

BANCA D' ITALIA

ABRIDGED TRANSLATION OF THE
REPORT OF THE GOVERNOR
AT THE
ANNUAL GENERAL MEETING OF THE
SHAREHOLDERS

HELD IN ROME ON THE 31st MARCH, 1932.

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Gentlemen,

The tendency which appeared in the first months of the year 1931 towards an improvement in the economic and financial position had raised the hope of an early solution of the crisis. At any rate the spirit which has been so dominant in the present depression was rising from the depths of pessimism towards a somewhat better feeling of confidence. General Remarks

But in Central Europe fresh factors developed of a most serious nature which made the position worse and extended the crisis to the financial sphere, resulting in the freezing up of huge international credits, particularly, first of all, in Austria and immediately afterwards in Germany, where the fears which developed inside the country and among its foreign creditors caused a flight of domestic capital and a precipitate repatriation of the foreign funds placed in Germany.

The moratorium for the payment of Reparations and War Debts proposed by the President of the United States of America temporarily checked the increasing depression. Italy, who had never measured her sacrifices of blood and wealth for the triumph of the common cause of the Allies in the Great War, and consistently with what the Fascist Government had always clearly stated on previous occasions, accepted immediately the proposal of President Hoover in spite of the implicit sacrifice of the benefits arising from the difference between the sums allotted to her as Reparations and her War Debt obligations. Unfortunately, owing to the opposition shown in certain quarters to the admirable gesture of America as originally made, the hopes of an immediate understanding of the urgent problems awaiting solution by unity of purpose and prompt action were disappointed. The considerable amounts of capital lying idle on the leading international markets, particularly sensitive to the reactions of political and economic factors, moved about swiftly looking for safety rather than remuneration, and the English market—on account of its large outstanding commitments in Central European and South American markets and the pressure of home difficulties—was subjected to an alarming withdrawal of capital which all attempts to check were in vain.

French and American assistance to the extent which was considered necessary was offered, but in spite of this the British Government on 21st September temporarily relieved the Bank of England from the obligation to convert its notes into gold, creating all over the world the greatest surprise and disturbance. The glorious tradition of the pound, which coincided with the leading position of the London money market solidly held for so many years, had given way, but in spite of the widespread uncertainties in the international financial field, confidence was generally maintained in the intrinsic solvency of the British economy. As an immediate consequence, the abandonment of the gold basis was followed by the countries which had more close economic relations with Great Britain, (1) while the demand for gold became more general on the part of Central Banks, in order better to protect their respective currencies dangerously exposed by the unexpected fluctuations in the value of currencies previously selected as part of their reserves. From all quarters greater attention was centred upon the lira, as it was affected by "bear" speculation and by the doubts of nervous people. But Italy gave an unequivocal confirmation that her currency would not be left at the mercy of the new monetary upheaval. The path laboriously covered by heavy sacrifices could not be abandoned, and at all events the sacrifices already made strengthened the will to uphold at the cost of every possible effort an engagement solemnly undertaken with the nation and with the whole world. The damage caused by the fall of the pound was serious for all countries and affected not only the bulk of international trade, but also the reserves and investments of Central Banks consisting mainly of pounds sterling. This was more especially the case since Great Britain, when re-establishing in 1925 the gold standard at the old parity (alone among the former belligerent European countries), had upheld the necessity for all countries to link their currencies to gold, extending as far as possible the use of the "gold exchange standard." The latter system while, on the one hand, advantageous for achieving an economy of gold in the interests of the markets having international clearing functions, presumes on the other hand, as a counterpart, the inviolable

(1) The convertibility of notes into gold was abandoned in turn by India, Portugal, Bolivia, Ireland, Denmark, Sweden, Norway, Finland, Chile, Colombia, Egypt, Canada and Japan.

convertibility into gold of the currencies of those countries where, through their organisation and tradition, an undertaking is given to other countries that in any circumstances the features of their notes as media for international payments will be maintained. In every country the international and political nature of the monetary decision adopted by the British Government on 21st September has been recognised. In France and Belgium conventions have been concluded between the respective Governments and Central Banks, providing that the loss caused by the depreciation of the latter's sterling investments, in view of the importance and origin thereof, shall not be entirely borne by the Banks.

As regards Italy, I can say that the matter has been studied and is still under consideration with the object of finding a satisfactory solution which may be trusted to be equal to the high spirit of fairness in which the Fascist Government intends to settle this important question.

Last November, at the instance of the German Government, the Bank of International Settlements called a meeting of the Special Consultative Committee under the Young Plan to report on the conditions of Germany in view of the demand for a moratorium of Reparation payments. The Report of the said Committee was completed in December, and the far-reaching observations therein contained and the conclusions drawn therefrom are to be the basis for the Lausanne Conference, where the problem of Reparations and War Debts will have to be reconsidered by the representatives of the Governments concerned. In the search for exceptional remedies for the grievous crisis, which is unprecedented in its vastness and intensity, one often departs from a fundamental point and from one of the primary causes of the ills which have affected the whole world : but in Italy a voice profoundly human, wise and clear, has shown the path to be followed in order to finally advance towards the desired goal. May I express the wish that this voice may find at Lausanne the same unanimous consent with which it has met among the expectant peoples.

The last great war caused production to be increased inordinately and out of proportion with the needs of consumption in normal times, while credit operations, especially for middle and short term,

expanded to an extent which could only be consistent with a continuance of those conditions to allow for their maintenance and renewal. Throughout the world currency and credit inflation prepared the crisis, which developed with violence at the first signs of disequilibrium on the largest and most active market, viz., the United States. It is now necessary that production and consumption should gradually resume their right proportions after the first convulsive dislocation which has proved so damaging to economic life, and that equilibrium should be re-established together with order in the distribution and duration of revolving credits in the international circulation of capital. A vast revision of Customs tariffs is vital, since many countries have actually raised insurmountable walls which have disorganised and impeded international trade.

Unemployment, which is one of the consequences of the crisis and is also a cause of its increasing acuteness owing to the further reduction in consumption arising from it, calls by its many grave and sad aspects for attention in every country.

The problems submitted to the consideration of international gatherings require to be analysed with a wide spirit of comprehension and with the sincerest and most decided will to co-ordinate without delay all efforts to save the masses from inaction and impoverishment. Italy in every field has proved and proves her readiness to meet by all the means at her disposal the obstacles which still hold back a return of confidence and tranquillity.

Our economic structure has shown prodigious resistance to the serious difficulties which arose in 1931, thanks to the guidance and support of the Government which often came to the rescue with provisions of different kinds in favour of the various branches of production.

The vast shipping concentration which was recently carried out is evidence of the more general tendency to-day to create large groupings of firms and the State, with the object of regulating in the common interests the development of production, has passed

a law requiring compulsory syndicates to be formed in cases of recognised necessity. (1)

In this way, on the basis of a corporative organisation (which proves more and more every day to be a valuable form of regulating the national economic forces and commands the attention of the whole world) the concerns devoted to the same branches of industrial production can be rationally co-ordinated with the object of improving their technical efficiency and remuneration, and of minimising, if not altogether eliminating for the time being, the lack of balance between the capacity to produce and the capacity of the consumers to absorb the goods.

The relations between employers and employees have continued with the same order and discipline, all difficulties and contrasts of the respective interests being equitably settled. (2) New collective contracts on a national basis have extended and strengthened the position of the syndicates. Efforts have been made to check the expansion of unemployment by extending among the employed labour the system of shifts and short time so as to reduce the stoppages and maintain in the factories the highest possible degree of efficiency. (3)

In the sphere of banking, where evidence was given of brave resistance to the serious consequences of the fresh developments of the crisis, the position of the larger banks has been duly corrected in order to free them from cumbrous frozen assets and enable them to display the necessary elasticity to meet the economic requirements of the country. For our part nothing has been omitted to accompany those worthy of assistance on their difficult path, wherever they were regarded as useful to the national economy, and I believe that in

(1) For the constitution of compulsory syndicates it is necessary that there should be in every case the goodwill of the majority of those concerned in a particular branch of industry coupled with the approval of the competent corporations. The organisation and activities of the syndicates are placed under State control and are carried out within clearly defined limits in consultation with the corporative authorities.

(2) The reductions in the workers' wages, which admittedly were vital for the industries concerned, were agreed to between the employers' and the workmen's organisations with a wide spirit of understanding, under the control of the supreme corporative organs.

(3) According to the figures supplied by the National Social Insurance Office, the persons unemployed numbered 982,321 on 31st December, 1931, as against 642,169 on 31st December, 1930. Among the industries where unemployment was particularly increased—apart from agriculture and the building trade, in which unemployment is mainly seasonal in character—special mention may be made of the engineering trades.

The number of persons partially unemployed has risen from 21,788 at the end of 1930 to 32,949 at the end of 1931.

On 29th February, 1932, the number of unemployed was 1,147,945 as against 765,325 at the end of February last year; while those partially unemployed were 26,321 against 27,110.

this, as in all other matters, we have not departed from the lines which were wisely set out by our late great Governor, Signor Bonaldo Stringher, who is always present with us.

The Home
Market

The unsettled condition of State finances, which is common to almost every country, was felt in 1931 also in the Italian Budget, although to a less extent than might have been expected, thanks to the provisions adopted by the Government. (1) The financial year 1930-31 closed with actual receipts for 20,387 million lire against expenditure totalling 20,891 million lire, showing a deficit of 504 million lire.

As compared with the year 1929-30 the receipts were increased by 2.7 per cent. and expenditure by 6.2 per cent. On the other hand it should be noted that in the year 1930-31 the actual Budget receipts were 4.5 per cent. greater and the Budget disbursements were only 1.1 per cent. more than the corresponding amounts in the previous year, which shows that there has been better progress in the collections than in the disbursements as was noted in last year's Report. (2) For the year 1931-32 under the original estimates receipts were 18,899.5 million lire and expenditure 19,323.7 million lire, or a deficit of 424.2 million lire. The supplementary estimates up to the 29th February have raised revenue to 20,202.8 million lire and expenditure to 21,278 million lire, thus increasing the deficit to 1,075.2 million lire. In the first eight months of the financial year from July, 1931, to February, 1932, a deficit of 2,091.2 million lire has been recorded, the Budget receipts having been 1,341.5 million lire less than estimated, whereas the engagements exceeded the estimates by 32.9 million lire. It should be noted that in these first eight months of the year the duty on wheat produced only 142.4 million lire as against 779.9 million lire yielded in the corresponding period of 1930-31, while the estimates on this item for the full year are 666.1 million lire. The revenue from this source, however, is bound to be greater in the next few months.

(1) The Finance Minister, speaking in the Senate on 6th June, 1931—after mentioning that Budget deficits were common to almost every other country, including those possessed of much greater wealth—said: "But apart from these considerations it must be remembered that the deficit in the Italian Budget appears after six years in which surpluses have been realised and after writing down, in the three years from 1928 to 1930 the dangerous deficit of the carry forwards (residui) from previous Budgets."

(2) It should be noted that in the year 1930-31 the position of the "residui" has been further improved, the expenditure carried forward from previous Budgets having been reduced by 922 million lire, whereas the revenue to be collected increased by about 342 million lire.

To the above reduction is principally due the fall in indirect taxation, to which also a falling off of the proceeds from Excise duties has contributed. Thereagainst there have been increased yields from direct taxation, as compared with the corresponding period of the previous year, on account of the better returns from house and land property and from taxation on capital transfers; in the latter case the increase has been specially due to the adjustments made in the tax. However, the monthly changes in the amount of the deficit in the first eight months of the year permit us to regard with confidence the future development of the Budget receipts and expenditure. (1) The Fascist Government from the outset has wanted and has been able to restore and rapidly balance the Budget and therefore gives every assurance that it will continue to face the present complex and serious problems with that clear and decided line of action which is the first element for our monetary and financial stability.

The Budget results were bound to affect the position of the National Debt. At the end of last year the capital indebtedness was 91,382 million lire, showing an increase of 2.9 per cent. as compared with the total outstanding on 31st December, 1930. (2) The increase in the floating debt is approximately equal to two-fifths of the total increase, and this proportion is slightly higher on the redeemable debt, being due mainly to the changes in the amount of Nine-Year Treasury Bonds outstanding, which has been raised in the course of the year from 7,640 to 8,821.3 million lire.

We may recall that on the 15th November, 1931, 3,810 million lire of Nine-Year Treasury Bonds fell due, and, in order to provide the means for their repayment, the Government issued four series of 1,000 million lire of new Nine-Year Five per cent. Premium Treasury Bonds at 95 per cent. plus interest. (3) The public

(1) See Table I on page 131 of the Italian text, showing the Budget returns for the years from 1921-22 onwards and the monthly returns for the years 1929-30 to 1931-32.

(2) See Table II on page 132 of the Italian text, showing the position of the National Debt for 1931.

(3) See Royal Decree Law No. 450 of 5th May, 1931. The issue was undertaken by a consortium presided over by the Banca d'Italia and composed of the following institutions: National Insurance Institute; National Social Insurance Office; Banco di Napoli; Banco di Sicilia; Banca Nazionale del Lavoro; Monte dei Paschi di Siena; Lombard Provinces Savings Bank and other Savings Banks belonging to the Italian Savings Banks National Association; Istituto delle Opere Pie di S. Paolo; Banca Commerciale Italiana; Credito Italiano; Banco di Roma; Società Italiana per le Strade Ferrate Meridionali; Banca d'America e d'Italia; Istituto Italiano di Credito Marittimo; Banca Popolare Co-operativa Anonima di Novara.

subscription, which took place from the 15th to the 26th May of last year through a consortium formed and presided over by the Banca d' Italia, yielded a sum of over 7,000 million lire. The Government thought it expedient to limit the allotment to a sum of 5,000 million lire by authorising a fifth series of Bonds and reducing proportionately the allotments for cash subscriptions. The satisfactory result of this operation, to which the staff of the Bank contributed with a zeal beyond praise, was especially due to the way in which it was prepared in accordance with the wishes and under the auspices of the Prime Minister and the Finance Ministry. Thus, the pleasing experience of the past induces us to look forward with confidence to the result of the second and more limited issue of the same kind which is now being offered for public subscription.

On our stock markets in 1931 Government securities were notable for their greater stability, especially in the case of the Five per cent. Consols, and by a considerable rise in the Three-and-a-Half per cent. Rentes. On the basis of the average monthly quotations on the various Italian stock exchanges from December, 1930, to December, 1931, the Five per cent. Consols moved from 82.26 to 82.67, with a minimum of 80.37 in January and a maximum of 83.27 in April. In 1930 the lowest had been 78.82 (January) and the highest 84.84 (June). For the Three-and-a-Half per cent. Rentes the average monthly prices showed a marked improvement, having risen in 1931 from 69.42 to 73.43 per cent., the minimum for the year having been higher than the starting point, at 70.20 per cent. in January, and the maximum having been 73.54 per cent. in September. In the previous year, after falling from 68.10 to 66.52, the average monthly price had never exceeded 69.75 per cent., which was reached in May. (1) The lowest and highest daily average quotations for the Five per cent. Consols were 79.325 per cent. on 2nd January, and 84.625 per cent. on 1st May, 1931, as

(1) The index number showing the prices of the Consolidated Government Stocks, according to Professor Bachi (average 1913=100) moved from 57.9 per cent. in December, 1930, to 60.6 per cent. in April, 58.2 per cent. in September and 58.9 per cent. in December, whereas in the previous year the highest level had been 60.3 per cent. and the lowest 57.3 per cent.

The index number compiled by Prof. Bachi for all Government securities moved in 1931 from 59.4 per cent. to 60.9 per cent. after a maximum of 62.1 per cent. in April and a minimum of 60.0 per cent. in September, as against the highest level of 61.5 per cent. and the lowest of 58.9 per cent. in the previous year.

against 77.875 on 11th January and 85.325 on 7th June in 1930. (1) For the Three-and-a-Half per cent. Rentes the lowest quotation for the year was 67.925 on 2nd January and the highest 74.325 on 28th December, whereas in 1930 the minimum was 66 per cent. on 11th January and the maximum 70.15 per cent. on 2nd May and 7th June. Finally, the annual average quotation has moved from 81.47 in January to 82.08 in 1931 for the Five per cent. Consols, and from 68.10 to 72.32 for the Three-and-a-Half per cent. Rentes.

The satisfactory course of Government securities can be explained by the conditions prevalent in the stock markets as a result of the general economic situation, and it reflects the tendency for fresh capital to seek investment in fixed dividend securities, which usually occurs in periods of difficulty and uncertainty. But it also reflects the public confidence in the economic and financial policy of our country.

In the monetary field it may be pointed out that the fall in the note circulation was at a rate considerably greater than in the previous year. On 31st December the bank notes outstanding totalled 14,294.8 million lire as against 15,680.5 million lire on 31st December, 1930. The reduction for 1931, amounting to 1,385.7 million lire, or 8.84 per cent., compares with a reduction of 1,093.8 million lire in 1930. Therefore, in the last two years the note circulation shows a reduction of 2,479.5 million lire as compared with a reduction of 1,217.9 million lire in the years 1928-1929. The considerable fall in the note circulation is not due, as will be seen later in this Report, to any credit restriction ; it is the result of the reduction of the reserve equivalent to gold and of the curtailed industrial and trade activity, and, further, of the increased purchasing power of the lira, which in 1930 rose from 21.78 to 27.13, and subsequently to 30.72 per cent. in the past year. (2) On the other hand, the circulation of coin issued by the State, including

(1) See Table III on page 133 of the Italian text, showing the monthly average, highest and lowest quotations of the Five per cent. Consols and Three-and-a-Half per cent. Rentes for the years 1930 and 1931.

(2) The purchasing power of the lira, calculated on the average price levels by the Statistical Department of the Milan Provincial Economic Council (average 1913=100) shows that in the years 1927, 1928 and 1929 the average purchasing power was 18.99, 20.35 and 20.80 per cent. respectively.

silver, nickel and bronze coin, has not varied to any considerable extent from the level reached at the end of 1930, the total amount having moved in the past year from 2,135.4 to 2,138.3 million lire. (1) At the same time it may be noted that the aggregate amount of demand drafts and cheques issued by the Bank and of the circular cheques issued by Banks thereto authorised, as well as the demand drafts and money orders of the Banco di Napoli and the Banco di Sicilia outstanding, fell during 1931 from 1,475.5 to 1,197.9 million lire. (2) In comparing the figures for the last four years—namely, since the legal stabilisation of the lira—it will be seen that the circulation of bank notes has declined by 3,697.4 million lire (20.55 per cent.) and that the State currency circulation has also fallen by 144.5 million lire, while the total amount of demand drafts and circular cheques has fallen in the same period by 344.1 million lire.

The foreign trade returns, in common with those of most other countries, showed a large fall in the past year. In 1931 the value of imports and exports amounted together to 21,700 million lire, a reduction of 26.5 per cent. as compared with the previous year. Imports having totalled 11,637.9 million lire and exports 10,037 million lire, the adverse balance was 1,600.9 million lire, showing an appreciable reduction of 3,626.5 million lire as compared with 1930. (3) From one year to the other the fall in value was 33 per cent. for imports and 17.2 per cent. for exports, the percentage fall in volume having been 16.7 and 1.7 respectively. It is interesting to compare, as was said by the Minister of Corporations in his speech in the House of Deputies on the 24th February ult., the trade returns for 1931 with the corresponding values for 1913 at their present lira rate. In 1913 our imports were 13,366 million lire against 11,624 million lire in 1931, while exports, at 9,209 million lire in 1913, compare with 10,040 million lire in 1931. Thus, the excess of imports over exports, from 4,157 million lire in 1913, has fallen to 1,584

(1) As is known, the figures relating to the outstanding coinage are calculated on the basis of the amounts actually issued by the Mint which is certainly more than the actual circulation of metal currency. (See Table IV on page 134 of the Italian text.)

(2) See Table V on page 135 of the Italian text.

(3) See Table VI on page 136 of the Italian text and the index numbers of wholesale prices or the two years 1930 and 1931 in Table IX on page 139 of the Italian text.

million lire in 1931. (1) The reduction of the trade deficit to the above figure has certainly affected our international balance of payments, but the beneficial effect has certainly been considerably offset by the large reduction of Italian emigrants' remittances, of the tourists' traffic and of the income from shipping.

Moreover, the position has been affected by the limitations imposed in certain countries on payments in foreign currencies, thereby freezing up the credits of our exporters, and by other credit restrictions which have been imposed in several foreign financial centres.

The rate of the lira exchange during the first six months of 1931 maintained a course very similar to that of the previous year, but in the second half of the year it was affected by the unsettled conditions which preceded and followed the fall of the pound sterling. From January to June, in fact, the monthly average quotation for the dollar remained between 19.09 and 19.10; but in July and August the rate was more subject to pressure, quoting 19.12 until September. When the gold standard was suspended in Great Britain, considerable pressure was placed on the quotation of the lira, and the average monthly rate of the dollar rose to 19.26, after having touched on 23rd September a maximum of 19.87.

The firm intention of Italy to keep faith with her monetary system, which was reaffirmed on that occasion, and the efforts which were made to realise that object, had an immediately beneficial effect. However, in December, 1931, and in January, 1932, the rate rose to averages of 19.43 and 19.66 respectively, but since then the position has improved, the rate in the first half of the present month having receded to 19.25½.

The trend of the Swiss franc was almost identical. The average monthly quotation during the first six months of last year fluctuated

(1) The Minister of Corporations made, moreover, the following statement: "The reduction in the trade deficit is the result of a double movement in opposite directions: a reduction in the value of imports and an increase in the value of exports. Now, since both values were affected by the general fall in prices and the influence was probably greater on exports than on imports, we may conclude that, while the volume of imports has remained practically unchanged—which in many respects is not unfavourable—exports have developed to a much greater extent than would appear from their value, and this is almost miraculous when we consider the present state of economic relations among countries, which are affected by a policy of extreme and often exaggerated protectionism; the disturbance and disorganisation of the recent monetary storms; and the exceptional provisions in defence of currencies, which at times are even more damaging, owing to their depressing effect on world trade, than higher duties or more stringent quota systems."

within lower levels than for the full year of 1930, being mainly between 367.39 and 370.56 ; but in the following four months it rose to 380.66, falling back in November to 378.66, rising again in January of the present year to 386.19, returning however to 377.08 in February and finally to 373.77.

For the French franc the average rate remained between 74.68 and 74.95 from January to August, but subsequently rose to 76.22 in September and 77.86 in January last. It fell back however in February to 76.20 and to 76.11 in March.

The pound sterling, which had remained stable in the first eight months of 1931 at an average monthly rate of 92.74 to 92.93, started its fall in September by going down to 89.27 and subsequently to 66.14 in December. With the New Year there was a reaction, which has moved the average rate from 68.05 in January to 66.87 in February, and 69.03 in the first fortnight of March. (1)

On 31st March, 1931, the Bank for International Settlements concluded its first financial year and an account of the satisfactory results obtained was given at the General Meeting held in Basle last May.

It may thus be said that the co-operation among Central Banks confided to the Bank for International Settlements is actually in force. Important events have caused the B. I. S. to put into action this co-operation and assistance, and, in view of the situation which arose last May, first in Austria and subsequently in Hungary, credits were arranged in favour of the Austrian and Hungarian National Banks under the auspices of the B. I. S. Further, when the crisis caused the well-known events of last July in Germany, the B. I. S. went to the rescue of the Reichsbank, participating in the credit of 100 million dollars. The B. I. S. has also granted a credit, in conjunction with the Banque de France, to the National Bank of Yugoslavia.

Following the Hoover moratorium and the recommendations of the London Conference, which was convened in connection with the application of the moratorium, the B. I. S. undertook in August

(1) See Tables VII and VIII on pages 137 and 138 of the Italian text.

to convene the committee of experts nominated by the Governors of the Central Banks which met in Basle to enquire into the immediate needs of new credits by Germany and into the possibility of converting into medium and long-term a portion of the existing short-term credits. It proceeded, moreover, to the appointment of the Arbitration Committee under the Convention for the postponement of the payment of Germany's private debts.

The restrictions affecting the foreign exchange markets, which were imposed by many Central European countries, made it desirable that these regulations should be co-ordinated, and for that purpose, following an invitation from the League of Nations, the B. I. S. called last November at Prague a meeting of the representatives of the Central Banks concerned.

Last, but not least, it may be recalled that the B. I. S. convened in Basle last December, as has been previously mentioned, the Special Consultative Committee under the Young Plan.

Italian agriculture has again suffered during the past year from the serious fall in the prices of produce, but, thanks to the constant attention of the Government and to the many provisions—technical, financial, and fiscal—which it has adopted, every effort has been concentrated on improving the cultivation. The crops for 1931 were generally very poor owing to adverse atmospheric conditions, and especially to a continued drought, which was followed in certain parts of the country by sudden falls in temperature. However, the production of wheat over a sown area of 4,886,600 hectares amounted to 6,747,750 tons, “a satisfactory result,” as was declared by the Prime Minister, the promotor and upholder of “the battle of the wheat,” accounting for the damages caused by the adverse weather conditions. The above production exceeded by about 1 million tons that of 5,717,250 tons obtained over an area of 4,822,700 hectares in the previous year. The average yield per hectare has thus risen from 1.19 tons in 1930 to 1.38 tons in 1931.

Industrial activity in Italy during 1931, especially in the last months of the year, encountered even greater difficulties than in the previous year. In addition to the effects of the acute world

economic depression, the following factors were responsible: the falling off in home consumption, which caused the prices of goods in many cases to be reduced below the actual cost of production; the reduced power of absorption by the usual foreign markets, aggravated by the height of the Customs barriers in many States; the risks arising from suspension of the convertibility of gold currencies and the restrictions on foreign payments imposed by many countries in defence of their respective currencies; the increase of failures and insolvencies of trade customers, and last, but not least, the higher money rates.

While certain of our industries have by great efforts and heavy sacrifices been able to maintain the position previously reached, others have been more seriously affected by the prevailing stagnation. (1) However, the best producing concerns have withstood the adversities and are proceeding along the path of technical reorganisation and financial restoration with the object of preserving the customary markets or finding new outlets for their products, and are able to withstand successfully the competition of the foreign manufacturer, in the Italian market.

The above conditions affecting the industrial and credit organisation had an unfavourable bearing on the market of variable dividend securities, which during the year remained quite inactive. (2) The holders of any available capital showed a decided preference for fixed dividend securities, quite apart from the special demand of the national savings for the Government securities issued during the year. The considerable efforts made to ease the task of our industries to reach better conditions, by granting the means to enable the various concerns which have been reorganised and placed on a sound basis to carry on their renewed activities, is worthy of mention. This applies to the creation of

(1) For conditions in the various branches of the home industry see the summary contained in the Italian text on pages 97 *et seq.*

(2) The index number of share values supplied by Professor Bachi (average for December, 1924=100) moved from 69.0 per cent. to 52.3 per cent. in 1930, and subsequently fell to 34.0 per cent. at the end of 1931.

Further, the changes in the capital issues of limited companies during 1931 reflect the difficulties of the present time. The Italian share capital altogether has declined in 1931 from 52,281 to 50,853 million lire against an increase in the number of limited companies from 17,384 to 17,718. Whereas the new capital paid up in the course of the year amounted to 4,332 million lire, the loss of capital in the year totalled 5,760 million lire.

the Istituto Mobiliare Italiano (1) and to the development of other institutions which are intended to act as intermediaries thereof. By this means the banks have been allowed, as already mentioned, a greater freedom of action in aid of the national economy.

At the end of 1931 the shares of the Bank were inscribed in the names of 10,888 shareholders, of which 10,734, holding 496,805 shares, were domiciled in the kingdom, and 154, holding 3,195 shares, resided abroad. Shares and Shareholders

During the year 4,908 transfers were made for 273,865 shares against 6,966 for 505,256 shares in 1930. (2)

The cash turnover in 1931 totalled about 474 million lire as against 468 million in the previous year, including receipts for 236,646,846,510 lire and payments of 237,218,745,950 lire. (3) Cash Displacements and Reserve

The reserve held against the notes outstanding and other sight liabilities included the following items on 31st December, 1931, in million lire :—

Gold in hand	... ..		5,626.3	72.17%
Other gold assets—				
Balances abroad	... 1,678.7			
Foreign Treasury Bills	... 491.5		2,170.2	27.83%
			7,796.5	100.00% (4)

(1) See Royal Decree Law No. 1398 of 13th November, 1931, by which the Institute was created, and the Ministerial Decree of 4th December, 1931, by which its statutes were approved.

In the opening session of the new Institute the Prime Minister said : “ The Institute answers a concrete and immediate need of the present time As regards the object of the Institute . . . it must not proceed to the salvage of decomposed organisms or of those in the course of decomposition, but must assist sound economic forces which are particularly hindered by the world crisis To consider the Istituto Mobiliare Italiano as a means for directing Italian economy towards its corporative phase is correct ; that is to say, to a system which fundamentally respects private property and private initiative, but it also wants both within the State, which alone can protect, control and revive them.”

It may be recalled that two months later, in the United States of America (under the Law of 22nd January, 1931) the Reconstruction Finance Corporation was founded with similar objects, since it is intended to mobilise the frozen assets of banks and to reorganise them without affecting the note circulation, the capital of the Corporation of 500 million dollars having been supplied by the Government through the issue of Treasury bonds.

(2) See Tables XI and XII on pages 141 and 142 of the Italian text, showing the classification of the Bank's shares on 31st December, 1931, and the transfers of shares which took place during the year.

(3) See Table XIV on page 146 of the Italian text.

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

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

Taking into consideration the total of the notes outstanding and other sight liabilities at the end of 1931, amounting to 16,365.1 million lire, the ratio of the reserve to sight liabilities was equal to 47.64 per cent. as against 53.17 per cent. in the previous year. The ratio of the gold in hand to the total liabilities has, on the other hand, risen from 29.26 to 34.38 per cent.

If a deduction is made from the reserve of the amount required to cover the prescribed ratio of 40 per cent., against the sight liabilities other than notes (namely, demand drafts and the Treasury and other current accounts), it will be seen that the reserve cover for the notes outstanding was equal to 48.74 per cent. at the end of 1931 as against 55.46 per cent. at the end of 1930. (1) The ratio of the reserve in actual gold to the notes outstanding has, however, risen in 1931 from 33.77 to 39.36, and at present it is equal to 41.22 per cent. This means that the actual security in gold for our notes alone is greater than the legal cover required against the Bank's sight liabilities. (2)

At the end of 1931 the total sight liabilities amounted, as already mentioned, to 16,365.1 million lire, and the reserve required for the prescribed cover, at the rate of 40 per cent. was equivalent to 6,546 million lire, leaving a surplus reserve available equal to 1,250.5 million lire, showing a reduction of 1,133.2 millions as compared with the previous year, when the reduction was 453.9 millions as compared with 1929. Therefore, for the two years 1930-31 there has been a fall of 1,587.1 million lire. (3) It should be noted at the same time that the notes outstanding have been reduced, by 2,479.5 million lire.

In 1931 the reserve in actual gold increased from 5,296.8 million lire to 5,626.3 million lire. This increase of 329.5 millions is due, as to 310.3 millions, to the conversion into gold of foreign credits, as to 7.7 millions, to payments in gold at our branches, and as to 11.5 millions, to the return of gold deposited in London in connection with War Debts for account of the Treasury which is responsible

(1) See Table XVI on page 149 of the Italian text.

(2) If the notes were also covered, as prior to the legal stabilisation, by the gold deposited in London due by the State but at present not actually available, the gold cover would be increased to a ratio of 53.48 per cent.

(3) See Table XV on page 148 of the Italian text.

to the Bank. The latter amount is less than the amount recorded in the previous year owing to the fact that in the second half of 1931 the gradual repatriation of the gold deposited in London was suspended together with the suspension of the War Debt payments of Italy to Great Britain as a result of the Hoover moratorium.

The reserve equivalent to gold declined, apart from the conversion of foreign currencies into gold, by 1,847 million lire.

The fall in the amount of notes outstanding between Note Circulation 31st December, 1930, and 31st December, 1931, was from 15,680.5 million to 14,294.8 million lire, and for the two years under consideration the average circulation has been reduced from 15,929,432,500 lire to 14,679,170,300. (1)

The half-yearly average for 1931 was 1,039.3 million lire less than for the first half of 1930 and 1,461.5 less for the second half of the year.

The highest amount of notes outstanding for the year was 15,579.8 million lire on 10th January, and the lowest 13,957.9 million lire on 20th December, as against a maximum of 16,508.2 million and a minimum of 15,529.8 million lire in 1930. (2)

The turnover of current accounts, namely the debit and credit Current Accounts entries passed in the accounts of our customers during the year, was in 1931 41,143.5 million as against 72,382.6 million lire in 1930. (3) The average deposits for 1931 were 1,458,307,298 lire against 1,211 million lire in 1930, the highest amount having been 2,061.7 million lire on 20th February and the lowest 1,022.5 million on 30th June. The balance of deposits at the end of the year was 1,325,629,535 lire, or 94.8 million lire less than at the end of 1930. (4)

(1) See the figures of the average monthly circulation for the years 1923 to 1931 and the outstanding amounts at the end of each month from 1929 to 1931 in Tables XVII and XVIII on pages 150 and 151 of the Italian text.

(2) The circulation of notes since the beginning of the present year shows the following changes :—

31st January, 1932	...	13,971.0 million lire.
29th February, 1932	...	13,938.5 " "
10th March, 1932	...	13,836.2 " "

(3) See Table XXI on page 156 of the Italian text, which shows the detailed changes of deposits at each branch of the Bank.

(4) Of the outstanding balance at the end of 1931 50,970,465 lire were in respect of non-interest bearing deposits. As from 1st May, 1931, the interest allowed on the deposits of banks was reduced from $1\frac{1}{2}$ to 1 per cent., and the interest of $\frac{1}{2}$ per cent. on other deposits ceased altogether.

The balances held by the Treasury with the Bank varied in 1931 from a minimum of 932.9 millions to a maximum of 3,374 million lire, as compared with 613.5 millions and 2,098.5 million lire in 1930. The average amount has therefore risen from 1,303.5 millions to 1,965.1 million lire. (1)

It will be seen, however, that in the course of the year the means of payment at the disposal of the Bank, apart from the note issue, have been reduced from 4,673.7 millions to 4,111.3 million lire. (2)

Discounts

The average amount of bills discounted in 1931 was 3,375.5 million lire as against 3,008.2 million lire in 1930. The highest level was reached on 31st December with 4,598.1 million lire, and the lowest on 20th June with 2,511.1 million lire. (3)

Bills rediscounted by the Syndicate for advances against industrial securities, amounting at the end of 1930 to 399.5 million lire, rapidly diminished until 31st October, when they were stopped altogether.

The above Syndicate, either because of the means placed at its disposal through the issue of its bonds or by the placing abroad of part of its bills, did not require any further re-discounts with the Bank. (4)

During 1931 the number of bills discounted was 1,379,686, representing an aggregate sum of 13,375,508,085 lire, and showing a decrease of 336,943 in the number against an increase of about 952 million lire in the amount of discounts, as compared with the previous year.

The above totals include 277.3 million lire in respect of bills re-discounted to the Syndicate for advances against industrial securities in the first ten months of the year, but in addition 1,063,700 lire of bonds and coupons were discounted outside that figure.

(1) The Treasury services have been carried on with the usual regularity in spite of the increased work involved.

(2) See Table XIX on page 152 of the Italian text.

(3) The amount of bills discounted in the course of the present year shows the following changes :—

31st January, 1932	...	4,356.7	million	lire
29th February, 1932	...	4,627.9	„	„
10th March, 1932	...	4,632.9	„	„

(4) In regard to the activity of the Syndicate for advances against industrial securities during the past year, see note on page 112 of the Italian text.

The average discount rate for 1931 was 5.73 per cent. as against 5.91 per cent. in 1930 and 6.55 per cent. in 1929.

During the past year the Bank Rate remained at $5\frac{1}{2}$ per cent. until 27th September, when it was raised to 7 per cent. As from 21st March, 1932, the rate has been reduced to 6 per cent. (1)

The total amount of advances against securities granted by Advances the Bank during 1931 was 17,003,767,478 lire, or 1,981.6 million less than in the previous year. The average advances outstanding for 1931 amounted to 1,204.2 million lire as against 1,196.7 million in 1930. The highest figure was reached on 30th June, at 1,568.7 million lire, and the lowest on 20th January at 1,005.6 million lire. At the end of the year 1931 the advances amounted to 1,066.6 million lire, or 595.1 million lire less than at the end of 1930. (2)

As usual, the deferred payments at the clearing houses are not included in the above figures, and the outstanding amount of these was reduced from 202.4 million to 161.6 million lire in the year 1931. (3)

The average amount of discounts, advances, and deferred Summary of Bank's Credit Operations payments at the clearing houses, taken together has moved between 1930 and 1931, from 4,314.8 million lire to 4,688.1 million, whereas the total amount outstanding at the end of the year moved from 5,810.1 million in 1930 to 5,826.3 million lire in 1931. (4)

The credit of the Banca d' Italia with the Istituto di Liquidazioni Istituto di Liquidazioni has risen during the past year from 626.2 million lire to 1,540.7 million, or by 914.5 million.

The new tasks which the above Institute was required to carry out in 1931 in the interests of the national economy, while absorbing during the year realised assets for 65 million lire and a portion of the reserve fund (78 million lire), necessitated loans from the Bank to the extent of 1,075 million lire. This amount has been reduced to the above figure of 914.5 million through the payment by the

(1) See Table XXII on page 158 of the Italian text, showing the changes in the Bank Rates in the leading foreign markets during the last two years.

(2) The advances outstanding since the beginning of the present year have been :—

31st January, 1932	...	953.9	million lire.
29th February, 1932	...	1,126.6	" "
10th March, 1932	...	970.5	" "

(3) See page 115 of the Italian text for the clearings for 1931 and the usual comparisons with the previous year's figures.

(4) See the changes relating to these transactions in the last few years in Tables XXIV and XXV on pages 162 and 163 of the Italian text.

Institute to the Bank at the end of the year of 500,000 lire in respect of realised assets and 160 million lire in respect of reserve fund receipts in the course of the year. (1)

Gold Abroad due
by the State

The gold credit of the Bank with the State, arising out of the gold loan to the Treasury when the War Debts were arranged in Great Britain and out of the transfer to the Bank of the gold credits of the Banco di Napoli and the Banco di Sicilia since the concentration of the issue rights in the hands of the Bank, was reduced during the past year from 1,784.3 million lire to 1,772.8 million, or a reduction, as has already been mentioned, of 11.5 million lire against a reduction of 28.8 million in the previous year. The difference, as has already been stated, is the outcome of the Hoover moratorium. (2)

Investments

The average investments of the Bank in Government securities moved between 1930 and 1931 from 1,116.9 million lire to 1,273.1, the total investments at the end of the year having risen from 1,160.4 million in 1930 to 1,375.1 million lire in 1931.

The latter amount includes :—

	Lire
(a) Securities freely owned by the Bank ...	562,352,216
(b) Securities formerly in the Guarantee Fund for Treasury services so far unreleased ...	73,709,925
(c) Statutory reserve investment fund ...	57,649,360
(d) Other funds	4,471,200
(e) Securities transferred to the Bank from the Istituto di Liquidazioni, for reduction of its liabilities, under Royal Decree No. 1832 of 6th November, 1926 (3)	676,967,996
	1,375,150,697

(1) Under Article 7 of the Royal Decree Law No. 1756 of 31st December, 1931, the following alterations have been made concerning the reserve of the Institute, which is intended gradually to pay off its debt to the Banca d' Italia.

Consolidation as from 1st January, 1932, until 31st December, 1940, of the annual State contribution at 200 million lire.

Postponement until 31st December, 1940, both of the setting aside of three-fourths of the tax on the note circulation and of the distribution of profits by the Bank which were in force until 1935.

(2) From 1st January, 1928, to 30th June, 1931, the gold credit of the Bank with the Treasury has been reduced by 74.9 million lire. To the amount of 1,772.8 million lire, representing the gold owned by the Bank and deposited with the Bank of England, must be added, in order to complete the amount of the deposit, 213.7 million lire, owned by the State and representing the reserve formerly held against currency notes, which was sent to London when the War Debts were arranged. The conditions of the deposit are regulated by Article 7 of the London Agreement of 27th January, 1926, which was approved by Law No. 180 of 14th February, 1926, and which reads as follows: "The £22,200,000 of gold belonging to Italy which was deposited under the Agreements of 1915 against the Italian War Debt will be retained by Great Britain as a non interest-bearing deposit and will be released to Italy as to the sum of £1,000,000 in eight equal instalments on the 15th September and the 15th March of each of the four years commencing the 15th September, 1928, and terminating the 15th March, 1932, and as to the balance in equal half-yearly instalments commencing the 15th September, 1932, and terminating the 15th September, 1937, provided always that all the annuities due under Article 1 of this Agreement have been integrally paid to date."

(3) The interest on these securities is not included among the gross profits of the Bank but is reinvested for further reducing the outstanding credit of the Bank with the Institute.

Of the said total, 618 million lire were Consols, 680 million Nine-Year Treasury Bonds, 35 million railway certificates, and the balance of 42 million other Government securities.

Moreover, at the end of the year the Bank held Government securities for 28,705,000 lire for investment of the extraordinary reserve fund ; 65,044,000 lire for investment of the shareholders' special reserve ; and 166,111,470 lire as partial investment of the employees' pension fund.

The buildings owned by the Bank for premises at the end of 1930 were inscribed in the balance sheet at 166,341,657 lire. During 1931 additions of 18,449,138 lire (1) were made in respect of payments for new buildings and repairs and enlargements of existing buildings, and 1,160,730 lire for payments in respect of land and house property previously purchased. Deducting reimbursements received for 598,520 lire and 14,400,000 lire for amortisation of buildings recently purchased or constructed, viz., 14,998,520 lire, the premises account brought forward in the balance sheet is 170,953,005. The increase of 4,611,348 lire on the figure of 1930 brings the excess over the statutory limits to 45,953,005 lire. This, however, is covered by the shareholders' reserve which is invested in premises to the extent of 46 million lire.

At the end of 1931 the Bank's credit in respect of bills and balances abroad was 2,190 million lire, of which 19.8 millions were on account of bills and balances abroad not included in the reserve, 2,170.2 million lire representing balances abroad and foreign Treasury bills included in the reserve.

As in previous years, the Banca d' Italia has co-operated with the National Institute of Exchange in the supply of foreign currencies required by the Treasury when the market conditions were not favourable for direct operations. (2)

(1) Of this amount 12,303,432 lire were in respect of new buildings for our offices at Bari, Milan, Palermo, Trieste, Agrigento, Castellammare, Catanzaro, Cuneo, Lucca, Pescara, Pisa, Pistoia, Salerno, Aosta, Crotona, Pinerolo, Sampierdarena, Vibo Valentia, Rodi, Massaua and Tripoli ; while the balance of 6,145,706 lire was for repairs or enlargements of other existing buildings.

(2) The National Institute of Exchange undertook in 1931, as usual, to supply the foreign currencies required for the normal needs of the Government or Government-controlled administrations, for the service of the Morgan loan, and for the half-yearly payment on account of War Debts to the United States, which fell due prior to the Hoover moratorium.

Moreover, the Institute undertook to supply the currencies required to meet the interest and sinking fund in respect of foreign loans contracted by public bodies or companies, the proceeds of which were originally paid over to the Treasury against an exchange guarantee.

Finally, at the beginning of the present year the Institute was charged with the clearing arrangements concluded with countries which had asked the Government to agree in this way to a settlement of their respective trade balances.

The economic conditions in the Italian Colonies were affected even more than in previous years by the international trade difficulties, in addition to local reasons for depression. In the latter category may be cited Erythraea, which has suffered from a failure of its crops for four consecutive years, the stoppage of the caravan traffic, and an appreciable fall in the value of the Marie Teresa thaler, which has in fact remained the currency used for internal trade.

The Banca d' Italia, true to its policy of giving support to all sound concerns in accordance with the requirements of trade, agriculture, and industry, has co-operated with the Colonial Office and the local authorities in their efforts to overcome the present situation and pave the way for a trade revival.

In regard to Erythraea, the special section for agricultural credit at the Asmara Branch is now ready to function.

Less unfavourable results have been shown by the bonded warehouse in Massaoua.

Arrangements are being made to extend agricultural credits in Somaliland. While the Mogadiscio Branch closed the year with a loss due to the necessity of writing off considerable assets, the Chisimaio Branch, after many unfavourable years, shows a small net profit in 1931, which is bound to increase as production and trade are developed in Jubaland.

The branch at Rhodes has closed its balance sheet with a surplus.

No changes are to be recorded in the work of the Tripoli Branch, but a generally satisfactory position in Tripolitania is disclosed.

As regards the Benghazi Branch, the results for the year were affected by the general difficulties experienced in the Colony. The situation there, however, is in a transitional stage, and, thanks to

the efficiency of the military command, we may look forward in the not distant future to an economic revival in Cyrenaica. (1)

At the end of 1931 the register at the Finance Ministry contained a list of 3,708 deposit banks, including 1,221 joint stock banks and bankers, 169 savings banks, pawnbroking establishments, communal agricultural banks, etc., and 2,318 rural banks, or 254 less than in the previous year. Allowing for the fact that in the course of the year eight banks which had not previously been inscribed in the register were identified, the actual reduction was 262. (2)

During the year 488 inspections were carried out as against 475 in 1930. (3)

The Bank was called upon to consider fourteen demands for amalgamation in respect of twenty-six banks, and of these nine were granted.

As is known, we regard it as desirable that unjustified absorptions should be prevented so as to avoid the disappearance of local banks carrying out useful and sound work in their respective spheres of action.

There was a considerable increase in the applications for authority to carry out agricultural credit operations, viz., from 23 in 1930 these have risen to 102 in 1931, and after careful examination 75 applications were approved.

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

						Lire
Cash displacements	...	...	...	...	...	6,279.0
Bills discounted	...	...	...	...	...	235.0
Advances	...	...	...	{ against securities	...	53.3
				{ against merchandise...	...	9.0
Interest-bearing current accounts	...	...	...	{ receipts	...	386.4
				{ payments	...	382.9
				{ balance	...	35.5
Savings deposits	...	...	...	{ receipts	...	16.9
				{ payments	...	18.0
				{ balance	...	17.3
Foreign currencies	...	...	...	...	...	54.2
Telegraphic payment orders	...	...	...	{ issued	...	218.4
				{ executed	...	31.9
Demand drafts	...	...	...	{ issued	...	505.0
				{ paid	...	321.0
Net profits	...	...	...	...	...	0.4

(2) The said number of banks includes 49 which relinquished the collection of deposits, 17 amalgamations, 53 liquidations, and 143 suspensions.

(3) Inspections were made at 183 joint stock and co-operative banks, 40 private firms, and 265 rural banks.

Applications for the granting of credits in individual cases exceeding one-fifth of the bank's resources were 72 for a total of 585.1 million lire and concerned 55 banks. Sixty-two demands, involving 555.3 million lire were granted as against the acceptance of 78 applications in 1930 involving a sum of 322.8 million lire.

It may be opportune to recall that the law fixes the limits within which the control of the Banca d' Italia must be exercised over deposit banks and that in certain cases it provides for penalties against the banks, the enforcement of which is submitted to the judgment and authority of the Finance Minister. The Banca d' Italia does not fail to report to the above authority the results of its observations, enquiries, and findings, while at the same time it requires that the responsible administrators and auditors should perform their duties in conformity with the law. But obviously this duty has to be carried out with the tact which such a delicate matter requires.

The establishment of the control has introduced discipline in the credit field, checking effectively certain conceptions of banking megalomania and making it possible in many circumstances to prevent falls and insolvencies. This has been the case when those responsible for the controlled banks have promptly accepted administrative and technical advice and recommendations to timely adopt effective remedies. It must not be thought, as sometimes happens, that financial assistance on the part of the Central Bank is possible merely because that Bank has been called upon to exercise its control.

It is thus evident that the law on this subject, while calling for a greater sense of duty from those who are responsible for the administration of other people's property, is not intended to relieve depositors of the obligation of making sure in their own interests of the soundness of the institutions to which they choose to entrust their savings.

Profits

After separating, as usual, the gross profits of the branches from those of Head Office, we have the following results for the past year: profits of the branches amounted to 211,430,436 lire as compared with 269,184,123 in 1930, or a reduction of 57,753,687,

and those of Head Office were 203,302,349 as compared with 168,927,716 in 1930, an increase of 34,374,633 lire. Therefore, altogether, the gross profits amounted to 414,732,785 lire against 438,111,839, or a net reduction of 23,379,054 lire. But, accounting for an amount of 25,000,000 lire brought in from the profits of previous years set aside for various amortisations, we have a small surplus as against 1930 of 1,620,946 lire.

The earnings of discounts were 193,604,356 lire, or 16 million more than in 1930, on account of the larger amount of these operations.

The amount of bills carried forward from last year's balance sheet is 70,716,380 lire as against 34.3 million carried forward in the 1930 balance sheet.

Advances yielded a profit of 73,569,552 lire, or 1.9 million lire more than the previous year.

The interest from deferred payments at the clearing houses yielded 6,558,424 lire against 6.2 million in 1930.

The profits from foreign business amounted to 33,226,807 lire, a reduction of 41.3 million, as against 1930, resulting from the reduced amount of foreign credits included in the reserve. The fall from 37.6 to 29.1 million lire in the portion payable to the Bank of the earnings of the reserve equivalent to gold handed over by the State at the time of the legal stabilisation of lira (1) contributed to the above reduction, which was only partly compensated by the increase from 3.7 to 4.1 million in the remuneration of the Bank's original reserve.

Other services, including commissions for 5,311,331 lire, yielded 52,145,392 lire. (2) The interest on investments amounted altogether

(1) The proportion due to the Treasury of the earnings of these currencies was 62.4 million in 1931 as against 85.7 million lire in 1930. As is known, the Treasury is entitled to the full net earnings of the investment of the equivalent of 90 million dollars transferred by the State to the Bank in 1926 against cancellation of a corresponding part of its outstanding debt, and half of the net earnings of the other currencies transferred by the Treasury to the Bank when the lira was stabilised in 1927.

(2) It should be noted that the State contribution towards meeting the expenditure for Treasury services, amounting to 21.9 million lire, is not included this year among other receipts, but has instead been deducted from the expenditure for that purpose in accordance with the terms of Royal Decree No. 1693 of 26th December, 1930.

to 48,681,807 lire, of which 37,093,731 lire were in respect of Government securities. The previous year's figures were 47.4 and 35.8 million lire respectively. (1)

Expenditure &
Taxes

Gross expenditure for 1931 totalled 361,922,514 lire against 364,602,549 lire in 1930, or a reduction of 2,680,035 lire. Administrative costs accounted for 86,718,680 lire, or 27.9 million less than in 1930. (2) The salaries of the staff were reduced from 88.4 million lire in 1930 to 80.9 million lire in 1931. The outlay for taxes was 26,820,558 lire, or 7.7 million more than in the previous year. (3)

Interest on private deposits amounted to 17,233,058 lire, or 4.2 million less than in 1930 ; this difference is due to the reduction since last May of the interest allowed on the deposits of banks and special institutions and to the cessation of all interest payments on other deposits.

Interest on public deposits accounted for 43,254,690 lire, or about 20 million lire more than in the previous year. The interest paid to the Internal Debt Sinking Fund Office was 3,020,821 lire, or 983,000 more than in 1930.

The interest on the balances of the National Institute of Exchange amounted to 43,874 lire.

The amount written off against depreciation, bad and doubtful debts, and other contingencies, was 41,478,956 lire, which is 20.5 million lire less than last year's allocation.

Dividend

To sum up: against gross profits totalling 439,732,784 lire, gross expenditure aggregated 361,922,514 lire, leaving a net profit for the year of 77,810,270 lire, or 4,300,980 lire in excess of the previous year.

(1) The interest on securities does not include the interest on the Government securities which have been handed over to the Bank, by reason of the Royal Decree Law No. 1832 of 6th November, 1926, to reduce its credit with the Istituto di Liquidazioni, since it is used for further reducing the latter's liabilities.

(2) As already mentioned, the reduction to the extent of 21.9 million is covered by the State contribution for Treasury services, which has been deducted from the expenditure.

(3) The above total of 26.8 million lire is made up as follows :—

	(000 omitted)
	Lire
Circulation tax on Notes	4,270
Circulation tax on Drafts... ..	339
Income tax	15,499
Real Estate tax	1,035
Other taxes, including transfer tax on the Bank's shares ...	5,677

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 :—

- L.13,874,116.26 to the State, as participation in equal measure as for the years 1922 to 1930 ;
- L.30,000,000.00 to the shareholders as dividend, equal to the one distributed for the years 1922 to 1930, at the rate of 60 lire on each of the existing shares ;
- L. 8,655,093.76 to the Shareholders' Special Reserve ;
- L. 281,060.00 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.25,000,000.00 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.77,810,270.02

The year 1931, the features of which I have submitted to your ^{Conclusion} consideration, closed with comparatively satisfactory results, especially if we bear in mind the innumerable difficulties of all kinds which arose almost without interruption throughout the year.

These results have been achieved thanks to the valuable assistance and wise counsels of your Board, the loyal co-operation of the Director-General, Dr. Pasquale Troise and the Deputy Director-General, Prof. Niccolo Introna, and of the officials and clerks, all united by the same sense of duty and sincere attachment to our Institution.

The international position, though still overclouded by distress and other uncertainties, shows some signs of improvement in the monetary sphere leading to a more confident feeling. Italy, strong, active and well disciplined, has improved her productive organisation by sacrifices which will ensure a speedier and surer

recovery of remunerative work as soon as the solution of outstanding international problems permits a return to more normal trade relations between countries. This, we trust, will be accomplished in a not too distant future.

The Banca d' Italia, whose daily activities have never and never will cease to consider first the interests of the national economy and credit, is fully confident that a still closer co-operation will be possible between savings banks and all other banks, which, to-day more than ever, are inspired by a sincere desire for a full reciprocal understanding.

Gentlemen, our daily task, which has often been carried out in the face of grave obstacles and difficulties, has been constantly inspired and encouraged by the keen and sympathetic interest of the Prime Minister, who has always seen and continues to see in the soundness of our Institution the security for the financial prestige of Italy in the world.

Allow me now to express the hope that the results of our work will meet with your approval.

BALANCE-SHEET

December 31st, 1931.

PROFIT AND LOSS ACCOUNT.

BANCA

AUTHORISED CAPITAL
OF WHICH IS PAID-UP

BALANCE SHEET,

ASSETS.			
Gold in Hand.....		L.	5,626,325,647.91
Other Gold Assets :			
Balances Abroad	L.	1,678,721,142.60	
Foreign Treasury Bills.....	,,	491,517,818.28	
		L.	2,170,238,960.88
Total Reserve.....		,,	7,796,564,608.79
Gold deposited abroad, due by the State.....		,,	1,772,798,105.00
Cash in Hand.....		,,	282,650,682.40
Inland Bills.....		,,	4,598,070,071.33
Bills for Collection.....		,,	35,584,510.44
Advances to Customers {	Against Government Securities and Mort-		
	gage Bonds.....	L.	1,066,441,459.47
	Against Silk and Cocoons.....	,,	161,838.65
		L.	1,066,603,298.12
Investments (Government Securities owned by the Bank)		,,	1,375,150,697.51
Cr. Accounts in the Kingdom :			
Deferred Payments at Clearing Houses.....	L.	161,631,332.39	
Other Accounts	,,	43,678,908.51	
		L.	205,310,240.90
Interest Due (by the Treasury) for account of " Istituto di Liquidazioni ".....		,,	369,907,771.05
Shareholders' uncalled Capital.....		,,	200,000,000.00
Premises		,,	170,953,005.16
Credit with " Istituto di Liquidazioni ".....		,,	1,540,752,419.85
Other Assets :			
" Credito Fondiario " Fund.....	L.	30,000,000.00	
Investment of Extraordinary Reserve	,,	32,485,000.00	
,, Shareholders' Special Reserve	,,	89,176,484.62	
,, Employees' Pension Fund	,,	215,597,801.49	
,, Istituto di Liquidazioni Securities A/c.	,,	369,907,771.05	
Other Debtors	,,	417,890,941.57	
		L.	1,155,057,998.73
Securities and other valuables deposited.....		L.	20,569,403,409.28
		,,	26,785,402,749.05
Amounts written off in past years.....		L.	47,354,806,158.33
		,,	393,562,400.27
TOTAL		L.	47,748,368,558.60

38th YEAR.

D' ITALIA.

L.500,000,000.

L.300,000,000.

31st December, 1931—X.—E.F.

LIABILITIES.

Notes in circulation	L.		14,294,822,600.00
Demand Drafts Outstanding.....	"		444,690,958.14
Current Accounts.....	"		1,325,629,535.53
Treasury Current Account.....	"		300,000,000.00
			<hr/>
	L.	16,365,143,093.67	
Capital.....	"	500,000,000.00	
Statutory Reserve	"	100,000,000.00	
Extraordinary Reserve	"	32,500,000.00	
Deposit Accounts	"	140,715,973.27	
Treasury Fixed Deposit Account.....	"	1,988,850,547.40	
"Istituto di Liquidazioni" Securities Account	"	369,907,771.05	
"Internal Debt Sinking Fund Office" Current Account	"	49,285,962.91	
Other Liabilities :			
Shareholders' Special Reserve.....	L.	93,067,539.76	
Shareholders' Special Reserve Invested in Premises.....	"	46,000,000.00	
Other Creditors.....	"	806,122,251.20	
		<hr/>	
	L.	945,189,790.96	
Net Profits for the Year.....	"	77,810,270.02	
		<hr/>	
	L.	20,569,403,409.28	
Securities and other valuables deposited.....	"	26,785,402,749.05	
		<hr/>	
	L.	47,354,806,158.33	
Amounts written off in past years.....	"	393,562,400.27	
		<hr/>	
	L.	47,748,368,558.60	

PROFIT AND YEAR

		Dr.		
Expenditure	Expenses in respect of :	Administration	L. 86,718,680.01	96,262,385.67
		Board of Directors, etc.....	,, 1,874,620.07	
		Transport of specie and other valuables	,, 1,278,155.69	
		Printing of notes	,, 1,215,288.42	
		House Property Account ...	,, 3,954,141.51	
		House Property owned by Pension Fund.....	,, 1,172,052.85	
		Stamps and commissions on foreign business.....	,, 49,447.12	
		Circulation tax on notes ...	,, 4,270,267.76	
		Circulation tax on demand drafts	,, 338,640.89	
		Income Tax	,, 15,499,452.13	
	Taxes	Real Estate Tax	,, 1,035,513.68	26,820,558.15
		Bank Shares transfer tax...	,, 1,828,590.00	
		Weights and measures control tax	,, 5,610.90	
		Stamp duties.....	,, 225,086.73	
		Contribution for Govern- ment supervision	,, 200,000.00	
		Other tributes	,, 3,417,396.06	
		Unpaid bills	L. 106,647,118.68	
		Amounts written off.....	,, 47,113,697.92	
		Interests and annuities.....	,, 76,786,018.96	
Charities and other contributions	,, 1,368,766.50			
Contribution to Employees' Pension Fund	,, 6,923,968.60			
	L. 361,922,514.48		123,082,943.82	
Net profit to be divided.....	,, 77,810,270.02			
	L. 439,732,784.50			
TOTAL		L.	439,732,784.50	

DISTRIBUTION

Dividend on 500,000 shares at the rate of L. 60 per share.....
 Annual contribution to the Reserve Fund of "Credito Fondiario".....
 State participation to the profits exceeding 5 per cent. on paid-up capital, as in
 To Shareholders' Special Reserve.....
 To Istituto di Liquidazioni under Art. 4 of R. Decree No. 2158 of the 27th Sept.,

ARTOM VITTORIO.
 CORNAGLIOTTO GIUSEPPE.
 CORTESI ARTURO.
 RAVANO EMANUELE.
 VIALI LEOPOLDO.
 Auditors.

GIULIO ROSAI,
 Chief Accountant.

LOSS ACCOUNT

1931—X.—E. F.

		Cr.	
Profits from the Year's business	Re-discounts brought in from previous year..... L.	34,290,065.91	
	Year's discounts "	230,241,659.34	
		264,531,725.25	
	less: re-discounts carried forward ..	70,927,368.77	
		193,604,356.48	
	Interest on advances..... L.	73,569,551.64	
Interest on Cr. accounts ..	10,565,393.39		
Commissions ..	5,311,331.33		
Interest, discount and exchange profits on foreign business, less re-discount charges..... "	33,226,806.95		
Other profits..... "	46,834,061.21		
	363,111,501.00		
Profits from Investments	Interest on Government Securities..... L.	37,093,731.12	
	Interest on "Credito Fondiario" Fund..... "	1,200,000.00	
	Revenue on real estate ..	6,309,926.41	
	Interest on investment of Colonial Branches Fund ..	500,000.00	
	Profits arising from the liquidation of late note- issuing banks..... "	3,578,149.52	
	48,681,807.05		
Previous years' profits brought in		25,000,000.00	
By Istituto di Liquidazioni, circulation tax on notes outstanding on its behalf		2,939,476.45	
	439,732,784.50		
TOTAL .....L.			439,732,784.50

OF NET PROFIT

..... L.	30,000,000.00
..... "	281,060.00
previous year..... "	13,874,116.26
..... "	8,655,093.76
1923 and Art. 3 of R. Decree No. 1832 of November 6th, 1926 ..	25,000,000.00
	77,810,270.02
TOTAL NET PROFIT TO BE DISTRIBUTED L.	77,810,270.02

VINCENZO AZZOLINI.
Governor.

E. COUGHMAN & Co. LTD.,
23, THROGMORTON STREET, E.C.2.