effects and preparing conditions suitable for the new economic structure.

The Banca d'Italia, faithful to its traditions and to the mission of constantly co-operating for the benefit of the State, has been and is being constantly followed and supported by the Duce, to whom, on the occasion of this gathering, it conveys a dutiful expression of its deepest gratitude.

V. AZZOLINI,

Governor.

BALANCE-SHEET

31st December, 1933.

PROFIT AND LOSS ACCOUNT.

BANCA
AUTHORISED CAPITAL
OF WHICH IS PAID-UP

BALANCE SHEET,

ASSETS.			
Gold in Hand		L.	7,091,653,008.76
Other Gold Assets :			
Balances Abroad	L.	304,917,436.36	
Foreign Treasury Bills and Bank Notes.....		89,985.57	
		<hr/>	L. 305,007,421.93
Total Reserve		,,	7,396,660,430.69
Gold deposited abroad, due by the State		,,	1,772,798,105.00
Cash in Hand		,,	316,185,205.05
Inland Bills		,,	3,683,724,103.25
Bills for Collection		,,	4,424,692.43
Advances to Customers {			
Against Government Securities and Mortgage Bonds.....	L.	1,009,518,057.89	
Against Silk and Cocoons.....	,,	179,705.05	
		<hr/>	L. 1,009,697,762.94
Investments (Government Securities owned by the Bank)		,,	1,370,681,123.45
Cr. Accounts in the Kingdom :			
Deferred Payments at Clearing Houses.....	L.	102,659,902.32	
Other Accounts	,,	52,877,569.31	
		<hr/>	L. 155,537,471.63
Shareholders' uncalled Capital		,,	200,000,000.00
Premises		,,	161,390,175.61
Credit with Liquidation Section of Institute for Industrial Reconstruction		,,	1,137,927,249.08
Other Assets :			
" Credito Fondiario " Fund.....	L.	30,000,000.00	
Investment of Extraordinary Reserve	,,	32,485,000.00	
,, Shareholders' Special Reserve	,,	123,215,592.89	
,, Employees' Pension Fund	,,	240,085,901.66	
Other Debtors	,,	666,322,938.58	
		<hr/>	L. 1,092,109,433.13
		<hr/>	L. 18,301,135,752.26
Securities and other valuables deposited		,,	27,901,900,186.59
		<hr/>	L. 46,203,035,938.85
Amounts written off in past years		,,	415,286,255.97
		<hr/>	L. 46,618,322,194.82
TOTAL		L.	46,618,322,194.82

40th YEAR.

D' ITALIA.

L.500,000,000.

L.300,000,000.

31st December, 1933—XII.—E.F.

LIABILITIES.

Notes in circulation	L.		13,243,253,650.00
Demand Drafts Outstanding.....	"		458,538,696.46
Current Accounts.....	"		810,452,303.02
Treasury Current Account.....	"		300,000,000.00
<hr/>			
Total Sight Liabilities	L.		14,812,244,649.48
Capital	"		500,000,000.00
Statutory Reserve	"		100,000,000.00
Extraordinary Reserve	"		32,500,000.00
Deposit Accounts	"		51,294,068.13
Treasury Fixed Deposit Account.....	"		1,759,147,102.95
"Internal Debt Sinking Fund Office" Current Account	"		99,698,693.47
Other Liabilities :			
Shareholders' Special Reserve.....	L.	126,594,461.64	
Shareholders' Special Reserve Invested in Premises.....	"	46,000,000.00	
Other Creditors.....	"	720,753,890.73	
<hr/>			
Net Profits for the Year.....	L.		893,348,352.37
	"		52,902,885.86
			<hr/>
Securities and other valuables deposited.....	L.		18,301,135,752.26
	"		27,901,900,186.59
<hr/>			
	L.		46,203,035,938.85
Amounts written off in past years.....	"		415,286,255.97
<hr/>			
TOTAL	L.		46,618,322,194.82

PROFIT AND YEAR

		Dr.				
Expenditure	Expenses in respect of :	Administration	L. 91,422,879.67	}		
		Board of Directors, etc.....	,, 1,944,497.28			
		Transport of specie and other valuables	,, 1,830,801.87			
		Printing of notes	,, 6,070,758.37			
		House Property Account ...	,, 2,004,501.37			
		Stamps and commissions on foreign business.....	,, 10,657.88			
				103,284,096.44		
		Taxes	Circulation tax on notes ...	,, 5,905,221.30	}	
	Circulation tax on demand drafts		,, 296,843.84			
	Income Tax		,, 1,587,796.70			
	Additional Income-Tax		,, 1,243,073.15			
	Real Estate Tax		,, 1,088,506.52			
	Bank Shares transfer tax...		,, 1,287,555.00			
	Weights and measures control tax		,, 5,628.25			
	Stamp duties.....		,, 219,337.24			
Contribution for Govern- ment supervision	,, 200,000.00					
Other tributes	,, 443,845.39					
			12,277,807.39		115,561,903.83	
Unpaid bills					L. 44,305,438.83	
Amounts written off.....					,, 39,882,113.74	
Interests and annuities.....					,, 46,233,083.90	
Charities and other contributions					,, 1,500,000.00	
Contribution to Employees' Pension Fund					,, 8,104,633.45	
Depreciation of bills against losses, etc.					,, 3,000,000.00	
Temporary Staff Pension Fund					,, 4,000,000.00	
					L. 262,587,173.75	
Net profit to be divided.....					,, 52,902,885.86	
					L. 315,490,059.61	
			TOTAL		L. 315,490,059.61	

DISTRIBUTION

Dividend on 500,000 shares at the rate of L. 60 per share.....	
Annual contribution to the Reserve Fund of "Credito Fondiario".....	
State participation to the profits exceeding 5 per cent. on paid-up capital....	
To Shareholders' Special Reserve.....	
To Liquidation Section of Institute for Industrial Reconstruction.....	

Audited and found correct on the 10th March, 1934—XII.

ARTOM VITTORIO.
CORNAGLIOTTO GIUSEPPE.
CORTESI ARTURO.
RAVANO EMANUELE.
STRINGHER DIEGO.
Auditors,

GIULIO ROSAI,
Chief Accountant.

LOSS ACCOUNT

1933—XII.—E. F.

		Cr.	
Profits from the Year's business	Re-discounts brought in from previous year.....	L.	54,668,838.63
	Year's discounts	"	171,742,540.01
			226,411,378.64
	less: re-discounts carried forward ..	"	31,176,047.85
			195,235,330.79
	Interest on advances.....	L.	27,545,522.49
	Interest on Cr. accounts	"	4,213,013.38
	Commissions	"	4,565,546.27
	Interest, discount and exchange profits on foreign business, less re-discount charges.....	"	395,825.19
	Other profits.....	"	27,478,717.67
		259,433,955.79	
Profits from Investments	Interest on Government Securities.....	L.	40,963,516.38
	Interest on "Credito Fondiario" Fund.....	"	1,200,000.00
	Revenue on real estate	"	6,633,017.42
	Interest on investment of Colonial Branches Fund ..	"	500,000.00
	Profits arising from the liquidation of late note- issuing banks.....	"	3,887,574.46
		53,184,108.26	
By late Istituto di Liquidazioni, circulation tax on notes outstanding on its behalf			2,867,198.80
Balance brought forward from 1932 net profit			4,796.76
TOTAL			315,490,059.61

OF NET PROFIT

.....	L.	30,000,000.00
.....	"	281,060.00
.....	"	13,874,116.26
.....	"	8,655,093.76
.....	"	92,615.84
		52,902,885.86
TOTAL NET PROFIT TO BE DISTRIBUTED	L.	52,902,885.86

VINCENZO AZZOLINI.
Governor.

E. COUCHMAN & Co., LTD.,
PRINTERS,
LONDON, E.C.2.
