

BANCA D'ITALIA

ANNUAL REPORT

OF THE

GOVERNOR

TO THE

GENERAL MEETING OF SHAREHOLDERS

HELD IN ROME ON MARCH 28th, 1929.

Year 1928

LONDON :

E COUCHMAN & CO., LTD.

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TO THE

Shareholders of the Bank at the Ordinary General Meeting
held in Rome on the 28th March, 1929. (*)

General Remarks.

The monetary settlements which started in the previous years were continued in the past year. France joined the countries which stabilised their currencies, and when we consider that the French Republic, at the time of the stabilisation, had a note circulation of about 59,000 million francs, a public debt of 290,000 million francs and a foreign trade exceeding 100,000 million francs per annum, the importance of this step will be appreciated (1).

This powerful economic and financial addition to the countries which had already freed themselves from the regime of an unstable currency does not seem to have been a deciding factor in producing conditions of safety and stability in the money market; as a matter of fact, in the second half of the year 1928, disturbing movements took place, especially owing to abnormal credit contingencies, resulting from the speculation in securities on the other side of the Atlantic.

As is known, the Federal Reserve Banks, also with the aim of checking the outflow of gold from the United States, increased by degrees the rate on their ordinary transactions, but this gradual and reasonable rise, which aimed at a limitation of such transactions, was not successful in checking the Stock Exchange speculation

(*) Abridged translation of the Italian text.

(1) Moreover, the return of the Bank of France disclosed the following features affecting the monetary position. The gold in hand, at the new parity, amounted to 29,000 million francs, which is equal to a ratio of 40.45 per cent. to all the bank's sight liabilities, apart from the balances held abroad in foreign currencies, which were equal to nearly 16,000 million francs, and the currencies held in respect of forward contracts, amounting to about 10,000 million francs. With reference to the stabilisation of the franc, see the Governor of the Bank of France's Report to the General Meeting of Shareholders held in Paris on 31st January ult.

which reached exceptional levels in spite of the effective rates of interest which became notably higher than those prevailing on ordinary commercial transactions (1).

Moreover, the Stock Exchange operators were threatened with most drastic measures; but in point of fact no substantial changes materialised, while the banking authorities of the United States adopted a policy which seemed to have as its object to draw back to that country the gold which had been previously exported, also on account of the large loans granted, especially to Europe. In its turn, the Bank of England, obviously as a measure of defence, had to increase to $5\frac{1}{2}$ per cent. its discount rate, and in this respect the last word may not yet have been spoken, although the present conditions of labour and production in Great Britain are in contrast with the policy of dearer money.

We may well say that the gold question has become paramount, also in discussions relating to capital movements from one country to another (2). Such movements, which affect the economic position of most countries, have become gigantic owing to the ever-increasing development of trade and its concentration in the hands of vaster and more compact banking institutions (3). Nevertheless, mention has been made of possible credit arrangements which may affect currencies and alter the present geographical distribution of the available supplies of gold, *i.e.*, the specie on which the existing monetary system in the civilised world is founded.

(1) See pages 53 and 54 of this Report.

(2) It is well to mention the following remarks appearing in the Report for the year 1928 of the Swiss National Bank (pages 7 and 8): “. . . . les conceptions que l'on se fait maintenant de l'étalon d'or ne correspondent plus en tous points à celles d'avant-guerre. Tout d'abord l'or n'a repris nulle part, jusqu'à ce jour, son rôle de moyen de paiement à l'intérieur, et, là même où les conditions légales qui le lui permettraient sont remplies, il s'écoulera un temps assez long avant qu'on puisse revenir en fait à une circulation normale des monnaies d'or Ensuite, les exigences légales imposées à la couverture métallique ont été souvent réduites; de même, les prescriptions concernant la couverture ont subi des modifications fondamentales de nombreuses banques d'émission ont obtenu, lors des réformes monétaires, le droit de joindre leurs devises-or à leur couverture métallique Du fait de la réorganisation des régimes monétaires dans nombre de pays, tels que l'Allemagne, la France, l'Italie, l'Argentine, les banques d'émission de ces Etats se sont vues obligées d'augmenter leur réserve métallique en se procurant de l'or; de là des afflux considérables d'or provenant des grandes réserves accumulées à New York et à Londres, ou, tout au moins, une réduction des envois d'or à destination de ces deux centres.”

(3) See the interesting book by Professor Attilio Cabiati: “Scambi internazionali e politica bancaria,” published in Turin by Fratelli Bocca, 1929.

It should be added that, with the object of securing the largest hoarding of capital, the idea of developing in every country a trade policy on a strictly protective basis is gaining ground, and this could not develop without producing in due course a strong natural reaction contrary to its growth (1). In the meantime, the result would be to restrict the producing power of the smaller and poorer countries, with consequences which are bound to be dangerous. But it is impossible to believe that the so-called "Capital Nationalists" will go ahead without check, leading to such disastrous consequences, since the increase in the international use of capital cannot but lead to a rightful moderation and to the achievement of a balance from which all should benefit.

At this moment, first-class financiers are in Paris thoroughly investigating the problem of German reparations, in order to find a way of settling the questions which have arisen in the last few years from the plan which has been christened after General Dawes (2). The desired solution seems anything but easy, owing to the conflicting interests, also of a political nature, which are at stake. Such interests are not simply confined to reparations proper, viz., to the credits and debts to be settled, but embrace as well wider interests relating to the production and distribution of goods; since the discharge of Germany's obligations on reparations account

(1) To this effect, it is well to recall what has been written on the subject by Professor Mortara in his "Economic Prospects for 1929" (page V.), since it is in keeping with the views repeatedly held in these reports: "The obstacles to international trade which have been increasingly raised during the first years since the War, have only fallen to a very small extent under the action of international meetings, which have been more boisterous than effective; in some cases they have been somewhat tempered by bi-lateral agreements, but the largest proportion is still in existence and new ones continue to arise, whereas the checks which have been placed to the free interchange of men in order to protect the high standard of living of some privileged peoples, are being continually strengthened and multiplied. The revival and the extension of the international interchange of capital is only a small and partial remedy for the damages which are caused by the obstacles to trade and migration."

(2) The Prime Minister, referring to the appointment of the Committee of Experts for revising the Dawes' Plan, declared at a Cabinet Meeting that His Majesty's Government, "vis à vis the other creditor Governments and Germany, would continue to be what it had been in all the preceding phases of this question, viz.: a productive element for the economic reconstruction and stabilisation of Europe, without preconceived ideas, open to any equitable and reasonable possibility. In its turn, Italy expected from the others that, in arranging the new settlement of reparations due by Germany, satisfaction should be given to her unavoidable needs, which are founded on the principle debts-reparations, as repeatedly set forth, on the last occasion in the Memorandum of 12th November, in which the Italian point of view with regard to the Geneva Resolution was expounded. Under no other condition could Italy, in justice to herself and to the cause of European reconstruction, give her assent."

involves international economic and financial problems of a magnitude which probably was not sufficiently appreciated in its extensive consequences when Peace was signed. It is sufficient to mention the contingency of an ever-increasing amount of German goods being dumped, in satisfaction of the debt, in other manufacturing countries, where a large industrial population must be provided for; and the possibility that the latter countries should retaliate in order to protect themselves from such dangerous invasion (1). There is no doubt that, all considered, the final solution of the financial and economic problem mentioned above is far from simple. However, by an effort of ingenuity and good will, it is to be hoped that this particular difficulty also will be overcome. The result of such an effort will contribute effectively in bringing about a general adjustment of the international capital movements which are being considered, not without concern, by some leading personalities of European and North American finance. The latter, according to cables received from Paris, are now considering whether, in order to reach a final and satisfactory solution of the complex matter of German reparations, it might not be advantageous to establish a large non-political banking institution, "a Bank for International Settlements." The latter would be entrusted with the collection, distribution and assignment of the various means of payment involved, and it would act as an international clearing house from which all the Central Banks would benefit (2). By this plan, all political controls would be eliminated, and they would be substituted with an organisation of a purely economic and financial nature.

This may eventually prove to be a powerful means of controlling the most pressing and important financial problems which at present concern Europe and America. We may hope to know shortly what will be the outcome of these extraordinary plans which are being considered. Reference to this matter is made here,

(1) See the article by John Maynard Keynes, "The German Transfer Problem," published in the *Economic Journal* No. 153 of March, 1929.

(2) The new Institution is said to be intended to assist in granting the international trade facilities required to mobilise and make negotiable the bonds to be issued in respect of reparations; it would help to restore normal relations between Germany and other European nations, and would actually give effect to the resolutions of the Brussels and Genoa Conferences (cf. the suggestions of the late Luigi Luzzatti), since the Institution would be particularly fit to act as a meeting point of the European Central Banks, developing their co-operation already happily started in these last years, following the agreements connected with currency stabilisation.

since the eventual establishment of an international institution among Central Banks is to-day the outstanding topic in circles of both public and private finance.

The Home Market.

With regard to Italy, it can be said that the year 1928 developed on the whole fairly satisfactorily, considering that it was the first year since the legal stabilisation of the currency, following, as is known, a free and active revalorisation of the lira which was not without influence on price levels and consequently on production and on the incomes therefrom derived.

The Budget for the financial year 1927-28 closed with a final surplus of 497 million lire, arising from an excess of 5,211 million lire of ordinary receipts over expenditure, against a deficit in the extraordinary receipts and expenditure of 4,714 million lire (1).

In order better to appreciate this result, it is well to remember that in the above financial year the reliefs in taxation mentioned in the last Report, which had been granted following the stabilisation of the currency, were actually in operation (2).

(1) Reference is made here to the amendments which have been introduced to the State Accountancy through the Law No. 2783 of 9th December, 1928, among which "the most important is the part intended to reduce as much as possible the sums carried forward from previous budgets, in order to bring as near as possible the cash results ("bilancio di cassa") to the budget results ("bilancio di competenza"), the latter referring only to the amounts receivable and payable in any particular financial year, and, therefore, exclusive of entries referring to past or future budgets. This will be effected by adding to the financial year one month for concluding the cash transactions relating to receipts or payments. Since much of the budget expenditure remains to be made shortly after the end of the financial year, as for example the large interest disbursements maturing on 30th June, this postponement will cause a considerable reduction in the amount of the liabilities carried forward." (From the speech of the Finance Minister at the Senate on 20th November, 1928.)

(2) Against an estimated fall of 550 million lire in the receipts from direct taxation as a result of the fiscal reliefs which were granted, the actual reduction between the financial years 1926/27 and 1927/28 was of 480.9 million lire. For the business taxation, a fall had been estimated of about 385 million lire, whereas it has actually reached 565.6 million lire. In this respect, it is obvious that the effect of the currency stabilisation on the capacity of this category of tax-payers was not sufficiently appreciated.

However, it is noteworthy that since the third month of the present financial year, the monthly yield of taxation on wealth turnover shows considerable progress over the results of the corresponding months for the year 1927/28. Also, the yield from direct taxation shows, in the later period, a better tendency, as appears from the following details:— (Table at foot of next page.)

For the present financial year 1928-29, the actual receipts are estimated at 17,643 million lire and expenditure at 17,372 million lire, leaving a surplus of 271 million lire (1).

In the first eight months to the 28th February, 1929, against ordinary and extraordinary receipts amounting to 12,507.2 million lire, an amount of 12,403.7 million lire was engaged in expenditure, leaving therefore a net surplus of 103.5 million lire. At any rate, the consolidation of a surplus is well secured, and therefore the good effects of a soundly conducted finance are confirmed.

* * * *

With reference to the public debt, it is unnecessary to say that in the course of the year there was no real increase in the amount ; on the contrary, through the working of the Sinking Fund, the outstanding Government securities were appreciably reduced (2).

(in lire 00,000 omitted)

	Direct Taxation.		Taxation on Wealth turnover	
	1927-28	1928-29.	1927-28.	1928-29
July	66.5	22.6	296.3	293.8
August	806.4	769.5	222.3	217.7
September	17.7	20.0	194.7	195.6
October	801.8	776.0	219.1	241.8
November	27.5	62.1	226.2	241.0
December	851.4	871.0	226.4	289.6
January	44.7	38.0	329.7	432.8
February	785.2	796.4	314.2	325.4

(1) When submitting the estimates to the Cabinet Council on the 23rd July, 1928, the Finance Minister said that in the present year there would not be the same elasticity which had obtained in previous budgets as a result of considerably higher yields from revenue ; it would be, in fact, impossible to expect appreciable increases over the estimates in the yield of permanent direct taxation, and particularly of income tax, especially in view of the reliefs and reduced rates which have been previously granted.

(2) From the Balance Sheet at 31st December ult., of the Internal Debt Sinking Fund Department, it appears that from the 15th December, 1927, up to the 27th October, 1928, Government securities of various kinds, totalling 693.7 million lire, had been destroyed, involving a yearly interest reduction of 32.7 million lire. The above securities were obtained, as for 161.7 million lire by the old Consortium for the Redemption of National Debt, as for 528.1 million lire by purchases in the market by the department and as for 4.3 million lire by the voluntary contributions of citizens.

It should be noted, however, that at the beginning of the present financial year the Finance Minister introduced a reform in the Treasury statement of accounts in order to make it clearer and more complete. Through the reform, some liabilities consisting of interest-bearing current accounts which previously did not appear were included in the floating debt of the State (1). Consequently, the total amount of the debt, funded, redeemable and floating, which appeared at 86,423 million lire at the end of 1927, was equal to 86,446 million lire on 30th June and 87,006 million lire on 31st December, 1928 (2).

The currency notes which are due to disappear, having been replaced by silver coins, are still included in the floating debt, the amount thereof appearing on 31st December being reduced to 161 million lire, which may be taken to be mostly a nominal liability.

(1) The Finance Minister, in a speech delivered at Naples on the 16th inst., made the following remarks: "It is the firm intention of the Government to contain in any case the floating debt within strictly normal and indispensable limits; it is also in the financial programme of the Government to carry out the gradual amortisation of the public debt in so far as the available cash resources will make possible, avoiding, however, that any redemption of funded debts should be made by creating short term obligations."

(2) The following is the composition of the debt at the three above-mentioned dates :—

(in million lire)

	1927 31st December		1928 30th June		1928 31st December	
Funded Debt.....	72,009	83.3%	71,604	82.8%	71,498	82.1%
Redeemable Debt	13,238	15.3%	13,224	15.3%	13,221	15.2%
Floating Debt (a).....	1,176	1.4%	1,618	1.9%	2,287	2.7%
	86,423	100.0%	86,446	100.0%	87,006	100.0%

(a) The Floating Debt consists of the following :—

	1927 31st December	1928 30th June	1928 31st December
Currency Notes.....	783	291	161
Liabilities in respect of interest bearing current accounts :—			
to Cassa depositi e Prestiti.....	393	822	1,360
to latter's affiliations	—	155	410
to Banco di Napoli	—	350	356

(See "Official Gazette" Supplements of 20th January, 1928 and 20th January, 1929).

With regard to the currency circulation, it should not be overlooked that the total amount of currency notes and silver coin outstanding has not on the whole remained unaltered, but was reduced in the course of the year from 1,810.3 to 1,424.8 million lire, or by 21 per cent. (1).

* * * *

Considering the quotation of Government securities, it will be found that further progress was made from one year to the other, although at the end of the year 1928 prices were below the highest reached in the first six months. Five per cent. Consols (2) from an average quotation (inclusive of accrued interest) of 79.40 per cent. in 1927, reached 85.17 per cent. in May, declining to 80.85 per cent. in November, and concluding at 81.17 per cent. at the end of the year.

(1) The following are the amounts of the currency notes and silver coin outstanding at the end of each month :—

(in lire 00,000 omitted).

	Notes	Coin (a)	Total
1927.			
31 December	783.0	1,027.3	1,810.3
1928			
31 January	691.0	1,041.2	1,732.2
29 February.....	589.0	1,056.7	1,645.7
31 March	489.0	1,075.7	1,564.7
30 April	399.0	1,092.3	1,492.3
31 May	343.0	1,101.8	1,444.8
30 June	291.0	1,119.8	1,410.8
31 July	250.0	1,137.8	1,387.8
31 August.....	229.3	1,149.8	1,378.8
30 September	205.0	1,174.1	1,379.1
31 October	190.0	1,194.5	1,384.5
30 November	175.0	1,208.8	1,383.8
31 December	161.0	1,263.8	1,424.8
1929			
31 January	157.0	1,334.8	1,491.8
28 February.....	120.0	1,403.4	1,523.4

(a) Maximum authorised issue L. 1,725,000,000

(2) The 1926 Consols (Littorio Loan) were quoted in the Stock Exchanges apart from the similar pre-existing funds in the period from 1st January to 24th August, 1928. After that date there was a single quotation for the 5 per cent. Consols of all issues. Prior to the amalgamation, the following were the changes in the monthly average price of the above :—

January	81.55	per	cent.
May	85.12	„	„
August.....	82.23	„	„

Equally, the $3\frac{1}{2}$ per cent. Rentes, from 69.44 per cent. rose to 74.62 per cent. in May, and were quoted at 70.08 and 70.12 per cent. in the last two months of 1928.

The less firm tendency of the Funds in the second half year may be connected with the more decided development of the tendency of the market, which was outlined in last year's Report, to take up other fixed dividend securities, particularly industrial bonds. This tendency brought about a large offer of bonds, which have been easily absorbed (1). This has been favoured by a considerable revival of Italian savings (2).

Also the indices of the prices of variable dividend securities make on the whole a better showing in the past year, but this is rather due to the upward movement of particular groups of securities, on which the attention of the markets was specially concentrated, than to a general appreciation (3).

* * * *

(1) With reference to the increased issues, Signor Alberto Beneduce, in the Report on the 1928 Balance Sheet, of the Credit Consortium for Public Works, says: "When our currency was placed on a gold basis we felt that the recovery of the home market for long term credit should be tested by floating an issue of such importance as to claim the attention of foreign markets also.

"We thus issued the first special series of debentures of the City of Turin for 80 million lire, which met with a success recognised by the leading organs of the foreign financial Press. The fact that these bonds were immediately taken up by private investors was helpful in overcoming the hesitation of others and gave confidence to our national banking organisations.

"The interest of Italian investors in fixed revenue securities revived, and our first issue was followed by others made by the Consortium, the Credit Institute for Public Utilities, and by many business houses, so much so that the total issues, including land bonds, made during the year, amount to about 1,500 million lire.

"A notable result, of financial and moral importance, has thus been achieved. Italian investors, unlike those of other countries, are once more turning willingly to debentures, the form of investment which most clearly expresses confidence in the stability of the currency and in steady national economic expansion."

(2) The deposits with the ordinary Savings Banks, which totalled 13,000 million lire at the end of 1926, rose to 13,906.5 million lire at the end of 1927 and to 15,594.4 million lire at the end of last year; the deposits with the Postal Savings Bank moved, at the three above-mentioned dates, from 10,538.5 to 10,058.4 and 10,372.6 million lire respectively.

(3) The following are the indices of the prices of variable dividend securities compiled by Professor Bachi (December, 1927=100):—

1928 January	105.2	1928 May	123.0	1928 September	110.8
" February	105.6	" June	110.0	" October	111.8
" March	105.3	" July	107.4	" November	116.6
" April	115.3	" August	110.0	" December	114.9

Considering the value of securities dealt on term delivery on the Italian Stock Exchanges, on the basis that the amount for December, 1927, was equal to 100, the following are the indices for each month of 1928:— (continued at foot of next page.)

The fluctuations of the lira exchange in 1928 were almost constantly confined within the gold points (1). The main feature consists in a slow but constant tension from the beginning of the year until the autumn, followed by a phase of moderate improvement.

The U.S. Dollar, from the lowest average quotation of 18.89 lire in February, reached the highest rate of 19.12 lire in September, falling back to 19.09 in December. The Pound sterling, from an average of 92.08 lire, reached the highest level of 92.83 in July, ending at 92.65 after 92.57 in November. A similar tendency was displayed by the Swiss and the French francs, the average rates for which moved between 368.11 : 74.75 and 363.40 : 74.25 respectively.

The restricted fluctuations indicate the effects of our currency reform. After more than one year from the adoption of that memorable measure, we are entitled to say that the lira has been able to withstand, not only the less favourable trend of foreign trade and the fall in some of the compensating items of the trade deficit, but also the adverse influence of more unsettled conditions in the international money market (2).

* * * *

The returns of our foreign trade for the year 1928 were less encouraging than in the preceding year. Against imports amounting to 22,041 million lire, exports totalled 14,527 million lire, involving a visible trade deficit of 7,514 million lire. In 1927, the value of imports had been 1,666 million lire less, and the value of exports 1,205 million lire more (3).

Fixed dividend securities.				Variable dividend securities.			
January	470.2	July	261.2	January	209.9	July	112.5
February	506.3	August	160.9	February	192.8	August	53.4
March	625.1	September	95.5	March	157.5	September	103.3
April	297.8	October	211.7	April	226.7	October	167.1
May	378.2	November	155.1	May	416.8	November	244.3
June	310.6	December	169.9	June	202.2	December	202.7

See what is said on page 39 of this report regarding the clearing returns.

It may also be mentioned that at the end of 1928 the paid up capital of Italian Limited Companies amounted altogether to about 45,000 million lire, showing an increase of about 2,700 million lire for the year. In 1927 the increase had been from 40,400 to 42,200 million lire.

(1) Following the Royal Decree of 26th February, 1928, the gold points are fixed against dollars at 19.10 lire for export and 18.90 lire for import.

(2) See page 52 of this Report.

(3) The figures concerning exports are less sure than those concerning imports, since they are less liable to control from the authorities. Some people think that the value of exports should be increased by at least 10 per cent. in order to be nearer the actual mark.

The above figures are not sufficient to indicate the nature of the trade intercourse in 1928, since the conditions of production and traffic were substantially different in the two years under consideration. Throughout the year 1927, the revalorisation of the lira, which culminated in legal stabilisation, affected the manufacturing industries which were pressed by the changes in the price levels to a disposal of their stocks of merchandise out of proportion to their purchases of raw materials; on the other hand, the imports were not affected by the influence of greater needs of foodstuffs, which was felt later, in 1928, owing to the less satisfactory conditions of the home produce.

We find, in fact, that the amount of imported goods, which during the first six months of 1928 remained below that of the corresponding period of 1927, expanded in the second half of the year, rising to about 28 per cent. more than had been recorded for the same period of 1927. On the other hand, the value of exports was subject to a constant reduction in each half-year from the beginning of 1927 until June, 1928, but recovered substantially in the second half of 1928, approaching very closely the total which had been reached in the same period of 1927 (1). In other words, a better tendency is now being shown, which should be maintained in the present year.

Summing up, it may be stated that the amount of the deficit shown by the visible trade balance is the outcome of specially large imports rather than of an exceptional fall in exports. The larger imports were especially due to the following causes: increased needs of foodstuffs, owing to the agricultural year, apart from an increased wheat production, being less favourable to the home grown crops; the replenishment of stocks of raw materials, which

(1) The following are the trade returns (in lire, 00,000 omitted):—

	First Half-year	Second Half-year	Full Year
1927			
Imports	11,826.5	8,548.3	20,374.8
Exports	7,990.0	7,742.0	15,732.0
Deficit	3,836.5	806.3	4,642.8
1928			
Imports	11,106.8	10,934.1	22,040.9
Exports	6,996.3	7,530.7	14,527.0
Deficit	4,110.5	3,403.4	7,513.9

had been reduced in the previous year under the influence of the revalorisation, followed by stabilisation of the currency, resulting in a greater demand and consequently larger purchases of such raw materials after the 1927 depression. However, the increased supplies of the latter indicate an effective recovery of industrial activity in the country. As regards the export trade, the developments must also be attributed to a heavier local consumption of home grown produce at a time when, as already mentioned, a considerable fall occurred in the production of exportable agricultural goods (1).

Moreover, the changes which have taken place with regard to emigration and to the conditions of Italians abroad are affecting an old source of revenue in Italy's international payments. Indirectly, the improvement in the rate of exchange has also had its influence, since the apparent profits derived by people who had payments to make in Italy when the exchange was high have come to cease.

Finally, it must not be overlooked that the fall in emigration, by increasing the home population and its requirements, weighs in the balance of payments abroad, and causes at the same time a gradual reduction of the income derived from the remittances to Italy of the emigrants living abroad.

The present position of the balance of payments may indeed be regarded as the result of a comparative excess of expenditure outside Italy, and to a certain extent of a somewhat too large creation of debt abroad (2). It is likely, however, that some Italian capital investments abroad have not been without effect on the exchange. Thus the outlay has been naturally increased, causing in certain directions an additional burden upon the position of Italy's balance of payments. In order to improve the latter, it is necessary to hold fast to our policy of limitation in the circulation of paper currency and strict curtailment of bank credit, and to hold at a relatively high level the rate for discounts, in order to curtail as far as possible the use of bank credit and avoid inflation.

(1) As compared with 1927, the imports of foodstuffs increased in value last year by about 670 million lire, whereas exports of that kind show a reduction of over 520 million lire. Therefore, the food deficit of the country was increased between 1927 and 1928 by about 1,200 million lire.

(2) Including the 100 million dollars Government loan issued under the auspices of Messrs. Morgan, the total liability for Italian loans abroad up to and including February, 1929, is estimated at a face value aggregating about 375 million dollars.

It is equally necessary to discourage as far as possible the outflow of capital from Italy, where it may be required, and to check any extravagance in expenditure.

It is not an easy matter to ascertain the so-called invisible items of the balance of international payments, but everything leads to the belief that there has not been a growth of assets in recent months sufficient to meet in full the higher deficit arising from the excess of imports over exports of commodities ; therefore, the gap had to be filled by using foreign currencies which had been collected by the Bank, as a temporary cover for the balance remaining to be paid by Italy to foreign countries.

It is well to remember, at this juncture, that a considerable portion of the currencies collected by the Bank, when the lira was stabilised, were purchased using bank notes which it was not desirable should remain in circulation after the changes in the home market caused by the stabilisation. It is known that the State debt, consisting of bank notes, has been paid off especially out of the surplus value of the Bank's reserve, and placing the full burden and responsibility of those notes on the Bank's shoulders ; the latter could not, obviously, be responsible indefinitely for a circulation of notes out of proportion to its normal business requirements (1).

For this reason it was inevitable that a reduction should take place in the amount of foreign currencies which had been collected by the Banca d'Italia, unless, indeed, most unexpected circumstances had altered substantially the conditions of Italy's foreign trade so as to cause an actual considerable surplus in the balance of international payments (2).

Thus may be explained the steady reduction of the reserve which is recorded in the table appearing on page 42 of this Report.

In the same table it will be seen that the ratio of the total reserve at the end of last year was at the rate of about 56 per cent.

(1) On the eve of the currency reform, the debt of the State in respect of notes to the Banca d'Italia was equivalent to 4,227 million lire ; these notes were not backed by banking transactions, and, therefore, circulated purely and simply on behalf of the State, and were in fact an additional paper note circulation for which the bank of issue was liable.

(2) This contingency was contemplated in the Agreements of 5th May, 1928, made between the Finance Minister and the Governor of the Banca d'Italia which were sanctioned by the Royal Decree of 17th June, and which are dealt with on page 29 and following of this Report.

of the Bank's sight liabilities, and considering that the ratio to such liabilities is legally fixed at the rate of 40 per cent., there is still an amount of reserve equal to about 3,000 million lire, which is usable within the legal limits; but it must be understood that the amount of notes in circulation must be strictly regulated, while the use of bank credit needs to be carefully watched.

In this respect, it must also be noted that during the past year the average amount of the Bank's ordinary transactions has been reduced by altogether over 2,000 million lire, and this accounts for the contraction in the circulation of notes, which was also accompanied by a reduction of deposits; it also accounts for the fact that the ratio of reserve remained constantly high in spite of the above mentioned use of foreign currencies in support of the exchange (1).

Industrial Results.

In the year 1928, Italian industry has gone ahead somewhat more speedily and safely on the path of its recovery.

At one year's distance from the legal sanction of the new lira parity, which has guaranteed the industrial economy and eliminated every element of doubt in production arising from the instability of the currency, it can be confirmed that the delicate phase of settling the production in accordance with the new basis of the currency has been almost completely overcome.

By concentrated work, our productive forces have reshaped and refined the efficiency of the plants, constantly and accurately pursuing the object of technical reorganisation and economic soundness of the undertakings. Thus considerable headway has been made by industry, carrying out with laudable speed the reorganisation and better exploitation of the factories, the elimination of the less vital or insufficiently productive concerns, the

(1) An analysis of the Bank's transactions in the past year as compared with 1927 will be found on page 45 and following of this Report. It is not out of place to observe that the reduction in the reserve of foreign currencies during the year, of 1,035 million lire, was accompanied by a reduction of 696.8 million lire in the circulation of notes and a reduction of 615.5 million lire in the amount of current accounts, which caused a corresponding reduction of the available notes at the disposal of the Bank. Altogether, this involves a reduction of 1,312.3 million lire of actual circulating media, to be set against the above-mentioned reduction in the reserve. In any case, he who governs the bank of issue has always been careful to limit the circulation and to regulate the transactions, as is shown in the reports delivered annually at the General Meetings of the Shareholders.

co-ordination and amalgamation of kindred undertakings. In one word, provision has been made for rationalising production in order to reduce costs, adjust price levels to the means of the consumer, and add to the capacity of Italian manufacturers to gain a better position on foreign markets, where international competition is becoming increasingly severe.

The signs of industrial revival which appeared in patches towards the end of 1927 were multiplied in the following year, and whereas during the first six months of 1928 there was still evidence that considerable efforts were required in order to overcome the remnants of the critical phase which was attributed to the revalorisation and stabilisation of the currency, the second half of the year, and particularly the later months, disclosed in certain branches of our manufacturing industries a brighter and keener tendency.

This is proved by what follows: firstly, the considerable expansion of imports of raw materials for manufacturing industries; secondly, the larger number of persons employed (1), in spite of the inevitable cuts in personnel required by the technical and administrative reorganisation of the undertakings; thirdly, the larger *per capita* output; fourthly, the considerable increase in the consumption of electric power; fifthly, the larger capital investments for industrial purposes (2); sixthly, the growth of

(1) According to the estimates made, with wide approximation, by the National Social Insurance Office, the number of persons totally unemployed on 31st December, 1928, was 363,551, as against 414,283 on the 31st December, 1927. The absorption of labour between the two dates appears to be equally distributed among agriculture and manufacturing industries. Much more considerable was the reduction of persons partially unemployed, or otherwise short time workers, the number of which has fallen from 107,964 at the end of 1927 to 27,178 at the end of 1928.

As regards the improved conditions of employment, the following figures, given by the Ministry of National Economy, are of interest. On the 22nd December 1928, in 5,456 registered factories 902,459 persons were employed (of which 149,312 worked overtime) as against 938,035 persons employed in the first week of September, 1926, when these statistical data were first collected.

(2) According to the returns published by the Italian Bankers' Association, at the end of 1928 the share capital of 14,609 Limited Companies amounted to L.44,952,000,000, with an increase, accounting for liquidations, depreciations, etc., of 2,691 million lire over the total recorded at the end of the previous year. In 1927, the increase had been of 1,503 million lire.

railway and sea traffic ; and, finally, the greater stability in the prices of raw materials (1).

Everywhere the work was carried out with order and discipline under the ægis of the new corporative legislation. During the past year, the stipulation and adoption of joint labour contracts on a national basis have been more frequent. Moreover, the formation of syndicates has been extended and strengthened, proving itself an element of cohesion among the various classes of producers.

It is not claimed, however, that every obstacle and trouble should be regarded as finally overcome. If, in certain branches, the improvement appears more definite, in others the revival is slower and less definite. In most cases, the difficulty is that

(1) In the following table, the index numbers of wholesale commodity prices are compared, as usual, for the United States (Labor Bureau), Great Britain (Board of Trade), and Italy (Milan Provincial Economic Council), the latter being calculated in paper currency and in gold, and finally these figures are compared with the index of the cost of living in our country as calculated by the Central Statistical Institute :—

	Wholesale Prices (1913=100)					COST OF LIVING ITALY
	United States (Labor Bureau)	Great Britain (Board of Trade)	ITALY			(1913=100)
			Milan Provincial Economic Council	Official Price of Gold %	Gold index	Average for 87 Cities (Central Statistical Institute,)
December, 1927	139	140.4	482.8	358.98	134.5	534
January, 1928	138.0	141.1	489.9	364.82	134.3	531
February "	138.1	140.3	488.7	364.50	134.1	529
March "	137.5	140.8	490.7	365.28	134.3	522
April "	139.5	142.9	492.7	365.46	134.8	522
May "	141.3	143.6	496.0	366.23	135.4	529
June "	139.8	142.6	493.0	366.90	134.4	533
July "	140.8	141.1	488.1	368.13	132.6	516
August "	141.7	139.3	485.7	368.70	131.7	520
September "	143.4	137.6	487.5	368.97	132.1	526
October "	140.1	137.9	491.9	368.42	133.5	536
November "	138.5	137.9	495.3	368.27	134.5	555
December "	138.5	138.3	496.6	368.33	134.8	564

In Italy, the curve showing paper prices reached its lowest in July, and subsequently resumed a slight rising movement, reaching the level of 496.6 at the end of the year, or an increase of about 3 per cent. over the figure for December, 1927.

The movement is wider in the case of retail prices, since the cost of living in 87 Italian cities at the end of 1928 was 6 per cent. higher than at the end of 1927. The increase of the population was certainly a factor contributing to this result.

the demand for manufactures is not yet in proportion to the possibilities of the relative production; that the consumers do not always appreciate the prices of the manufactured goods in the light of the relative costs of production; while the less happy position of the trading community in many districts, introducing an element of risk, causes the manufacturers to be cautious and damps their spirit of enterprise.

On the whole, however, one cannot disregard the results which have been obtained by patience and hard work during a year which may be considered one of actual consolidation and as paving the way to a further development of the producing power of the Italian manufacturing organisation. The revival of initiative and activity, strongly founded on order and social peace, is an auspice of a healthy future for Italian labour.

Silk.

In 1928, the work of the spinning mills, which was considerably restricted in the first half of the year, owing to the low stocks of cocoons remaining from the previous crop, was not improved with the new crop, which was less favourable than was expected (1), and, therefore, the prices were even higher than in the previous season (2). However, the better returns from the washing basins of the new cocoons caused a reduction in the cost of raw silk. The price of the latter increased during the autumn owing to a larger demand by the national and American weaving trades (3), so that the spinners were able to place their initial production with some profit on their stocking prices. On the other hand, the silk which was obtained from later stockings could not be disposed of at remunerative prices.

The twisting trade was affected by the fall in the demand for silk manufactures.

The weaving trade worked more regularly and actively in the second half of the year.

(1) The 1928 crop of cocoons, according to the most recent reports, is estimated at 52,000,000 kilograms, with a slight increase over the 1927 crop, which aggregated 50,702,000 kilograms. It is reckoned that a minimum of 70 to 75 million kilograms of cocoons is required to occupy all the Italian silk spinning mills for a full year.

(2) The increase in the price of cocoons was generally of about 2 lire per kilogram for live cocoons.

(3) It is reckoned that the United States alone absorbed over two-thirds of the exported silk.

The artificial silk industry made further progress in the past year, though to a lesser degree than in 1927, owing to the increased demand for home consumption, but there was a considerable fall in prices owing to competition among manufacturers (1). As regards exports, there has been a considerable slowing down, which is attributed to the last effects of currency revalorisation and to keener competition from other markets (2).

The process of mixing artificial silk with other textile fibres has been considerably extended.

Wool.

The wool industry, which started the year 1928 in comparative slackness, gradually became more active, and reached almost a normal output in the second half of the year (3).

The combing mills have been busy, also on account of foreign manufacturers. Spinners were busy for woollens and worsteds, and particularly for wastes for lower grade manufactures, and weavers had a fairly good year.

The activity in the hosiery department was increased, while the position as regards piece goods, especially for women's wear, has been rather handicapped by the keen French and German competition, and by the increased use of artificial silk and cotton fabrics.

The home consumption was maintained at a normal level, especially for medium priced goods.

(1) During the past year, there was a further expansion in the world production of artificial silk, which has risen from 135 million kilograms in 1927 to about 170 million kilograms in 1928. The reorganisation of the industry, which has been skilfully carried out by the leading producers (especially by the International Cartel which controls the largest factories) in order to obtain an improvement of the quality and reduced costs, has been keenly stimulated by international competition.

As regards the Italian production, it is estimated that it exceeded by some millions of kilograms the output for 1927, which was about 24 million kilograms. The home consumption of artificial silk is said to have increased by 60 per cent. in the last two years.

(2) The prices of artificial silk yarns have fallen to unprecedented levels. The report of the Directors of the "Snia-Viscosa" on the 1928 Balance Sheet says: "It had been hoped that the limit which had been touched towards the end of 1927 would be the minimum under which it would be impossible to go; unfortunately, various reasons, both local and general, caused a serious competition, unsuspected and unjustified, so that the price of January, 1928, already extremely low, fell to almost absurd levels in December, 1928."

Now there are rumours of probable agreements regarding the price of artificial silk among Courtaulds, Glanzstoff, Snia and La Soie de Châtillon.

(3) The price of raw wool, which remained almost unaltered during the whole season, registered last September considerable falls in the producing countries, and settled down subsequently to slightly higher levels.

The export trade was reduced in the first months of the year, but subsequently revived, and on the whole the finished and semi-manufactured goods exported reached almost the same figure as for the previous year.

Cotton.

The cotton trade had an unfavourable year on account of the difficulty of finding outlets for manufactures, both at home and abroad, with a sufficient margin of profit, and also on account of the large number of insolvencies among home and foreign customers.

Towards the end of the year, however, there was a considerable increase in the demand which, while not causing a rise in the sale prices, contributed to reducing considerably the stocks which had been previously accumulated, and to improving the financial position of the manufacturers.

There has been a steady growth in the employment of artificial silk as a substitute for cotton in the manufacture of the more common types of fabrics, which make the latter accessible to a larger range of consumers.

The exports have been extended in the Balkans, in South America and in Africa, especially for the cheaper goods, and in the Italian colonies the home-made manufactures are gradually replacing foreign products.

Hemp, Flax and Jute.

For the hemp and flax trades, the year 1928 was one of consolidation and restriction. An effort was made to shake off the aftermath of the previous year's depression through a radical sifting of the less productive concerns. The hemp mills worked with some difficulty, in view of the limited demand both for national and foreign consumption, as a result of the economic advantages offered at present by the use of other textile fibres, and the prices of manufactures being not always sufficiently remunerative (1). Towards the end of the year, however, the position showed some slight improvement.

Linen manufacturers were even more limited in their activities, owing to the persistent slackness in the demand.

(1) The price of raw hemp for the normal qualities remained fairly steady around 4,500 to 5,000 lire per metric ton in the Bologna district and 5,500 to 5,700 lire per metric ton in the Naples district.

On the other hand, the jute manufacturers were generally busy, both for the home market and for export, with satisfactory profits. The cost of jute, which was considerably higher at the beginning of the new crop, subsequently fell back to the average price for the year.

Iron, Steel and Engineering.

The iron and steel industries, which started the year 1928 in rather depressed conditions, improved gradually, especially with regard to the production of steel plates and ingots (1). Work was satisfactory and continuous (2), the number of furnaces in action having doubled, and efforts having been made for perfecting the plants and reducing progressively overhead charges. Therefore, the balance sheets for the year were generally good. There has been, however, considerable competition from foreign goods; the prices, which were unsettled, improved in the second half of the year, also in view of the greater demand for iron and steel goods due to the vast plans for public works and land reclamation.

Engineering industries showed mixed results. Railway and electro-mechanic construction, which were fairly active during the first months, were not so busy later in the year. On the other hand, there was a gradual improvement in the work of the industries which are auxiliary to naval construction. However, all the undertakings have been at pains to improve their technical and commercial organisation.

The motor industry, though faced with difficulties in the first months in the placing of their output outside the borders, and with limited demand from the home market, showed subsequently some improvement owing to a revival in the demand following the creation of new types and more perfect vehicles at moderate prices.

The airplane industry was well supplied with orders for the air service. Considerable progress was made last year both as regards engines and bodies, which are gradually replacing the

(1) The steel output for 1928 was 1,962,632 tons, a record figure which compares with 1,594,527 tons in 1927. Also the output of pig-iron was in 1928 considerably higher than in the previous year (507,611 tons in 1928 against 494,705 tons in 1927). The average monthly production of steel plates has risen from 133,272 tons in 1927 to 151,859 tons in 1928.

(2) The number of factories where short-time work was in force was considerably reduced during the year.

foreign machines in the service of the air lines which are being developed under the guidance of the National Government (1).

Naval Construction and Shipping.

The position of the mercantile marine, especially regarding cargo shipping, after having overcome the critical phase of the first six months, in which the depression of freights on the world market had steadily grown, improved very considerably in the second half of the year owing to the greater demand for tonnage (2) (especially for the transport of wheat). Therefore a large proportion of the fleet which was laid up owing to the insufficient remuneration of cargoes, was able to resume service (3).

With regard to passenger shipping also, the year 1928 was not without difficulties, owing to the reduced emigration from Italy and other European countries and the keen competition of foreign

(1) According to expert reports, the Italian production of seaplanes, which has reached a technical supremacy, has great possibilities of development both for the extension of the sea-coast and for the more economical use of seaplanes, which, unlike airplanes, do not require large permanent or improvised landing grounds.

(2) The following are "The Economist's" freight index numbers, based on the average rates prevailing in the year 1913:—

1928 January.....	98.47	1928 August.....	98.17
„ February	94.33	„ September	99.54
„ March	93.17	„ October.....	103.93
„ April	94.59	„ November	110.94
„ May	93.79	„ December.....	113.17
„ June	91.29	1929 January	109.6
„ July	93.73	„ February	106.7

Up to September, the average freights were below pre-war level, whereas it is estimated that the costs of shipping throughout the world have risen anything between 35 and 45 per cent. as compared to pre-war levels.

The above figures will show that the improvement of freights, started in July, increased considerably since last October.

As regards Italy, the average index of freights for coal shipments from the United Kingdom had in 1928 a very similar course, as is shown by the following figures, compiled by the Genoa Provincial Economic Council:—

January.....	80.17	July	76.32
February	79.97	August	77.08
March	74.91	September	80.82
April	74.14	October.....	88.49
May	75.25	November.....	96.05
June	73.14	December.....	96.01

(3) On the 1st January, 1929, the tonnage of ships laid up in Italian ports for economic reasons was 119,242 tons as against 167,873 tons on 1st January, 1928. The highest figure for ships laid up during the year was in August, when the tonnage was 237,841.

It is known that the Italian Mercantile Marine is handicapped as compared with the marines of other countries, owing to the higher costs of fuel.

liners on the principal transatlantic lines (1). On the whole, however, the results for the year were comparatively good.

A further limitation was recorded in the activity of the ship-building industry (2), although there has been fairly regular work in the yards both for naval construction on behalf of commercial shipping and on behalf of the Italian and foreign navies.

Chemical Industry.

The chemical industry, also, had mixed results in 1928, certain branches having fared well and others less favourably. The production of sulphuric acid suffered most of the year from the reduced demand of the industries which use it. As regards perphosphates, the increased orders during the autumn for agricultural purposes have to a great extent made good the reduced activity of the factories in previous months. There has been an increased demand for nitrates, potash and sulphate of copper, the latter being now more largely employed for various cultivations.

The production of dyestuffs was somewhat reduced, while the output of pharmaceutical specialities was handicapped by foreign competition.

Electric Industries.

The production of hydro-electric power was considerably developed in the past year (3), especially in Southern Italy and the Islands (4). This industry has grown very much stronger through the creation of new plants and of new power stations, which ensure a large supply of power for the various manufacturing and

(1) An agreement, which became effective on the 1st July, 1928, for a period of three years, has been recently concluded between the three largest Italian shipping companies with the object of uniting their efforts against foreign competition on the North American and South American lines.

(2) In shipbuilding the development of motor ships was still greater than before as against coal-burning ships, especially for cargo vessels. At the end of 1928, the tonnage under construction in the Italian yards was 9,775 tons for ordinary ships and 65,685 tons for motor ships, the latter mostly devoted to renewals on the subsidised lines.

(3) The increase is more than one-eighth over the 1927 output. The electric power produced by the companies under the control of the National Fascist Union of Electric Industries (representing about 85 per cent. of the total production) reached, in 1928, 8,086 million kilowatt-hours as against 7,238 million kilowatt-hours in 1927. The electric power derived from foreign stations was 224,000 kilowatt-hours in 1928 as against 137,000 in 1927.

(4) A larger increase was recorded in Southern Italy and the Islands, which is due to a wider field of users, following the expansion in the distributing stations.

agricultural appliances (1). The work of the thermic stations has been favoured by the reduced price of fuel (2).

Building Trade.

During the past year, here and there a moderate revival in the building trade was recorded, and this was due to timely provisions for credit facilities and programmes for new construction and alterations of buildings by the State and local authorities. On the other hand, the housing problem is still comparatively acute, especially for the more popular and cheaper dwellings in the towns, the greatest difficulty consisting in finding the necessary capital, which is shy to invest in that branch of industry to an extent sufficient to meet its requirements.

The factories for cement and other building material worked according to the progress of construction. During the first half of the year, activity was slack, but it recovered, especially in the last three months of the year.

Paper.

The paper industry was not altogether satisfactory in the first half of the year, owing partly to the sale prices of the commodity, which, because of the keen competition among the factories, fell below a remunerative level considering the high costs of the raw material (3), and, partly, to numerous failures in the trade.

In the second half of the year, the work in the paper mills increased considerably. On the whole, production was greater than in 1927, and orders having come in regularly, the factories worked without interruption.

Tanning.

The tanning industry, which was rather depressed in the first half of the year, recovered considerably in the second, in view of a greater demand from boot manufacturers and manufacturers of

(1) To the extent of one million kilowatts. Including all existing stations, the total electric power producing capacity is reckoned at the end of 1928 at 3,192,000 kilowatts, as against 2,840,000 at the end of 1927.

(2) According to the figures of the National Fascist Union of Electric Industries, the capital invested in the Italian electric industry between 1921 and 1927 was about 10,000 million lire, and including the capital invested therein prior to 1921 and the sums borrowed abroad in respect thereof, the total investments in the industry aggregate about 18,000 million lire.

(3) Agreements have been made by the paper mills in order better to harmonise the costs of production with the sale prices; the agreements refer particularly to certain kinds of wrapping paper.

other leather goods, which was caused by a certain revival in the consumption of those articles. However, the fall in the price of the raw materials during last October has caused a contraction in the purchases, both of raw and of tanned hides. On the whole, the factories worked almost normally, though with very limited margins of profit.

Milling and Rice.

The condition of the larger flour mills was less favourable in the first half of the year in view of the steady fall in the prices of wheat, which led to the postponement of purchases, awaiting better prices. Subsequently, following the new duties imposed by the Government under the Decree of 12th September, in order to grant to the farmers a return on the wheat more in keeping with the actual cost of production, and also following the repeal of the Government provision requiring that the flour should be sifted at a minimum percentage (1), the position became normal for the mills and conditions improved considerably (2).

With regard to the rice industry the year 1928 was not favourable, the conditions having remained almost as in the previous year and the exports of the commodity having shown no improvement owing to the competition from Spain, Egypt and North America.

Sugar.

For the sugar industry, the year 1928 may be regarded as satisfactory (3). The factories worked at full pressure, (4) in spite of some difficulties relating to the price, which were caused by the competition from Cuba and Java, and especially from the Czechoslovakian dumping.

(1) The customs duty on imported wheat was raised, under the above Decree, from 75 to 110 gold lire per metric ton. The duties on wheat and semolina flour were raised from 115 and 155 to 167.50 and 227.50 gold lire per metric ton.

(2) According to the experts, the regular activity of the larger wheat mills has been and still is hindered by the smaller mills, which are insufficiently organised for a rationally complete exploitation of the grain.

(3) The sugar beet season last year was not entirely favourable from an agricultural point of view, owing to the intense cold, which affected the roots at the most delicate period of their development, and later to the drought which, by preventing a full growth of the beet root, limited the yield of the sown acreage (which was of 115,000 hectares as against 88,000 hectares in 1927) to 2,860,000 tons, while it was estimated that under normal conditions the yield would have been of about 3,350,000 tons. However, the reduced quantity was partly made good by the specially high sugar content of the beet.

(4) The total output of sugar for 1928 is estimated at 340,000 metric tons as against 275,000 metric tons produced in 1927.

It may be recalled that in order to protect the home industry the Decree of 2nd January has raised the import duty on sugar from 24.75 to 36 gold lire per 100 kilograms. (1)

Wine.

Very little change can be recorded in the wine industry for the past year.

The crop of grapes was considerably larger than in the previous year, but in many districts the quality of the wine was poorer. Therefore, in these districts there was a considerable surplus of wines of a very low alcoholic grade, and therefore difficult to preserve, whereas for the better qualities an easy market could be found at constantly remunerative prices.

The exports of ordinary wine show a further set-back in 1928, but on the other hand there has been an improvement in the amount of Vermouth and Italian liqueurs sold abroad.

Agriculture.

The 1928 crops may be regarded as fairly satisfactory, considering the damage caused by the adverse climatic conditions and particularly the drought which set in during the vital part of the season. The farmers resisted with all their might the inclemency of the weather, working deeper into the soil, making larger use of machinery, of chemical manures and of selected seeds. Therefore, some of the cereals which grow in spring and ripen in the summer gave better yields than in the previous year, while other crops, grown in the summer and gathered towards the autumn, were disappointing, owing to the prolonged drought.

The actual production of wheat was 6,221,480 metric tons, with an average of 1.25 tons per hectare, the above total being 900,000 tons more than in the year 1927 and about 500,000 tons more than the average for the five years from 1923 to 1927 (2). Other cereals, including rye, barley and oats, produced altogether about 300,000 tons more than in 1927.

(1) Following an agreement which was concluded under Government auspices among the agricultural, industrial and commercial organisations concerned, benefits were proportionately cut, and the price of sugar has not altered and will not alter during the present season, except for very slight alterations in certain districts of Northern Italy.

(2) The customs returns show that in 1928 the imports of wheat amounted to 2,745,000 metric tons in quantity, valued at 2,956 million lire, as against 2,308,200 metric tons imported in 1927, valued at 3,002 million lire.

On the other hand, maize suffered very grievously from the drought, the total yield for the year being 1,650,840 metric tons, or 570,000 tons less than in 1927. Great credit must be given to the farmers for having used all available technical and economic means in order to prevent the complete drying-up of the plants.

The production of rice was 631,550 metric tons, and it suffered considerable damage, both as regards quality and quantity, owing to heavy storms at the ripening period. The yield was about 65,000 tons less than in 1927, but it slightly exceeded the average for the last five years of 627,620 tons.

The potato crop was poor, about one quarter less than the previous year's, which totalled 1,945,300 metric tons.

Equally poor were the fodder crops (20,266,400 tons), falling by 1,500,000 tons below those of 1927, and 3,200,000 tons below the average for the last five years.

Fruit, excluding chestnuts, was less by 25,000 tons than in 1927. On the other hand, chestnuts increased from 428,030 to 557,850 tons.

The production of hemp (85,740 tons), was considerably higher than in 1927, and was especially favourable in the Neapolitan districts, both as regards quality and quantity.

The amount of grapes gathered for the vintage was 7,496,040 tons against 5,795,800 tons in 1927; but the quality of the wine, as already mentioned, turned out to be very poor in many districts. The vines which resisted better the dry weather were in a position to benefit from the late irregular rains which fell in August and September (1).

Although the final figures are not known, it is believed that the production of olive-oil reached and probably exceeded 1,800,000 hectolitres, exceeding by about 200,000 hectolitres the production for 1927, and almost reaching the average for the last five years of 1,855,000 hectolitres.

According to the reports which have appeared so far, this year's prospects seem to be favourable. The winter wheat sown area of 4,880,400 hectares, together with the area to be sown with spring wheat of about 86,000 hectares, gives a total of 4,966,400 hectares, which exceeds slightly the area sown last year, totalling 4,962,000 hectares.

(1) The larger amount last year was also partly due to an extension of the vine cultivations. In 1928, vineyards planted also with other crops increased by 700 hectares, and specialised vineyards by 16,000 hectares throughout Italy; the largest addition was recorded in Apulia and particularly in the Bari province.

In every part the work is being conducted with zeal, and the farmers, assisted by the technical and financial provisions of the National Government, are making a united effort to increase the production and ensure a higher return to the home land (1). A considerable advantage will result to our foreign trade balance in view of the great bearing upon it of the yield of the home-grown crops.

Legislation.

First of all, attention must be called to the Royal Decree No. 1377 of 17th June, 1928 (2), which sanctioned the Agreement of the 5th May, 1928, between the Royal Treasury and the Bank.

Although the terms of the Agreement have been fully described at the last Extraordinary General Meeting, where they were unanimously approved, it may be useful to review the outstanding features.

After confirming that the Bank is required to hold a reserve in gold or its equivalent equal to not less than 40 per cent. of the notes and all other sight liabilities combined (demand drafts, interest-bearing current accounts and Treasury current accounts), Article 1 lays down that, provided that legal cover is held against the other sight liabilities, if the percentage of the reserve to the notes outstanding should fall below 40 per cent., but not under 30 per cent., an extraordinary tax will be payable on the notes not having regular cover which shall be equal to the full Bank Rate plus one-tenth. For every further 10 per cent. decline in the

(1) Of signal importance for the future development of agriculture is the Decree No. 3134 of 24th December, 1928, by which provision is made for reclaiming all the land which at present is unfit for cultivation. By the above Decree, budget appropriations for the execution of works already approved under previous legislation have been increased, including all that is required for giving a full agricultural value to the national territory. The whole of the works, to be distributed over a period of 14 years, involves an estimated expenditure of 7,300 million lire, of which 4,500 million are to be devoted to the reclamation of swampy land and to irrigation, 1,200 million to other land reclamation, 500 million to the building of houses in the country, and 800 million to the irrigation of the plains. The contribution of the State to the above expenditure is about 3,800 million lire.

To meet the financial requirements, an annual contribution of 500 million lire has been granted for ten years, of which 250 million lire will be supplied by the National Social Insurance Office, 50 million by the National Insurance Institute, and 200 million by the Savings Banks. Moreover, should the annual growth of deposits with the Savings Banks exceed the amount which each is required to contribute, one-half of the surplus shall be equally devoted to mortgage loans connected with the reclamation scheme.

(2) Published in the Official Gazette of the 2nd July, 1928.

proportion between reserve and circulation, the extraordinary tax charged on the uncovered notes will be further increased by 10 per cent. over the prevailing Bank Rate.

So long as the Bank's reserve exceeds the legal ratio of 40 per cent. of its notes and other sight liabilities combined, there is a margin of notes to be issued to the extent that would bring the proportion to 40 per cent. of the total sight liabilities ; but it is obvious that within these margins the note-issuing bank, being the supreme regulator of the market, has the duty of maintaining the circulation of its notes within certain limits, not increasing it beyond the amount that is required to ensure the soundness of the money market (1).

Article 3 provides that the circulation of notes, in so far as it is covered by a reserve to the extent of 40 per cent., is subject to an ordinary circulation tax at the rate of 1.50 per mille per annum ; the latter will be naturally calculated on the half yearly average circulation, deducting the average amount of gold or its equivalent held in the reserve (2).

Under Article 7, the Bank is entitled, when it considers it desirable, to transform into gold a portion of the foreign currencies forming the equivalent reserve : this is in consideration of the excess of foreign balances over gold in the original reserve held by the Bank, when the currency reform was adopted.

Moreover, the Bank is entitled to reduce the amount of notes outstanding, if this should be considered desirable in the general interest of the market, by the sale of part of the foreign currencies held in its reserve.

As regards the advances to the State, all previous conventions and regulations on the subject having been repealed, the Treasury is now only entitled, under Article 4, to obtain from the Bank temporary advances up to a total not exceeding at any time 450 million lire in all, against which interest will be payable to the Bank at the net rate of 2 per cent. per annum.

(1) This policy has been followed by the Bank, as will be seen by what is said in other parts of this Report. It is proved also by the changes in the ratio of reserve to sight liabilities, which was 55.47 per cent. on the 31st December, 1927, rose to 60.72 per cent. on the 10th May, falling to 55.81 per cent. on the 31st December, 1928, and subsequently rising to over 57 per cent.

(2) The same measure and mode of taxation is charged on the circulation of demand drafts to order, issued by the Bank.

The bank notes to be issued against such advances will be, as in the past, exempt from any circulation tax, but will have to be, like the others, covered to the normal extent of 40 per cent. by reserve in gold or its equivalent.

Under the terms of Article 6 the Bank's services on behalf of the Treasury in the Provinces will be performed without requiring the Bank to hold securities in guarantee thereof. Therefore, the Government securities which were held for that purpose have become the free property of the Bank.

The costs involved by the said services shall be equitably divided between the State and the Bank.

As cash fund for the ordinary Treasury services, the Bank will be entitled to hold without interest a sum of 50 million lire, instead of the 30 million lire which were previously required.

Should the Treasury fund be more or less than that figure, interest will be charged on the difference either to the Bank or to the Treasury, at the old rate of $1\frac{1}{2}$ per cent. per annum.

The Treasury balances with the Bank, up to a sum of 300 million lire, will be held in a current account, and as such the balances are subject to a cover of at least 40 per cent. of reserve in gold or its equivalent.

The Treasury, however, is entitled to have also a fixed deposit account, the credit balances of which do not, therefore, require reserve cover.

When the total balances of the State, i.e., the current account and the fixed deposit account, exceed the amount of 500 million lire, on any sum exceeding that figure the Bank will allow interest at the rate of 3 per cent. per annum, which, in fact, does not alter the conditions existing hitherto.

As regards the relations between the Bank and the Istituto di Liquidazioni, Article 9 provides that the terms of the Royal Decree of 27th September, 1923, remain in force ; this Decree enacts that up to the year 1930 inclusive, the annual net profits of the Bank to be distributed both to the Shareholders and to the State will be maintained at the same figure as was distributed for the year 1922, and the surplus, if any, will be set aside against the Bank's credit with the Istituto di Liquidazioni.

Moreover, three-quarters of the yearly proceeds of the new ordinary tax on the circulation of notes, at the rate of $1\frac{1}{2}$ per mille, and, eventually, of the extraordinary tax, will be set aside for the

same object, as was done, prior to the currency reform, with the proceeds of the old extraordinary tax on notes charged at the full Bank Rate.

Safeguarding of Savings.

The necessity of giving effect, through legislative provisions, to the fundamental principles on which credit is based, became increasingly evident with the changes which took place during and after the War in the country's financial position.

The ease with which it was possible to collect deposits at a time of monetary inflation, had caused many banks to crop up which either did not have a sufficient supply of actual capital, or lacked capable management. It had also induced both old and new business concerns to expand recklessly in all directions, creating costly branches with the object of collecting money in the form of bank notes, even by offering high rates of interest, raking them in under every description of fiduciary deposits. Thus in many places large sums of money flowed to banks and bankers which ventured in speculation and tied up capitals, often causing serious trouble and losses to the people who placed faith in them (1).

Under these circumstances, the Royal Decrees No. 1511 of 7th September, 1926, and No. 1830 of 6th November, 1926, could not fail to find a large field of application, notwithstanding that the legislator, being desirous of proceeding by degrees, had confined himself to setting out the more urgent general rules. It was a matter, however, of proceeding on new lines, regulating the collection of deposits and the investment thereof, in order to prevent, as far as possible, damaging consequences.

The Banca d'Italia has performed with care the duties for which it has been called upon and, thanks to its wide organisation, was able to give a practical and efficient form to a task of considerable difficulty. It involved checking the creation of undesirable new concerns, and inopportune expansions ; limiting credits ; submitting to cross-examination the bi-monthly reports and balance sheets ; making inspection, and requiring the concerns to act in accordance with accepted principles ; requesting directors to make numerous

(1) One form of such speculation was the purchase and sale of land due to the desire for large and easy profits, and partly also to distrust in the revalorisation of the currency, and consequently stabilisation made an end to positions which had become difficult and which in many cases were hopeless.

adequate provisions. All this complex and regular action, which started towards the end of 1926, is gathering more and more stability, so as to give the assurance that the control is effective, and that all those who have been proved not to be good administrators of other people's money must be excluded from the banking community.

The credit institutions receiving deposits, which at the present moment are known to the bank of issue, may be divided as follows (1) :—

- 1,466 Joint Stock Banks and Bankers ;
- 291 Savings Banks, Pawnbroking Establishments, Communal Agricultural Banks, etc. ;
- 2,440 Rural Banks and other Co-operative and unlimited Liability Institutions.

The increase of rural banks, as compared to the figure given last year, is due to the addition of 220 smaller concerns acting in the less important districts, whose inscription was traced in the records of the Finance Ministry.

(1) At the end of the last two years, the following was the number of banks recorded :—

	1927	1928
(a) Joint Stock Banks and Bankers.....	1,509	1,560
(b) Savings Banks, Pawnbroking Establishments (Monti di pietà), etc.	326	394
(c) Rural Banks, and other co-operative and unlimited liability institutions.....	2,220	2,455
Total.....	<u>4,055</u>	<u>4,409</u>

showing an increase of 354 concerns, of which 350 were added to the register and four newly formed. But on the other hand, in 1928 : group (a) lost 94 concerns (71 having ceased to collect deposits, 13 for amalgamations and 10 for liquidation) ; group (b) lost 103 concerns (13 having ceased to collect deposits and 90 for amalgamation, required under the Royal Decree No. 269 of the 10th February, 1927) ; and group (c) lost 15 concerns (three having ceased to collect deposits and 12 for liquidation). Therefore, the number of banks receiving deposits increased in 1928 by only 142, as follows :—

	1927	1928	Difference
(a) Joint Stock Banks and Bankers	1,509	1,466	— 43
(b) Savings Banks, Pawnbroking Establishments (Monti di Pietà), etc.	326	291	— 35
(c) Rural Banks, and other co-operative and unlimited liability institutions	2,220	2,440	+ 220
Total.....	<u>4,055</u>	<u>4,197</u>	<u>+ 142</u>

The number of savings banks and other Institutions subject to the control of the Ministry of National Economy appears reduced as compared to 1927, especially as a result of the amalgamations which have taken place in accordance with the Royal Decree No. 269 of 10th February, 1927. In the class of the joint stock banks and bankers, the number is reduced by 43. The net reduction is due to various causes, among which is the fact that 94 concerns ceased to be subject to control, either because they voluntarily gave up holding deposits, or for amalgamation or liquidation, but the tendency in the total number of banks to decrease is better appreciated for the whole period from November, 1926, until the end of last February. Whereas the demands for opening up new banks were only 35 (1), 22 existing banks went into liquidation under judicial arrangement, 55 were wound up and 260 went into voluntary liquidation. The demands for amalgamation granted by the Bank were 114 out of a total of 129.

Summing up, out of 4,197 banks, 491 are being gradually eliminated from the records existing at the Ministry of Finance, and this is an indication of the gradual simplifying of the banking organisation, which is keenly looked for by those who have at heart the safeguarding of savings (2).

The figures relating to the opening of new branches appear considerably lower than those given for last year.

The reduction is due, rather than to the decrease in the number of demands, to the restrictions which have been circulated by the various Ministries since last September.

The last sub-section but one of Article 33 of the regulations relating to the Royal Decree No. 1509 of 29th July, 1927, requires that the Ministry of Finance, after consultation with the bank of

(1) The bank of issue admitted only 12 of such demands.

(2) It seems necessary that the banks, when failed, or requesting an agreement with the creditors, should be immediately cancelled from the register, in order that they may not resume business without submitting to the law regarding new banks, particularly with regard to the amount of capital which is required, otherwise these banks, after having taken advantage of the customers' deposits, might resume their activities undisturbed.

The principle on which the law for the safeguarding of savings is based aims at bringing about uniformity, not only of form but of substance, among the existing banks and those of new formation. Therefore, it is necessary that any grant to carry on a banking business should be subject to ministerial authorisation. This seems the only way to clear the ground of undesirable elements and to prevent the exploiters of failed concerns from eluding the strict regulations applied to newly established banks.

issue, should approve the agricultural credit operations by joint stock, co-operative and other banks which are subject to control under the said Royal Decrees of 7th September and 6th November, 1926. The Banca d'Italia received 212 demands and was able to assent in the case of 136 and turned down 26, while 50 are still under consideration.

The applications with regard to the granting of credits over and above the limits assigned under the terms of Article 16 of the Decree No. 1830 of 6th November, 1926, amounted to 143, involving a total amount of L.137,204,500. The Banca d'Italia, although being inspired by rightful severity in the interest of the controlled concerns, held in due account the justified seasonal needs of various industries, or matters of public interest, and accepted 93 applications involving a sum of L.91,236,064.

Also in 1928 inspections were actively proceeded with. Up to last February, 361 inspections were made, of which 197 were at joint stock and kindred banks, 50 at private bankers and 114 at rural banks. Therefore, up to now, 736 banks have been inspected. All inspections have been performed with tact and care, having consideration for the delicacy of the task.

In many cases, the observations which are made by our inspectors are very effective, since they induce the responsible administrators to correct their errors and go on the right path. The Bank does not fail to report daily on the subject to the Finance Minister, in order to obtain, when necessary, the assistance of the Prefects.

The Royal Decree No. 3183 of 20th December, 1928, contains new rules regarding the bi-monthly return to be presented by banking companies. The return conforms in its main lines with the requirements of Article 177 of the Commercial Law. The form to be used for these returns, which must be produced to the bank of issue, contains almost the same principal items but requires more statistical elements, which are necessary in order to allow our Bank to set out periodically complete banking statistics (1).

(1) In the meantime, it has been possible to draw up a preliminary statistical study with reference to the years 1926 and 1927, on the basis of the available data, while the work is being completed with reference to 1928. Only for 1929 will it be possible to make use of the new elements now required in the returns.

If the results of the above study cannot be considered complete in every respect, owing to the various lines adopted by the different banks in drawing up their balance sheets, they seem, however, sufficient to form an idea of the credit position of the country. The concerns referred to in the study are divided into the following groups :— (continued at foot of next page)

Syndicate for Advances against Industrial Securities.

During the past year, the transactions of the Syndicate were slightly reduced, as will be seen by the following table, showing the amount of the outstanding transactions at the end of the last five years.

(in thousands of lire)

	1924	1925	1926	1927	1928
Advances against Securities	37,975	48,845	47,380	99,484	83,387
Industrial Bills	384,035	371,446	387,100	416,492	441,218
Warrants	824	967	850	—	—
Advances against Goods.....	27,107	21,309	1,955	5,660	7,350
Shipping Credits.....	171,828	168,126	194,673	151,591	103,566
Total.....L.	621,769	610,693	631,958	673,227	635,521

The bills re-discounted by the Syndicate with the Banca d'Italia, which on the 31st December, 1927, amounted to about 548½ million lire, were reduced by about 50 million lire, amounting at the end of 1928 to 499 million lire.

During the past year, the new transactions amounted to 270 million lire, which brings the total transactions of the Syndicate since its inception to 3,562 million lire.

In order to appreciate the soundness of the Syndicate's business, it may be recorded that on an average of 600 million lire of bills in the hands of the Syndicate, 308 million lire were collected in the course of the year.

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- I. Public bodies and kindred institutions.
 - II. Limited and Joint Stock Companies.
 - III. Co-operative Limited Companies.
 - IV. Co-operative Unlimited Liability Companies.
 - V. Agricultural Credit Banks.
 - VI. Savings Banks and Pawnbroking Establishments (Monti di Pietà).
 - VII. Banking firms.

The number of reported banks was 3,783 and 3,779 respectively in 1926 and 1927. The latter figure is considerably below that of the banks known to be in existence in that year, and the difference is due to the fact that many did not respond to the repeated calls of the bank of issue and have omitted, up to now, to register at the Ministry of Finance.

The net profits for the year amounted to 10,427,405 lire which, following the recommendations of the Board, were allocated as follows :—

L.2,349,388 to the Guarantee Fund and
L.8,078,017 to the Shareholders.

The Guarantee Fund, including the further contribution of the Banca d'Italia and the accrued interest on existing securities, has been increased during the year by about $7\frac{1}{2}$ million lire to a total of L.83,708,186.

The Banca d'Italia's share in the Guarantee Fund is thus L.12,993,164, while her share in the capital of the Syndicate is L.18,850,000.

Since the term of life of the Syndicate fixed by law was approaching its end (31st December, 1930), it has been submitted that it would be useful to extend it, and the Government accepting the unanimous vote of the Shareholders issued the Decree No. 2579 of 13th November, 1928, by which the duration of the Syndicate was extended until 31st December, 1940, with the usual period of two years for the final winding up of its outstanding business.

Moreover, in the same Decree, it was enacted that the re-discounting of the Syndicate's bills with the bank of issue should be further gradually reduced, requiring that the maximum limit for such re-discounts, which was 550 million lire on the 31st December, 1927, should be gradually reduced so as not to exceed 400 million lire on 31st December, 1930, 350 million lire on 31st December, 1935, and 300 million lire on 31st December, 1940.

By these enactments, which preserve for the benefit of Italian industry the useful assistance of the Syndicate, which has been invaluable during the fifteen years of its life, the circulation of bank notes on its behalf will be gradually reduced as a result of the progressive decrease of its re-discount with the bank of issue.

In order to meet its financial requirements, the Syndicate will be able to call upon private savings, since the issues of its interest-bearing bonds at fixed maturities have been well received. These bonds will be issued by the Syndicate whenever necessary, at varying interests, and the Syndicate will always be able to avail itself of the services of the Banca d'Italia for placing them satisfactorily.

By the Royal Decree No. 2307 of 4th October, 1928, the authority of the Syndicate for transacting naval credit operations secured by mortgage, has been confirmed, and at the same time the new

“ Institute for Naval Credit ” (1) will be entrusted with those transactions which may be carried out only temporarily in view of their later transfer to same.

Therefore, the Syndicate will be able to continue its assistance to the shipping trade, which at this particular moment of strong competition requires to be supported in order that it may not fall behind other countries where great progress is being made.

Istituto di Liquidazioni.

The credit of the Banca d'Italia with the Istituto di Liquidazioni, which at the end of 1927 amounted to 1,434 million lire, was reduced by the end of 1928 to 1,160 million lire.

The reduction of 274 million lire is due as to 85 million to payments made by the Istituto in respect of realised assets, and as to 189 million lire to the transfer of reserves to the Bank.

In the first months of the present year, a further reduction of 83 million lire was recorded, of which 25 million lire were out of assets and 58 million out of reserves, and a further reduction will take place on the payment of 20 million lire which is the surplus profit of the Banca d'Italia for the year 1928.

Summing up, we may say that the credit of the Banca d'Italia with the Istituto di Liquidazioni is now reduced to 1,057 million lire, and that within the first six months of this year, following a further realisation of assets and accumulation of reserves, it will fall considerably below 1,000 million lire.

Italian National Institute of Exchange.

Throughout the past year, the Italian National Institute of Exchange has performed a useful and satisfactory work by providing the necessary foreign currencies for the Treasury payments outside Italy, for the normal requirements of the Government Departments, for the service of the war debts to Great Britain and the United States of America, and of the Morgan Loan (2).

(1) Which was created by the Royal Decree No. 1817 of the 5th July, 1928, in order to grant special long term loans for the development of the Mercantile Marine.

(2) For the supply of foreign currencies on State account in the period in which the conditions of the market were not favourable, the Institute has largely drawn upon the Banca d'Italia.

Moreover, the Institute, in accordance with the terms of the Convention made with the Finance Ministry on the 31st January, 1927 (1), wound up within the scheduled time outstanding transactions which had been undertaken by the Treasury. The Institute also received for account of the Treasury, against payment of the lira equivalent, the foreign currencies arising from the loans concluded abroad by industrial concerns; it provided public bodies and companies, to which a Treasury guarantee of the exchange rate had been granted, with the necessary currencies to pay interest and redemption on the loans at the respective maturities.

When the accounts between the Treasury and the Institute of Exchange were settled, following the currency stabilisation, it was decided that the Treasury would be paid in advance a portion of the Institute's accumulated reserve, to which it was entitled. Following this payment, the Banca d'Italia, which is entitled to 25 per cent. of the Institute's profits when distributed (Article 9 of the Royal Decree No. 112 of 13th February, 1927), also received its share. The amount has been applied, as required by law, to strengthening the reserve held against the notes outstanding.

Clearing Houses.

The total clearings for the year 1928 amounted to 780,509 million lire, with an increase of 10,923 million lire over 1927. The comparatively slight progress of the past year is, however, more significant considering the monthly figures, which are given below. It will be noticed that from May onwards there has been a steady growth in clearings as compared with the corresponding months of 1927, which indicates a considerable revival of financial activity.

(in million lire)

	1926	1927	1928
January	102,750	71,150	59,919
February	104,200	71,118	57,423
March	125,036	73,903	60,830
April	117,301	70,440	67,203
May	179,900	65,947	74,289
June	95,496	66,881	68,610
July	106,090	60,027	64,392
August	105,730	56,101	58,063
September	110,263	53,213	53,538
October	97,622	59,245	74,729
November	75,533	58,026	71,094
December	77,715	63,535	70,419

(1) Cf. the reports for 1926 pp. 41-44 and for 1927 pp. 34-36.

During the year 1928, the net clearings were 762,243 million lire and the cash paid on balance was 18,266 million lire, or 2.34 per cent. of the total (1).

Capital and Proprietary Reserves.

Following the resolutions of the Extraordinary General Meeting of 18th June, 1928, the capital of the Bank was increased as from the 1st January, 1929, to 500 million lire, divided into 500,000 shares of 1,000 lire nominal, of which 600 were paid up.

As is known, the increase of capital has been carried out by issuing 100,000 new shares subscribed by the Italian Ordinary Savings Bank, *pro rata* of the deposits respectively held and by allotting 100,000 new shares to the existing shareholders in the proportion of one new share for every three held. The Savings Banks have paid, in respect of the shares, 600 lire on account of capital, 200 lire on account of statutory reserve, 175 lire as premium towards the shareholders' special reserve, and 325 lire as additional premium for creating a new extraordinary reserve; altogether 1,300 lire per share. The old shareholders have paid 600 lire in respect of capital and 200 lire in respect of statutory reserve, and the sum required, namely 80 million lire, has been drawn from the special reserve owned by them.

(1) The following are the clearing returns for Bologna, Naples, Turin, Leghorn, Rome, Trieste, Venice, Florence, Genoa, Milan and Padua. The Bologna, Naples and Turin clearings are included as from the year 1925; the Padua clearing house started in 1926 and Leghorn in November, 1927. Padua and Leghorn have only daily clearings, while Venice started monthly clearings in May, 1927.

(in million lire)

Year	Total Returns	Sums Cleared	Cash used	Percentage of cash to clearings
1923	805,742	793,688	12,054	1.48
1924	872,785	854,040	18,745	2.14
1925	1,089,344	1,051,002	38,342	3.52
1926	1,297,636	1,252,550	45,086	3.47
1927	769,586	747,197	22,389	2.90
1928	780,509	762,243	18,266	2.34

In both cases, the amounts due were placed in a special interest-bearing deposit account, one half having been paid on the 29th September and the other half on the 31st December, 1928. The new shares will rank for dividend as from the present year. (1).

From one year to the other we have, therefore, the following changes in the capital and proprietary reserves of the Bank :—

	January, 1928	January, 1929
Authorised Capital.....	L.240,000,000.—	L.500,000,000.—
Paid-up Capital	L.180,000,000.—	L.300,000,000.—
Number of Shares.....	300,000	500,000
Statutory Reserve	L. 48,000,000.—	L.100,000,000.—
Extraordinary Reserve	L. 12,025,412.33	—
New Extraordinary Reserve.....	—	L. 32,500,000.—
Shareholders' Special Reserve (2)	L.150,238,395.94	L. 98,742,753.13

Cash Displacements and Reserve.

The cash turnover in 1928 aggregated 511,000 million lire as against 516,000 million lire in the previous year, of which :—

Receipts	L.257,832,618,139
And Payments	L.253,315,610,505

The reserve held against the notes outstanding and the other sight liabilities of the Bank (demand drafts, interest bearing current accounts, and Treasury current account) included the following items on 31st December, 1928 :—

Gold in hand	5,051.9	45.63%
Other gold assets :				
Balances abroad	4,383.2			
Foreign Treasury Bills	1,635.7			
			6,018.9	54.37%
Total Reserve	11,070.8	100.00

(1) The ordinary Savings Banks which have subscribed the new 100,000 shares have undertaken not to negotiate them for a period of ten years from the date of subscription. Moreover, as from the 1st January, 1929, in accordance with the new Bank statute, the official quotation of the shares on the Stock Exchanges of the Kingdom is for cash delivery only.

(2) The Shareholders' Special Reserve includes at both dates an amount of 46 million lire invested in the Bank's premises.

Since on the same date the total sight liabilities amounted to 19,836.7 million lire, the ratio of reserve to those liabilities was at the rate of 55.81 per cent., and the ratio of the gold holdings alone was 25.46 per cent.

The proportion required by law being at the rate of 40 per cent., the legal minimum of reserve required was thus 7,934.7 million lire, and, therefore, there was a surplus of reserve available equal to 3,136.1 million lire.

The following table shows the changes in the reserve at the end of each month :—

(in lire 00,000 omitted)

	Gold in hand	Other Gold assets		Total Reserve	Total Sight Liabilities to be covered	Ratio of Reserve to Liabilities	Legal Ratio of Reserve (40%)	Surplus Reserve
		Balances Abroad	Foreign Treasury Bills					
1927								
31 December.....	4,547.1	6,695.1	863.7	12,105.9	21,821.9	55.47%	8,728.7	3,377.2
1928								
31 January	4,547.3	6,705.8	863.8	12,116.9	21,131.2	57.34%	8,452.5	3,664.4
29 February	4,547.3	7,063.0	863.8	12,474.1	21,223.2	58.77%	8,489.3	3,984.8
31 March	4,660.5	6,362.5	1,493.1	12,516.1	21,073.4	59.39%	8,429.4	4,086.7
30 April.....	4,772.3	6,245.7	1,493.1	12,511.1	20,788.4	60.18%	8,315.4	4,195.7
31 May	4,884.7	5,796.0	1,493.1	12,173.8	20,555.9	59.22%	8,222.4	3,951.4
30 June	4,924.8	5,468.7	1,682.0	12,075.5	20,591.5	58.64%	8,236.6	3,838.9
31 July	5,001.5	5,200.9	1,681.9	11,884.3	20,838.3	57.03%	8,335.3	3,549.0
31 August	5,001.6	5,061.8	1,682.0	11,745.5	20,459.6	57.41%	8,183.8	3,561.6
30 September	5,051.7	4,628.5	1,965.2	11,645.4	20,337.6	57.26%	8,135.0	3,510.4
31 October	5,051.9	4,065.5	2,059.7	11,177.1	19,855.3	56.29%	7,942.1	3,235.0
30 November	5,051.9	3,932.7	2,059.7	11,044.3	19,576.1	56.42%	7,830.4	3,213.9
31 December.....	5,051.9	4,383.2	1,635.7	11,070.8	19,836.7	55.81%	7,934.7	3,136.1

Now, considering separately the reserve required to provide the legal 40 per cent. cover to customers and Treasury current accounts and demand drafts, and the balance which remains to

cover the notes in circulation, including the gold in hand, the results appearing in the following table will be obtained :—

(in lire 00,000 omitted)

	Notes Outstanding	Reserve against notes			Ratio of Cover %	
		Balances Abroad	Gold in hand	Total	Altogether	Gold alone
1927—31 December....	17,992.2	4,927.0	4,547.1	9,474.1	52.65	25.27
1928—31 January	17,380.7	6,069.4	4,547.3	10,616.7	61.08	26.16
„ 29 February	17,270.3	6,324.8	4,547.3	10,872.1	62.95	26.33
„ 31 March	17,264.8	6,332.6	4,660.5	10,993.1	63.67	26.99
„ 30 April	17,123.8	6,273.0	4,772.3	11,045.3	64.50	27.87
„ 31 May	17,105.0	5,908.8	4,884.7	10,793.5	63.10	28.56
„ 30 June	17,323.5	5,843.6	4,924.8	10,768.4	62.16	28.43
„ 31 July	17,394.5	5,505.4	5,001.5	10,506.9	60.40	28.75
„ 31 August	17,140.3	5,416.1	5,001.6	10,417.7	60.77	29.18
„ 30 September	17,476.2	5,449.2	5,051.7	10,500.9	60.08	28.91
„ 31 October.....	17,235.8	5,077.6	5,051.9	10,129.5	58.77	29.31
„ 30 November....	17,118.6	5,009.5	5,051.9	10,061.4	58.77	29.51
„ 31 December	17,295.4	5,002.4	5,051.9	10,054.3	58.13	29.21
1929—31 January	16,589.5	4,643.1	5,052.1	9,695.2	57.83	30.45

It will be found from the above table that our bank notes have considerably improved the position of their gold backing, which is now over 30 per cent., apart from the cover in foreign currencies, which is equivalent to about 27 per cent.

Between the 1st January, and 31st December, 1928, the total reserve of the Bank has diminished by 1,035.1 million lire, though the gold in hand was increased by 504.8 million lire, while foreign currencies were reduced by 1,539.9 million lire. The reasons for these changes are referred to on page 15 *et seq.* of this report.

The increase of the gold in hand is due, as for 492.7 million lire to the conversion into gold of foreign balances and as for 11.5 million lire to the repayment to the Bank of a portion of the gold

deposited abroad, due by the State. In fact, last September, in accordance with the London Agreement of 27th January, 1926, the Bank of England returned £125,000 of the gold which was deposited there when the War debts were originally concluded (1).

An equal addition to the gold in hand has taken place during the present month, since on the 15th instant a second instalment of £125,000 in gold was to be paid back by the Bank of England.

Deposits.

The turnover of current accounts, namely the debit and credit entries passed in the accounts of our customers during the year, was reduced from 111,866 million lire in 1927 to 91,379 million lire in 1928. The balance of deposits at the end of the year was L.1,525,213,243, or about 753 million lire less than on the 31st December, 1927. The reduction may be attributed to the reduced interest paid by the Bank to its depositors (2).

The average deposits for 1928 were L.2,524,532,609 against 2,147,883,694 in 1927, the highest level having been 3,688 million lire on 20th February, and the lowest 1,525 million lire on 31st December (3).

(1) At the same time, the item "gold deposited abroad due by the State" in the Balance Sheet of the Bank has been reduced from L.1,847,712,567 to L.1,836,187,265.

(2) The reasons which induced the Bank, since autumn 1926, to receive exceptionally at some of its branches deposits from other banks, allowing interest at the rate of 5 per cent., have ceased. The Bank reduced the rate to 4½ per cent. on the 6th March, 1928, to 4 per cent. on the 26th March, 1928, and to 3½ per cent. on the 25th June, 1928, thus allowing the banks the same rate which they allow on their customers' deposits. The following are the normal rates of interest allowed by the Bank on other interest-bearing current accounts since January, 1928 —:

	From 1st Jan.(a)	From 6th Aug.(b)	From 1st Sept.	From 11th Mar.1929
Private customers' A/c.	2.50%	2.0%	2.0%	1.50%
Public bodies A/c.....	3.0%	2.50%	2.25%	2.0%
Banks A/c.	3.50%	3.0%	2.75%	2.50%

(a) Special rate : 0.50 per cent. more.

(b) Since this date special rates were abolished, but public bodies were allowed the same terms as the banks.

(3) The following figures show the changes since the beginning of 1928 :—

31st January	L.1,914.9 million
28th February	L.1,740.5 "
10th March	L.1,703.9 "

Discounts.

The average value of the bills discounted in 1928 was 3,161.6 million lire as against 4,929.1 million lire in 1927: the maximum was reached on 31st December with 3,720.3 million lire, and the minimum on 10th June with 2,823.1 million lire (1).

The above figures include, as usual, the bills re-discounted to the Syndicate for Advances against Industrial Securities which, during the past year, were reduced from 548.4 to 498.9 million lire.

During 1928, the number of bills discounted was 1,257,495, for an aggregate sum of L.12,398,582,972, showing a decrease of 619,903 in the number and L.6,230,783,485 in the amount of the bills, as compared to the previous year.

The above total includes 1,826.8 million lire of bills re-discounted to the Syndicate and 753.7 million lire of discounts to agricultural banks. Outside that figure, bonds and coupons discounted amounted to L.947,000.

Bills discounted below the bank rate were in the proportion of 20.89 per cent. of the total discounts, as against a ratio of 19.97 per cent. for the year 1927.

The average discount rate for 1928 was 5.59 per cent. as compared with 6.78 per cent. in 1927 and 6.83 per cent. in 1926.

The year's discounts can be classified as follows, according to the rate of interest which was charged:—

Discounts at nor-

mal rate.....L. 9,607,518,854 or 77.48 per cent. of total discounts

Discounts below

normal rate (2)

L. 2,580,459,925 or 20.81 „ „ „

Discounts at vari-

ous rates in the

Colonies.....L. 211,550,840 or 1.71 „ „ „

Total.....L.12,399,529,619 100.00

(1) The following are the figures of the discounts from the beginning of the new year:—

31st January L.3,581.0 million

28th February L.3,475.1 „

10th March L.3,439.7 „

(2) The year's discounts under normal rates include re-discounts to the Syndicate for Advances against Industrial Securities, the rate of which was 1½ per cent. below Bank Rate. The total amount of such transactions for 1928 was L.1,826,772,425.

During the past year, the Bank Rate remained at 7 per cent. until the 4th March. On the 5th March it was reduced to $6\frac{1}{2}$ per cent., on the 1st April to 6 per cent. and on the 25th June to $5\frac{1}{2}$ per cent. In the present year, 1929, the rate was again raised to 6 per cent. on 7th January and to 7 per cent. on 14th March.

Advances.

In 1928, the total advances against securities granted by the Bank amounted altogether to L.16,568,076,117, with a reduction of 714,721,054 as compared with 1927.

The above figures include, in addition to L.2,007,000 loaned to the Real Estate Mortgage Office of the former National Bank, special advances granted to the Banco di Napoli and the Banco di Sicilia totalling 2,138.8 million lire, under the provisions contained in the Royal Decree of 6th May, 1926 (1).

The deferred payments at the Clearing Houses are entered separately and do not figure among the above assets.

The average advances outstanding for 1928 were L.1,208,170,771, as against L.1,581,550,712 in 1927; the highest level was reached on 31st October with 2,028.1 million lire and the lowest on the 10th March with 702.3 million lire. The amount outstanding at the end of the year was 1,761.9 million lire, as against 1,604.5 million lire on 31st December, 1927 (2).

Summary of the Bank's Credit Operations.

The following table shows the average discounts, advances, deferred payments at the Clearing Houses, and balances owing to the Bank by the Istituto di Liquidazioni, for the last decade :—

(1) Under the terms of the said Decree, the two banks will be entitled until 31st December, 1930, to apply to the Banca d'Italia for the re-discount of bills and for advances against Government securities at special rates, for amounts not exceeding altogether, at any time, 350 million lire in the case of the Banco di Napoli and 200 million lire in the case of the Banco di Sicilia.

(2) The following are the figures of advances for the present year :—

31st January	L.1,228.6 million
28th February	L.1,730.2 „
10th March	L.1,584.1 „

(in lire, 00,000 omitted.)

YEARS	Inland Bills	Advances	Deferred Payments at Clearing Houses	Total	Credit with Istituto di Liquidazioni formerly Sp. Ind. Sec. of Synd. for Ad. ag. Ind. Sec.	Grand Total
1919	862.5	782.0	86.2	1,730.7	—	1,730.7
1920	2,423.6	2,079.4	244.0	4,747.0	—	4,747.0
1921	3,189.3	2,401.1	261.3	5,851.7	—	5,851.7
1922	4,440.7	2,841.3	201.7	7,483.7	—	7,483.7
1923	4,954.4	2,162.2	300.4	7,417.0	—	7,417.0
1924	3,254.1	2,056.6	262.4	5,573.1	3,049.4	8,622.5
1925	4,390.3	2,699.0	313.2	7,402.5	2,854.3	10,256.8
1926	5,325.0	2,897.9	324.0	8,546.9	2,614.1	11,161.0
1927	4,929.1	1,581.5	130.6	6,641.2	2,484.9	9,126.1
1928	3,161.6	1,208.2	98.7	4,468.5	1,256.7	5,725.2

It will be useful to recapitulate the figures of the above transactions at the end of each month of the past year.

(in lire, 00,000 omitted)

	Inland Bills			Advances	Deferred Payments at Clearing Houses	Total	Credit with Istituto di Liquidazioni	Grand Total
	Bills Discounted	Bills Re-discounted to Syndicate for advances against Industrial Securities	Total Bills					
1927								
31 December	3,261.1	548.4	3,809.5	1,604.5	106.1	5,520.1	1,433.8	6,953.9
1928								
31 January	2,974.1	545.4	3,519.5	836.0	96.3	4,451.8	1,331.1	5,782.9
29 February	2,748.0	543.1	3,291.1	761.6	54.0	4,106.7	1,300.0	5,406.7
31 March ...	2,596.1	537.9	3,134.0	719.0	64.1	3,917.1	1,278.5	5,195.6
30 April	2,519.6	544.4	3,064.0	1,002.0	68.0	4,134.0	1,259.9	5,393.9
31 May	2,395.5	541.0	2,936.5	1,044.3	93.5	4,074.3	1,256.3	5,330.6
30 June	2,470.7	534.5	3,005.2	1,792.6	150.4	4,948.2	1,253.0	6,201.2
31 July	2,365.4	533.4	2,998.8	1,395.9	91.6	4,486.3	1,237.1	5,723.4
31 August ...	2,482.5	531.1	3,013.6	1,626.9	82.6	4,723.1	1,237.1	5,960.2
30 September	2,487.1	531.4	3,018.5	1,395.4	95.5	4,509.4	1,237.1	5,746.5
31 October...	2,652.5	517.8	3,170.3	2,028.1	183.2	5,381.6	1,227.0	6,608.6
30 November	2,881.5	519.0	3,400.5	1,440.3	131.6	4,972.4	1,224.9	6,197.3
31 December	3,221.3	499.0	3,720.3	1,761.9	173.7	5,655.9	1,160.0	6,815.9

It will be seen that the normal assets of the Bank, including discounts, advances and deferred payments of the Clearing Houses, amounted on 31st December, 1928, to 5,655.9 million lire as against 5,520.1 million lire on 31st December, 1927, or an increase of 135.8 million lire. The above increase occurred at the end of the year, to meet ordinary and extraordinary needs of the market, which grew steadily in the last quarter. In the previous months, particularly during the first half of the year, the normal transactions of the Bank were considerably below the figures for the corresponding months of 1927.

Circulation.

The circulation of notes averaged in 1928 L.17,154,051,600 as against an average for the previous year of L.17,710,752,900, showing a reduction of 556.7 million lire.

The average notes outstanding for the two halves of the year were below the 1927 figures by 432.6 million lire in the first half and by 552.7 million lire in the second half of the year.

The highest level of the note circulation was reached on 10th January with a total of 17,775.6 million lire, the lowest on 20th December with 16,817.7 million lire.

On 31st December, 1928, the total amount of notes outstanding was 17,295.4 million lire, as against 17,992.2 million lire on 31st December, 1927.

The following table shows the average monthly amount of notes in circulation for the last eight years(1) :—

(in lire, 00,000 omitted)

Months	1921	1922	1923	1924	1925	1926	1927	1928
January	15,038.9	14,609.1	13,537.0	12,485.3	13,667.2	14,761.9	14,206.4	17,469.5
February ...	14,637.6	14,173.0	13,158.6	12,307.7	13,407.9	14,247.5	13,929.0	17,145.6
March	14,466.9	13,955.1	12,971.7	12,382.0	13,477.9	14,207.4	13,795.1	17,129.7
April	14,115.5	13,709.6	12,720.1	12,610.0	13,634.5	14,166.8	13,714.8	17,074.6
May	13,803.9	13,328.3	12,236.5	12,366.1	13,648.7	13,783.3	13,525.5	16,977.1
June	13,729.0	13,599.5	12,509.5	12,831.9	14,288.1	13,965.4	13,633.0	17,103.6
July	13,934.7	14,056.8	13,115.7	13,234.6	15,102.8	14,295.2	13,947.4	17,372.5
August	13,813.9	13,844.3	12,920.7	13,211.1	15,257.7	14,319.4	13,921.6	17,145.1
September ...	14,098.4	13,799.8	12,835.0	13,310.9	15,226.8	14,278.8	14,045.1	17,228.1
October	14,295.1	14,070.8	12,950.9	13,788.9	15,353.1	14,482.5	14,174.4	17,138.7
November ...	14,015.5	14,042.5	12,736.8	13,842.7	15,187.0	14,420.1	14,181.4	17,019.2
December ...	13,954.7	13,769.9	12,645.1	13,762.8	15,023.1	14,337.6	14,070.7	17,044.5

(1) It should be noted that under the rules governing the circulation, from July, 1926, until the end of 1927, the figures above-mentioned refer to the notes of the Banca d'Italia alone, in spite of the absorption which had already taken place of the notes issued by the Banco di Napoli and the Banco di Sicilia, amounting to L.3,782,044,500.

and below are shown the figures of the total notes outstanding at the end of each month from the 31st December, 1927, to the 31st December, 1928: (00,000 omitted)

1927—31 December.....	L.17,992.2
1928—31 January	„ 17,380.7
„ 29 February	„ 17,270.3
„ 31 March	„ 17,264.8
„ 30 April.....	„ 17,123.8
„ 31 May	„ 17,105.0
„ 30 June	„ 17,323.5
„ 31 July	„ 17,394.5
„ 31 August	„ 17,140.3
„ 30 September	„ 17,476.2
„ 31 October.....	„ 17,235.8
„ 30 November	„ 17,118.6
„ 31 December.....	„ 17,295.4 (1)

Moreover, the following table will show the amount of demand drafts issued by the Bank and private and public deposits at the end of each month in the past year:—

(in lire 00,000 omitted)

	Demand Drafts	Deposits	Treasury Balances			TOTAL
			Current Account	Fixed Deposit Account	Deposit Account in respect of interest due to Istituto di Liquidazioni	
1927—31 December	657.3	2,278.6	1,105.7	—	—	4,041.6
1928—31 January	659.3	2,976.7	114.5	—	—	3,750.5
„ 29 February.....	583.4	3,069.5	352.2	—	—	4,005.1
„ 31 March	604.6	3,022.5	181.5	—	—	3,808.6
„ 30 April	738.7	2,625.9	300.0	653.8	—	4,318.4
„ 31 May.....	701.2	2,449.7	300.0	648.1	—	4,099.0
„ 30 June	618.6	2,349.3	300.0	1,221.9	—	4,489.8
„ 31 July.....	600.0	2,677.4	166.4	—	—	3,443.8
„ 31 August	578.3	2,440.9	300.0	404.8	—	3,724.0
„ 30 September	550.6	2,010.8	300.0	204.3	—	3,065.7
„ 31 October	596.8	1,722.7	300.0	968.7	—	3,588.2
„ 30 November	554.1	1,603.4	300.0	834.7	40.0	3,332.2
„ 31 December	716.1	1,525.2	300.0	824.8	60.0	3,426.1

(1) The following are the figures of the notes outstanding in the present year:—

31st January	L.16,589.5 million.
28th February	L.16,197.3 „
10th March	L.16,060.1 „

It will be found that in the course of the year the Bank lost altogether 615.5 million lire of those means of payment at its disposal besides the note issue. Other deposits fell by 753.4 million lire against an increase of 79.1 million lire in public deposits and 58.8 million lire in demand drafts.

Foreign Business.

At the end of 1928, the Bank's credit in respect of bills and balances abroad was L.5,649,005,065 against L.7,206,845,062 on the 31st December, 1927, or a reduction of L.1,557,839,997.

The above figure of.....	L.5,649,005,065
included	L. 37,414,445
in respect of bills and balances abroad not included in the reserve, and.....	L.5,611,590,620
in respect of balances abroad and foreign Treasury bills included in the reserve.	

The reduction in the twelve months by 1,557.8 million lire is due as to 504.8 million lire to gold purchased by which an equivalent amount of credits have been replaced in the Bank's reserve. The balance is in respect of sales of foreign currencies to the market to meet liabilities abroad (1.)

The following exchange tables will show: (a) the monthly highest, lowest and average rates on London, New York, Switzerland, Paris and gold lire; and (b) the quotations of the leading European currencies in New York at the end of each month:—

(1) As was mentioned in the Report for the year 1927, (pp. 28 and 29,) prior to the currency reform the Banca d'Italia obtained two credits abroad, viz.: a Central Banks credit of 75 million dollars and a credit of 50 million dollars opened by Messrs. J. P. Morgan & Co., and other private bankers, for the duration of one year until the 20th December ult., with the option of renewal for a further twelve months under terms to be agreed three months before maturity. The Bank, never having required to make use of those credits, did not deem it desirable to apply for a renewal.

Lira exchange rates on London, New York, Switzerland, Paris and Gold (a)

(Lire to £1, to \$1, to 100 Swiss Francs, to 100 French Francs and to 100 old Gold Lire.)

MONTH	LONDON			NEW YORK			SWITZERLAND			PARIS			GOLD		
	Highest	Lowest	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest	Lowest	Average
December ...1924	113.22	106.64	109.22	23.92	23.00	23.27	465.91	444.14	450.80	129.30	124.12	125.65	461.58	443.79	449.07
„ ...1925	120.46	119.95	120.18	24.85	24.78	24.80	479.18	477.70	478.76	98.92	89.15	92.86	479.49	478.08	478.54
„1926	114.23	106.12	109.19	23.50	21.81	22.52	453.50	420.64	434.88	91.53	85.70	88.85	453.38	424.77	434.45
January ...1927	114.98	108.21	111.91	23.70	22.29	23.08	457.33	430.31	444.46	93.90	88.21	91.34	457.30	430.00	445.35
February ... „	113.91	109.92	112.29	23.49	22.64	23.16	451.82	435.18	445.08	92.26	88.84	90.90	453.22	436.92	446.84
March „	111.96	105.38	107.82	22.91	21.73	22.22	440.76	417.25	427.15	89.69	85.04	86.98	442.05	419.19	428.67
April „	103.91	86.30	97.04	21.38	17.75	20.00	413.00	341.00	384.28	83.75	69.52	78.31	412.61	342.55	385.87
May „	94.78	88.28	90.04	19.52	18.17	18.54	374.54	349.49	356.33	76.46	71.22	72.63	376.61	350.60	357.83
June „	88.35	83.74	87.09	18.17	17.25	17.94	349.78	331.71	344.83	71.25	67.44	70.24	350.54	332.77	346.07
July „	89.43	87.67	89.04	18.42	18.05	18.34	354.16	347.22	352.74	72.13	70.69	71.78	355.50	348.30	353.81
August „	89.86	89.24	89.33	18.47	18.34	18.38	356.66	353.87	354.26	72.40	71.92	72.02	356.46	353.80	354.68
September ... „	89.64	89.14	89.36	18.45	18.31	18.38	355.55	353.06	354.25	72.28	71.87	72.07	355.96	353.32	354.55
October „	89.19	88.62	89.11	18.32	18.19	18.29	353.25	352.06	352.91	71.95	71.50	71.84	353.43	350.94	352.98
November ... „	89.75	89.13	89.52	18.43	18.29	18.37	355.12	352.89	354.18	72.38	71.85	72.18	355.53	352.93	354.40
December	92.60	89.88	90.83	18.99	18.42	18.60	367.05	355.18	359.34	74.66	72.49	73.26	366.40	355.38	358.98
January.....1928	92.38	92.05	92.18	18.93	18.89	18.91	365.45	363.35	364.33	74.50	74.23	74.35	365.22	364.49	364.82
February ... „	92.21	91.95	92.08	18.91	18.87	18.89	363.90	363.04	363.40	74.36	74.15	74.25	364.97	364.18	364.48
March..... „	92.45	92.23	92.38	18.97	18.90	18.93	364.72	363.95	364.56	74.55	74.37	74.50	365.70	364.64	365.28
April „	92.68	92.41	92.53	18.99	18.92	18.95	366.00	364.71	365.28	74.75	74.52	74.62	366.51	365.14	365.72
May „	92.71	92.61	92.67	18.99	18.97	18.98	366.10	365.76	365.90	74.77	74.70	74.73	366.49	366.13	366.30
June „	92.91	92.68	92.78	19.04	18.98	19.01	367.09	365.90	366.48	74.85	74.63	74.75	367.42	366.22	366.80
July „	92.90	92.76	92.83	19.11	19.03	19.08	368.10	366.82	367.62	74.83	74.70	74.75	368.73	367.29	368.19
August „	92.84	92.53	92.71	19.12	19.07	19.10	368.18	367.41	367.88	74.84	74.48	74.66	368.98	368.37	368.62
September ... „	92.81	92.68	92.75	19.14	19.10	19.12	368.42	367.81	368.11	74.81	74.57	74.69	369.27	368.48	368.94
October „	92.80	92.51	92.62	19.14	19.08	19.10	368.40	367.23	367.60	74.84	74.54	74.62	369.35	368.08	368.44
November ... „	92.60	92.53	92.57	19.09	19.08	19.09	367.73	367.41	367.52	74.62	74.55	74.59	368.29	368.21	368.28
December ... „	92.73	92.59	92.65	19.09	19.09	19.09	368.75	367.79	368.05	74.78	74.60	74.67	368.39	368.29	368.32

(a) From the average rates published by the Ministry of National Economy and in the Official Gazette.

New York Rates on :

Date	Italy	Paris	Belgium	Switzerland	Spain	Amsterdam	London	Berlin
	Dollars to 100 lire	Dollars to 100 Francs	Dollars to 100 Francs & 100 Belgas	Dollars to 100 Francs	Dollars to 100 Pesetas	Dollars to 100 Guilders	Dollars to the £	Dollars to 100 Reichsmarks
<i>Par of exchange</i>	19.30 21st Dec. 1927 5.26	19.30 25th June 1928 3.92	19.30 1928 13.90	19.30	19.30	40.20	4.8665	23.82
1924 31 December...	4.25	5.43	4.99	19.48	13.98	40.52	4.73	—
1925 31 December...	4.04	3.75	4.52 $\frac{1}{4}$	19.335	14.13	40.25	4.85 $\frac{3}{16}$	23.81
1926 31 December...	4.495	3.945	13.93	19.38	15.31	40.02	4.85 $\frac{5}{16}$	23.83
1927 31 December...	5.28 $\frac{1}{2}$	3.93 $\frac{5}{8}$	13.99	19.31	16.93	40.435	4.88 $\frac{1}{4}$	23.88
1928 31 January.....	5.29 $\frac{3}{8}$	3.92 $\frac{7}{8}$	13.92 $\frac{1}{2}$	19.24 $\frac{1}{4}$	16.98	40.31	4.87 $\frac{1}{8}$	23.82 $\frac{1}{2}$
29 February ...	5.29 $\frac{1}{4}$	3.93 $\frac{1}{2}$	13.93 $\frac{1}{2}$	19.25 $\frac{1}{2}$	16.89	40.24	4.87 $\frac{15}{16}$	23.86
31 March	5.28 $\frac{3}{8}$	3.93 $\frac{3}{8}$	13.96 $\frac{1}{2}$	19.26 $\frac{1}{2}$	16.84	40.28	4.88 $\frac{3}{16}$	23.89 $\frac{1}{2}$
30 April	5.26 $\frac{7}{8}$	3.93 $\frac{1}{2}$	13.97	19.27	16.67	40.31	4.87 $\frac{15}{16}$	23.89 $\frac{1}{2}$
31 May	5.27 $\frac{1}{8}$	3.93 $\frac{7}{8}$	13.95	19.27 $\frac{3}{4}$	16.72	40.37 $\frac{1}{2}$	4.88 $\frac{13}{32}$	23.92 $\frac{3}{4}$
30 June	5.26 $\frac{1}{8}$	3.92 $\frac{7}{8}$	13.97	19.28	16.51	40.30	4.87 $\frac{11}{16}$	23.87 $\frac{1}{4}$
31 July	5.23 $\frac{3}{8}$	3.91 $\frac{1}{2}$	13.92	19.25 $\frac{1}{2}$	16.45	40.19 $\frac{1}{2}$	4.85 $\frac{5}{8}$	23.85
31 August	5.24	3.90 $\frac{1}{2}$	13.91	19.25 $\frac{1}{2}$	16.60 $\frac{1}{2}$	40.09	4.85 $\frac{9}{16}$	23.81
30 September...	5.23	3.91	13.90	19.24 $\frac{1}{4}$	16.47 $\frac{1}{2}$	40.11	4.85	23.81 $\frac{1}{2}$
31 October.....	5.23 $\frac{3}{4}$	3.90 $\frac{5}{8}$	13.90	19.24 $\frac{1}{4}$	16.12	40.10	4.84 $\frac{13}{16}$	23.80 $\frac{1}{2}$
30 November...	5.24	3.90 $\frac{7}{8}$	13.91	19.26 $\frac{3}{4}$	16.12	40.17 $\frac{1}{2}$	4.85 $\frac{1}{8}$	23.82
31 December...	5.24	3.91 $\frac{1}{4}$	13.91 $\frac{1}{2}$	19.27	16.32	40.17 $\frac{1}{2}$	4.85 $\frac{5}{16}$	23.81 $\frac{1}{2}$
1929 31 January.....	5.23 $\frac{1}{2}$	3.90 $\frac{3}{4}$	13.90	19.23 $\frac{1}{2}$	16.02	40.05	4.87 $\frac{27}{32}$	23.72 $\frac{1}{2}$
28 February ...	5.23 $\frac{3}{4}$	3.90 $\frac{1}{2}$	13.89	19.23 $\frac{1}{8}$	15.30	40.05	4.85 $\frac{1}{4}$	23.73
31 March.....	5.235	3.90 $\frac{1}{2}$	13.885	19.23 $\frac{1}{4}$	15.36	40.04 $\frac{3}{4}$	4.85 $\frac{7}{32}$	23.72 $\frac{1}{2}$

Examining the quotations of the various currencies in New York, it will be seen that the lira, from the highest level of 5.29 $\frac{3}{8}$ cents at the end of January, steadily declined to a minimum of 5.23 cents in September, recovering substantially in the following months. The French and Belgian francs also lost ground after midsummer. Equally, the pound sterling, from the highest level of 4.88 $\frac{13}{32}$ in May, fell to 4.84 $\frac{13}{16}$ in October. The same applies to the Dutch and Swiss exchanges. On the other hand, a different tendency was displayed by the German mark, through the abundant short credits granted by foreign countries to Germany, attracted

by the high rates of interest offered on such forms of investment. The Spanish peseta was subject to wide fluctuations, and this was due to the peculiar position of that currency, which remains still to be stabilised and, therefore, is largely influenced by speculation.

From the above brief remarks it will appear that the trend of the Italian exchange was not peculiar to Italy alone, but was common to most of the European exchanges on the United States. It may be said that the fundamental cause for this condition is the change in the monetary and credit policy in the United States which took place towards the middle of last year (1). This change aimed firstly at reducing gold exports by raising progressively discount rates (2) and checking thereby any reduction in the gold reserves on which the United States credit organisation is based (3), and secondly, it aimed at checking, by restricting credit and reducing the available balances, the heavy Stock Exchange speculation. The latter, in the past year, caused money rates in the open market to reach an unusually high level, as will be seen by the following table, where the average New York call money rates are recorded for each month in 1927 and 1928. The comparison shows the very considerable rise of the call money rates from one year to the other. The rates did not fall, in fact they rose further in spite of the measures taken by the Federal Reserve Board authorities (4).

(1) In the second half of the year 1927 the Federal Reserve Banks had been keen to maintain easy money rates in order to enhance the trade and industrial activity of the United States, and at the same time assist the monetary settlements of Europe.

(2) The New York Federal Reserve Bank's re-discount rate was raised from 4 per cent. to $4\frac{1}{2}$ per cent. on the 18th May and from $4\frac{1}{2}$ per cent. to 5 per cent. on the 13th July.

(3) The process of re-distribution of gold from America to Europe, to which the United States have given the largest contribution, is one of the most striking features of the world money market in 1928. During the past year the net exports of gold from the United States, including the amounts earmarked but not actually shipped, on behalf of foreign countries, amounted to 392 million dollars, whereas in 1927 there was a surplus of imports of 6 million dollars. The largest proportion of the gold shipments were to the Bank of France and to the Reichsbank.

(4) According to the London "Times" of 19th March, 1929, "It is not the level of re-discount rates in the United States which menaces the foreign exchanges and the gold stocks of other banks, but the high level of rates in the open market—namely, moneys which are outside the control of the Federal Reserve system."

	1927	1928		1927	1928
January	4.26	4.17	July	3.925	5.90
February	4.05	4.33	August	3.65	6.895
March	4.15	4.47	September	3.83	7.45
April	4.225	5.04	October	3.86	7.14
May	4.26	5.70	November	3.60	6.81
June	4.25	6.48	December	4.43	8.825

It is obvious that while the rates for short-term credit on the other side of the Atlantic remain considerably above those prevailing in Europe, capital will be drained from the old Continent (1), seriously affecting the exchange rates.

Securities owned by the Bank.

The Securities owned by the Bank on the 31st December, 1928, amounted to L.1,080,356,800 consisting of the following:—

(a) Free Fund	L.306,763,840
(b) Securities formerly in the guarantee fund for Treasury services, so far unreleased	L. 84,678,570
(c) Statutory Reserve Investment Fund	L. 7,475,190
(d) Other Funds	L. 4,471,200
(e) Securities transferred to the Bank from the reserve of the Istituto di Liquidazioni in settlement of the latter's liability under Art. 3 of the Royal Decree No. 1832 of 6th November, 1926 (2)	L.676,968,000

(1) Of the three categories of loans to brokers and dealers in securities made by reporting member banks to the New York Federal Reserve Bank, *i.e.*, "for own account," "for account of corresponding banks" and "for account of others," the latter shows the greatest rise. Out of 1,572 million dollars by which such loans were increased between December, 1927, and December, 1928, not less than 1,334 million dollars appear in the third group, which includes also foreign capital. (See Federal Reserve Bulletin of January, 1929, page 17.)

(2) As will be seen later in this Report (page 56), the interest on these securities is not included among the profits of the Bank, but is applied to further reduction of the Bank's credit with the Istituto di Liquidazioni.

Moreover, at the end of the year, the Bank held the following securities :

(i) Investment of Extraordinary Reserve	L. 8,245,000
(ii) Investment of Shareholders' Special Reserve	L. 35,206,440
(iii) Investment of Employees' Pension Fund	L. 143,350,390

Profits.

The gross profits for the year 1928 amounted to L.462,035,281 or a decrease from 1927 of..... L.103,709,629

The profits of the branches fell from..... L.459,872,159 in 1927 to..... L.266,143,977

in 1928, but on the other hand the profits of the Head Office increased from..... L.105,872,752 to L.195,891,304

The income from discounts was L.174,929,178, or over 131 million lire less than in 1927, which is due both to the reduced discount rate and to a decrease in the amount of discounts.

The amount of bills carried forward from last year's balance is L.29,297,979, as against L.37,629,543 carried forward in the previous year.

Advances yielded a profit of L.71,570,069, or over 63 million lire less than in 1927. Here also the reduction is due to the lower interest charged and to the smaller amounts of advances.

The interest from deferred payments at the Clearing Houses was reduced to L.5,597,560 as against L.9,275,812 in the previous year.

The profits from foreign business increased from L.11,724,061 in 1927 to L.97,070,987 in 1928 : it is unnecessary to say that the increase was derived from the Bank's balances abroad and foreign Treasury bills included in the reserve, after deduction of the part of the proceeds thereof payable to the State (1).

(1) As is also mentioned in the Report to the Extraordinary General Meeting of last June, the Treasury is entitled : (a) to the full proceeds from the investment of a sum equal to the 90 million dollars (Morgan Loan) which were handed to the Bank against cancellation of an equivalent amount of the State debt, since the above proceeds are devoted to the service of the loan by which that sum was obtained ; and (b) until the 31st December, 1930, to one-half of the net proceeds from the investment of other currencies equivalent to gold, which were received by the Bank when stabilisation took place.

For last year, the amount paid to the State was L.55,557,932 in respect of the proceeds of the above 90 million dollars, and L.89,300,617 in respect of one-half of the proceeds from other reserve investments ; or altogether, L.144,878,549.

Other services, including commissions, accounted for L.37,370,809 as against L.37,041,447 in 1927.

The interest on investments amounted altogether to L.38,890,654, of which L.29,505,462 were in respect of Government securities. The previous year's figures were 38.1 million lire and 29.4 million lire respectively. It should be noted that the interest on the Government securities handed to the Bank in accordance with Article 3 of the Royal Decree No. 1832 of 6th November, 1926, do not figure in the above, since the interest thereof must be set aside against the Bank's credit with the Istituto di Liquidazioni.

Moreover, the following items must be added to the profits for the year 1928 :—

- (a) the sum of 25 million lire written off against bad and doubtful assets by the resolution of our last General Meeting.
- (b) L.2,905,690, being the amount of the circulation tax on the notes outstanding on behalf of the Istituto di Liquidazioni, repayable by the latter.
- (c) L.109,011 repaid by the said Istituto in respect of interest allowed to the Treasury on its special deposit account, covering the interest payable by the State to the Istituto di Liquidazioni.

Expenditure and Taxes.

The total expenditure amounted in 1928 to L.507,626,116 or a decrease from 1927 of..... L.102,957,272

Administration expenses, including the Treasury services, accounted for L.103,637,350, exceeding by about 3½ million lire the previous year's total. The Treasury services alone, at L.25,500,283, were higher by about 1.3 million lire.

The inclusive salaries of the staff amounted to 78.5 million lire, or 2.9 million lire more than in 1927 (1).

The printing of notes cost L.4,145,411, or 2.6 million lire less than in 1927. Since the cost of the notes outstanding, which are covered by interest-earning reserves in the income of which the State participates, must be borne to the extent of 50 per cent. by

(1) Salaries in respect of the Real Estate Mortgage Office of the late National Bank in liquidation, amounting to L.419,000, are not included in the above figure of 78.5 million lire.

the Treasury, the actual cost to the Bank of the notes printed was L.1,408,949 (1).

The outlay for taxes was L.38,669,218, showing a reduction of about 83.6 million lire as compared to 1927 (2).

The interest on private deposits amounted to L.92,414,294, or 14.8 million lire less than the corresponding figure for 1927.

Interest on public deposits accounted for L.5,859,286 while the interest on the balances of the National Institute of Exchange was L.5,139,008.

The amount written off against ordinary depreciation, bad or doubtful debts and other contingencies was L.96,448,956, or 28.4 million lire more than last year's allocation. This increase is particularly due to the excess of losses on recoveries in the year's unpaid bills and to heavier contributions and allowances in respect of the Bank's credits with other banks or firms in difficulties.

Among the expenses, there is also included a sum of 1.5 million lire as interest on the paid up amounts of the capital of the 200,000 new shares of the Bank. This amount will be distributed *pro rata* among the subscribers of these shares when the dividend for the year will be paid to the old shareholders.

Dividend.

Summing up, against gross profits totalling	L.462,035,281
Gross expenditure aggregated.....	L.404,668,844
Leaving a net profit for the year of.....	L. 57,366,437

The Board of Directors of the Banca d'Italia having considered the report of its Auditors, in accordance with the terms of the Decree of 27th September, 1923, propose that the above net profit be distributed as follows :—

(1) It should be remembered that when the currency reform took place, the Treasury transferred to the Bank the foreign currencies required to cancel the balance of the State debt to the Bank in respect of notes issued by the latter on its behalf. The notes issued on State account which remained in circulation, do not yield the full benefits to the Bank, since the State participates in the profits derived from the investment of the reserve set against them. Therefore, in proportion to such participation, the note printing costs are partly charged to the Treasury.

(2) This is how the said total is made up (000 omitted) :—

Circulation tax on Notes.....	L.17,066
Circulation tax on Drafts.....	L. 436
Income tax	L.15,003
Property tax	L. 943
Other taxes.....	L. 5,221

- L.13,874,116 to the State, as participation in equal measure as for the years 1922 to 1927 ;
- L.18,000,000 to the shareholders as dividend, equal to the one distributed for the years 1922 to 1927, at the rate of 60 lire on each of the existing shares.
- L. 5,193,056 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.20,018,205 balance payable to the Reserve set against the credit of the Banca d'Italia with the Istituto di Liquidazioni, in accordance with the terms of Art. 3 of the Decree of 6th November, 1926.

L.57,366,437.

Conclusion.

Gentlemen,

Your Board have thought fit to clear and thoroughly cleanse the Bank's position by large allocations of profits to contingencies, at a time when the capital and proprietary reserves were being increased with the concurrence of ordinary Savings Banks, among which certain sections of the Banco di Napoli and the Banco di Sicilia are also included.

The year 1928 has still been affected by past years' events in the banking world, which had long remained unsolved and were inevitably bound to come to a head. The evil effects of the monetary and credit inflation which Italy, like every country in Europe, has experienced after the world war, are not entirely wiped out, in spite of the great remedy of the currency stabilisation and other measures which have been adopted in Italy and abroad.

It is obvious that the task of re-establishing a balance in the markets is not yet accomplished ; but every day we are progressing towards that desirable goal. Strongly supported by its old and new shareholders, the Banca d'Italia, as the sole issuing bank and supreme regulator of the money market, will not fail to co-operate actively in this work of restoration, faithfully upholding the old traditions which are a heirloom of the National Banks from which it originated.

BALANCE-SHEET

December 31st, 1928.

PROFIT AND LOSS ACCOUNT

BANCA

AUTHORISED CAPITAL L.240,000,000 RAISED TO
OF WHICH IS PAID-UP L.180,000,000 TO BE RAISED

BALANCE SHEET,

ASSETS.			
Gold in Hand.....	L.		5,051,944,249.61
Other Gold Assets :			
Balances Abroad	L.	4,383,183,905.89	
Foreign Treasury Bills.....	,,	1,635,720,941.62	
			6,018,904,847.51
Total Reserve.....	L.		11,070,849,097.12
Gold deposited abroad, due by the State.....	,,		1,836,187,265.07
Other Cash	,,		102,321,566.92
Inland Bills.....	,,		3,720,304,981.54
Bills for Collection.....	,,		36,413,176.91
Advances to Customers {			
Against Government Securities and Mort- gage Bonds.....	L.	1,752,759,751.96	
Against Silk and Cocoons.....	,,	9,137,128.10	
			1,761,896,880.06
Investments (Government Securities owned by the Bank)	,,		1,080,356,798.18
Cr. Accounts in the Kingdom :			
Deferred Payments at Clearing Houses.....	L.	173,676,497.48	
Other Accounts	,,	81,315,163.59	
			254,991,661.07
Interest Due (by the Treasury) for account of " Istituto di Liquidazioni ".....	L.		276,981,960.11
Shareholders' balance of Capital	,,		60,000,000.00
Premises	,,		140,463,208.72
Credit with " Istituto di Liquidazioni "	,,		1,160,012,292.84
Other Assets :			
" Credito Fondiario " Fund.....	L.	30,000,000.00	
Investment of Extraordinary Reserve	,,	12,025,000.00	
,, Shareholders' Special Reserve	,,	35,206,437.20	
,, Employees' Pension Fund	,,	181,198,390.54	
Other Debtors	,,	384,262,689.48	
			642,692,517.22
			L. 22,143,471,405.76
Securities and other valuables deposited.....	,,		29,258,200,086.78
			L. 51,401,671,492.54
Amounts written off in past years.....	,,		183,766,630.71
			L. 51,585,438,123.25
TOTAL	L.		

D'ITALIA.

L.500,000,000 AS FROM 1ST JANUARY, 1929.

TO L.300,000,000 AS FROM 1ST JANUARY, 1929.

31st December, 1928—Year VII.

LIABILITIES.

Notes in circulation	L.	17,295,393,450.00
Demand Drafts Outstanding.....	„	716,086,006.12
Current Accounts.....	„	1,525,213,243.26
Treasury Current Account.....	„	300,000,000.00
		<hr/>
Capital.....	L.	19,836,692,699.38
Statutory Reserve	„	240,000,000.00
Extraordinary Reserve	„	48,000,000.00
Special Security Accounts.....	„	12,025,412.33
Treasury Fixed Deposit Account.....	„	70,709,470.28
Treasury "Istituto di Liquidazioni" Interest Account.....	„	824,775,233.58
Other Liabilities :		60,000,000.00
Shareholders' Special Reserve.....	L.	35,242,753.13
Shareholders' Special Reserve Invested in Premises.....	„	46,000,000.00
Other Creditors.....	„	912,659,399.65
		<hr/>
Net Profits for the Year.....	L.	993,902,152.78
	„	57,366,437.41
		<hr/>
		<hr/>
	L.	22,143,471,405.76
Securities and other valuables deposited.....	„	29,258,200,086.78
		<hr/>
	L.	51,401,671,492.54
Amounts written off in past years.....	„	183,766,630.71
		<hr/>
TOTAL	L.	51,585,438,123.25
		<hr/>

PROFIT AND Year

		Dr.			
Expenditure	Expenses in respect of:	Administration	L. 103,760,445.31	111,096,776.05	
		Board of Directors, etc.....	" 1,944,061.82		
		Transport of specie and other valuables	" 1,412,023.98		
		Printing of notes	" 1,408,949.32		
		Premises Account	" 2,413,008.83		
		Stamps and commissions on foreign business.....	" 158,286.79		
	Taxes	Circulation tax on notes ...	" 17,065,683.08	38,669,218.10	149,765,994.15
		Circulation tax on demand drafts	" 436,220.97		
		Income Tax	" 15,003,342.85		
		Land Tax	" 943,378.12		
		Bank Shares transfer tax...	" 1,437,840.00		
		Weights and measures control tax	" 1,366.00		
		Stamp duties.....	" 431,551.32		
		Contribution for Government supervision	" 162,500.00		
		Other tributes.	" 3,187,335.76		
		Unpaid bills	L. 31,142,780.14		
		Amounts written off.....	" 96,325,861.32		
		Interests and annuities.....	" 119,014.007.28		
		Charities and other contributions	" 518,238.50		
		Contribution to Employees' Pension Fund	" 7,792,952.08		
		Interest on Treasury " Istituto di Liquidazioni " interest account	" 109,010.65		
		Net profit to be divided.....	" 404,668,844.12		
			" 57,366,437.41		
		TOTAL	L. 462,035,281.53		

DISTRIBUTION

Dividend on 300,000 shares at the rate of L. 60 per share.....
 Annual contribution to the Reserve Fund of " Credito Fondiario ".....
 State participation to the profits as last year.....
 To Shareholders' Special Reserve.....
 To Istituto di Liquidazioni under Art. 4 of R. Decree No. 2158 of the 27th Sep

ARTOM VITTORIO.
 CORNAGLIOTTO GIUSEPPE.
 MAROCCO DOMENICO.
 RAVANO EMANUELE.
 VIALI LEOPOLDO.
 Auditors.

ALESSANDRO RIPETTI,
 p.p. Chief Accountant.

LOSS ACCOUNT

1928—Year VII.

		Cr.		
Profits from the Year's business	Re-discounts carried forward from previous year	L.	37,629,542.71	
	Year's discounts	"	166,597,614.58	
			<hr/>	
	less: re-discounts carried forward ..	"	204,227,157.29	
		"	29,297,979.45	
			<hr/>	
	Interest on advances.....	L.	174,929,177.84	
	Interest on Cr. accounts	"	71,570,069.42	
	Commissions	"	14,248,883.16	
	Interest, discount and exchange profits on foreign business, less re-discount charges	"	7,867,735.55	
Profits from Investments	Other profits.....	"	97,070,986.81	
			<hr/>	
	Interest on Government Securities.....	L.	29,503,073.84	
	Interest on "Credito Fondiario" Fund.....	"	395,189,926.62	
	Revenue of real estate.....	"	29,505,462.21	
	Interest on investment of Colonial Branches Fund ..	"	1,199,680.00	
			<hr/>	
			4,372,369.49	
			425,000.00	
			<hr/>	
			3,328,142.20	
			<hr/>	
			38,830,653.90	
			109,010.65	
			<hr/>	
			2,905,690.36	
			<hr/>	
			25,000,000.00	
			<hr/>	
			By Istituto di Liquidazioni, interest on Treasury "Istituto di Liquidazioni" interest account	
			By Istituto di Liquidazioni, circulation tax on notes outstanding on its behalf	
			By Special depreciation fund carried forward as profit for the year 1928	
			<hr/>	
			TOTALL.	462,035,281.53

OF NET PROFIT

.....	L.	18,000,000.00
.....	"	281,060.00
.....	"	13,874,116.26
.....	"	5,193,056.26
23 and Art. 3 of R. Decree No. 1832 of November 6th, 1926	"	20,018,204.89
		<hr/>
TOTAL NET PROFIT TO BE DISTRIBUTED ...	L.	57,366,437.41

BONALDO STRINGHER,
Governor.

DIAGRAMS

Equivalent in English of Italian Headings.

FIRST TABLE.

Milioni di lire.....	Millions of lire.
Circolazione bancaria (Situazione fine mese).	Bank Notes in circulation (end of each month).

SECOND TABLE.

Milioni di lire.....	Millions of lire.
Depositi in C/C/Fruttifero (dati a fine mese).	•Deposits in interest-bearing current account (balances at the end of each month).

THIRD TABLE.

Milioni di lire.....	Millions of lire.
Debiti a vista.....	Sight liabilities.
Totale	Total.
Biglietti in circolazione.....	Notes in circulation.
Riserva	Reserve.
Oro in cassa	Gold in hand.

FOURTH TABLE.

Corsi mensili al netto degli interessi	Monthly prices, interest excluded.
Consolidato 5%	5% Consols.
Rendita 3.50% (ex 3.75%)	3½% Rentes (formerly 3¾%).

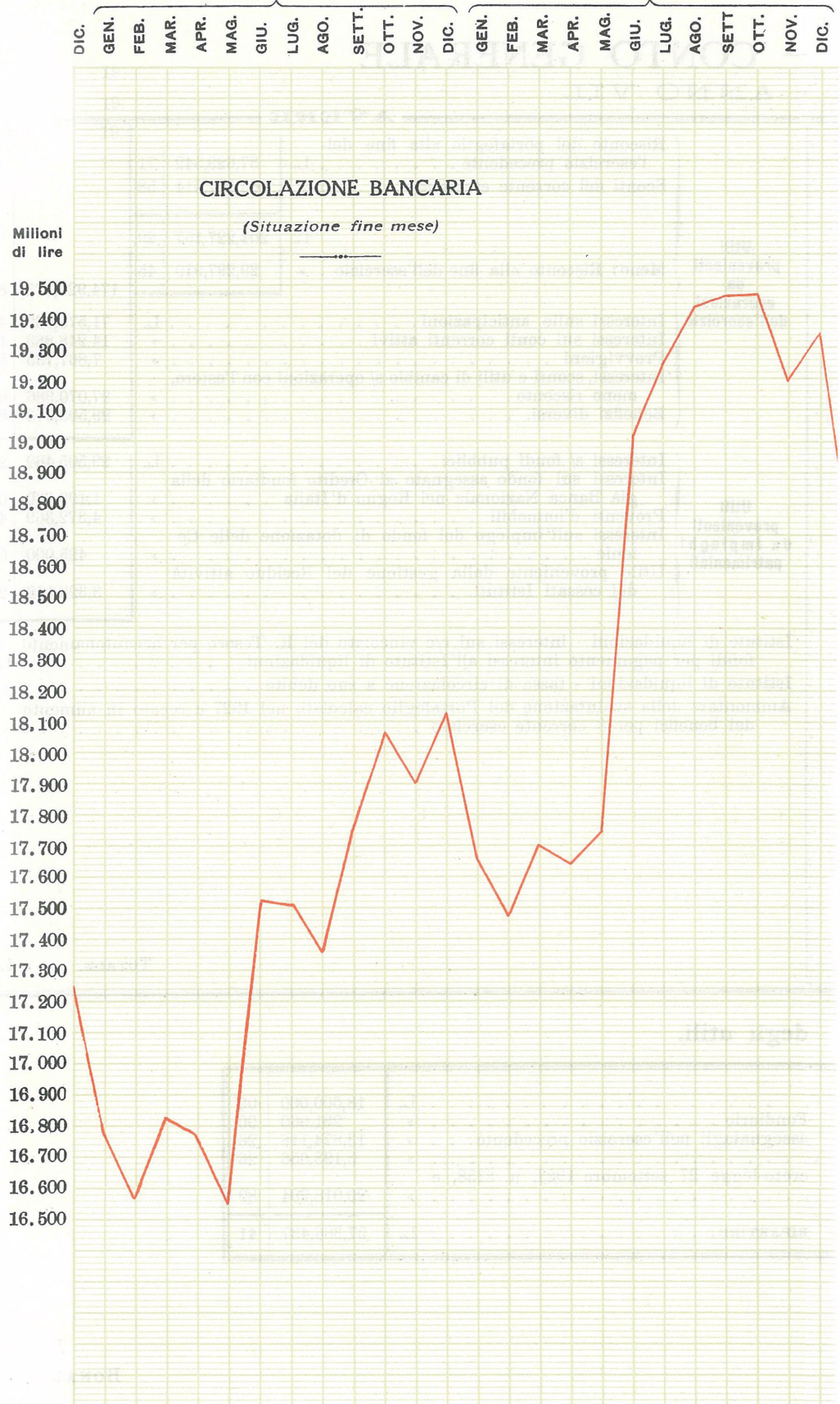
FIFTH TABLE.

Variazioni percentuali del cambio (medie mensili).	Percentage exchange fluctuations (monthly averages).
Dollaro	U.S. dollar.
Sterlina	Pound sterling.
Fr. Svizzero	Swiss francs.

1923

1924

1925



1926

1927

1928

GEN. FEB. MAR. APR. MAG. GIU. LUG. AGO. SETT. OTT. NOV. DIC. GEN. FEB. MAR. APR. MAG. GIU. LUG. AGO. SETT. OTT. NOV. DIC. GEN. FEB. MAR. APR. MAG. GIU. LUG. AGO. SETT. OTT. NOV. DIC.



1923

1924

1925

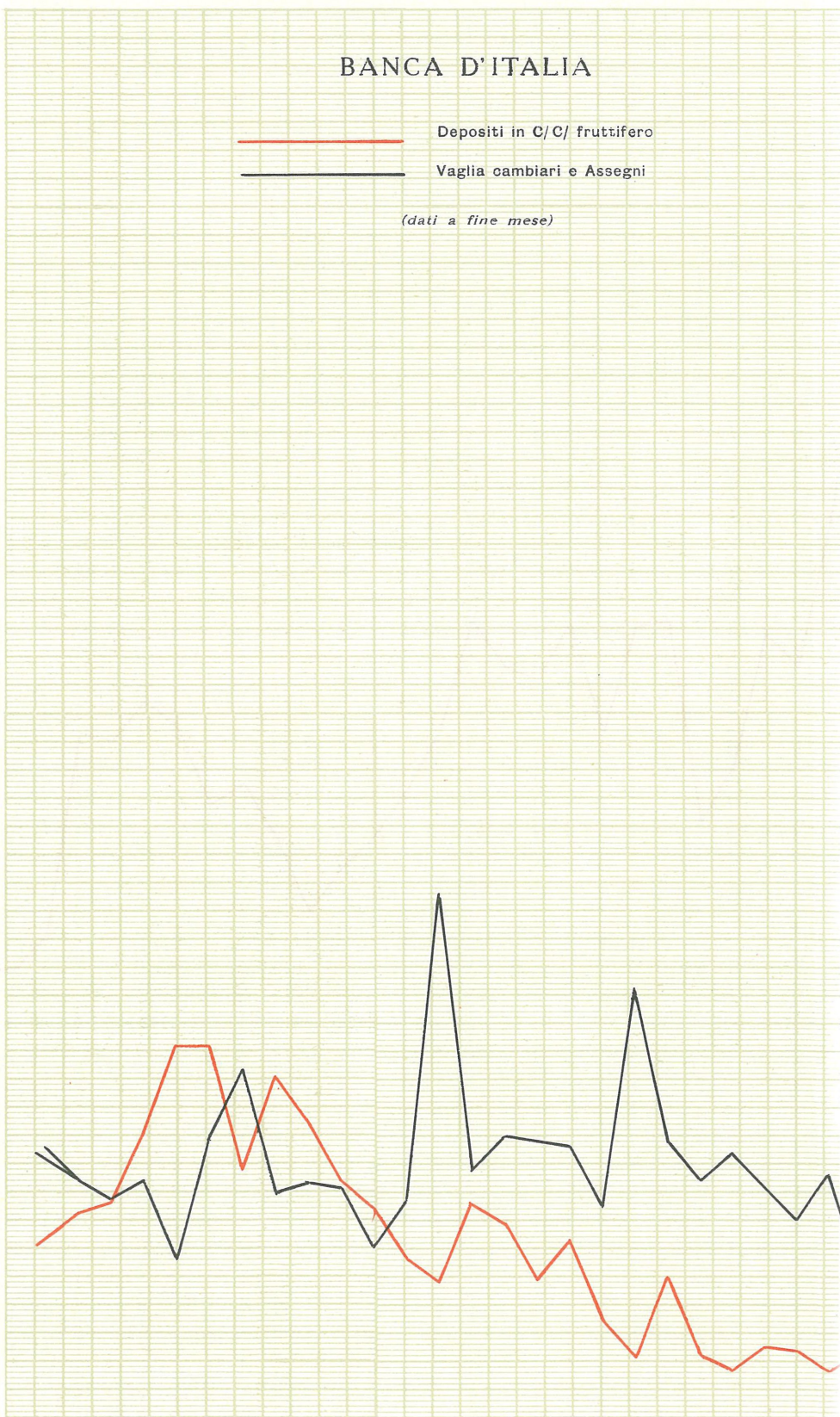
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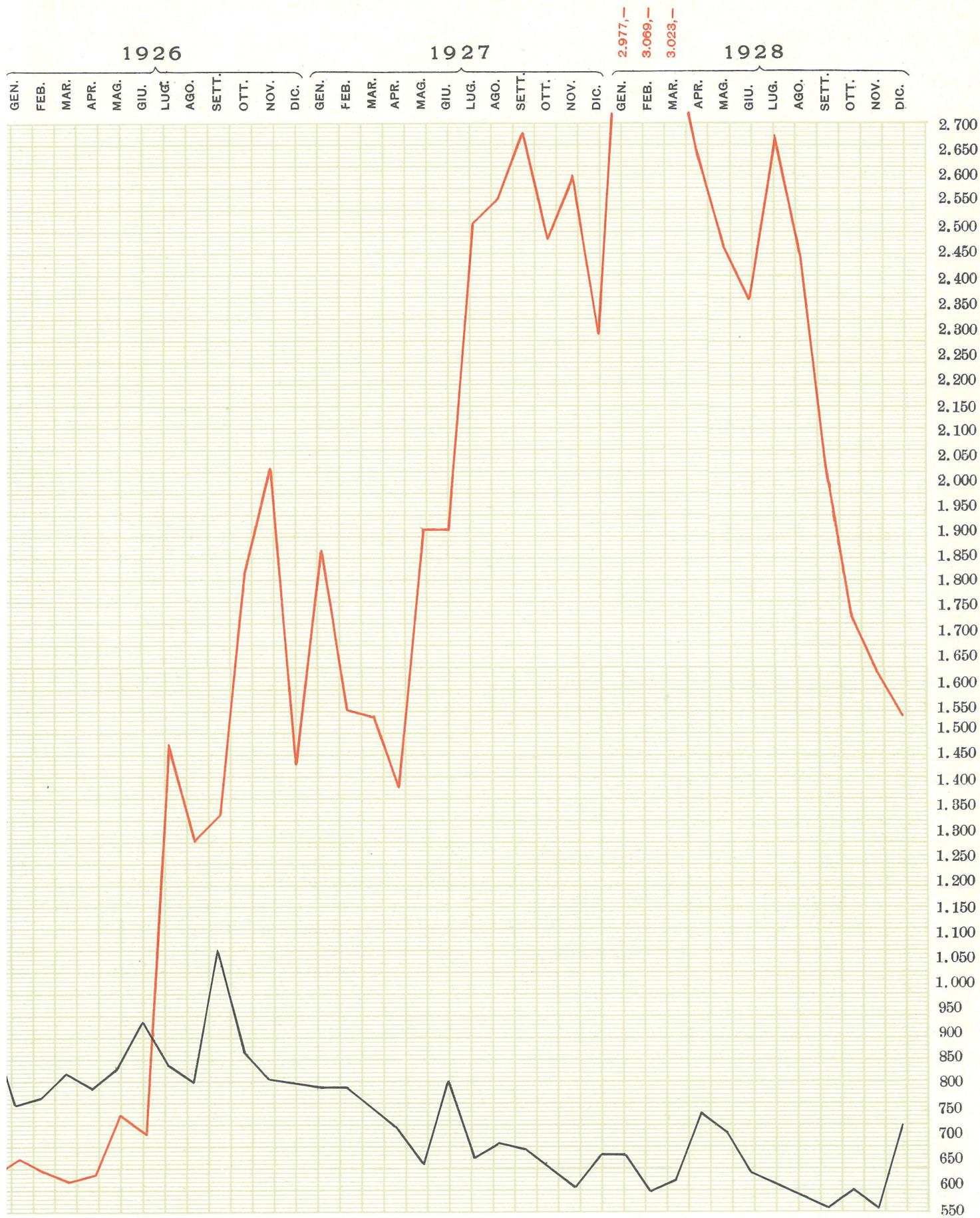
BANCA D'ITALIA

Depositi in C/C/ fruttifero

Vaglia cambiari e Assegni

(dati a fine mese)

Milloni
di lire1.900
1.850
1.800
1.750
1.700
1.650
1.600
1.550
1.500
1.450
1.400
1.350
1.300
1.250
1.200
1.150
1.100
1.050
1.000
950
900
850
800
750
700
650
600
550



1927

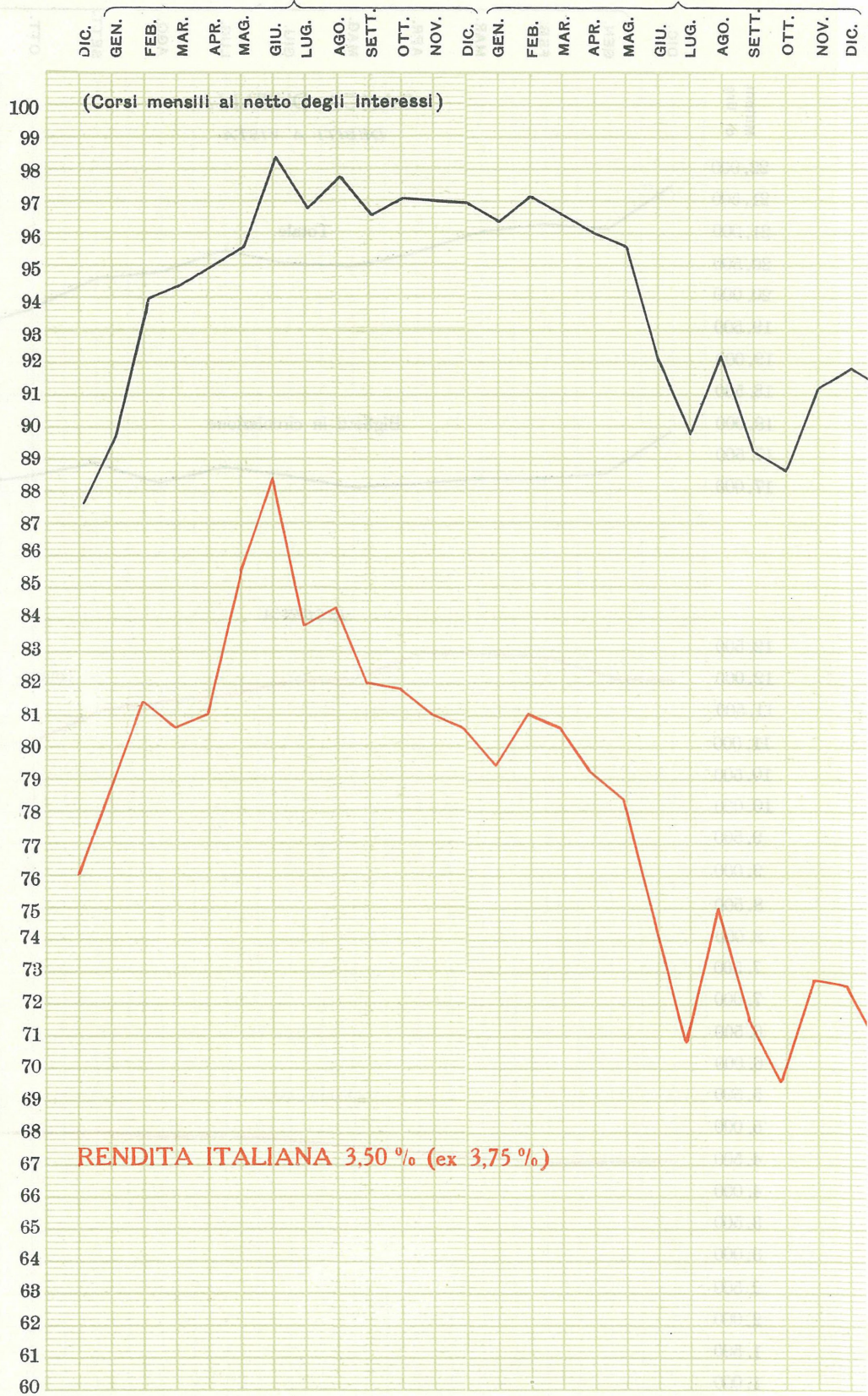
1928



1923

1924

1925





1928

GEN. FEB. MAR. APR. MAG. GIU. LUG. AGO. SETT. OTT. NOV. DIC.

Variazioni percentuali del cambio (medie mensili)

