

customers and also from our own standpoint it is desirable, that a substantial proportion of each year's earnings should be left in the business to build up a strong liquid position as a reserve to fall back on in lean years.

*5th April, 1928*

We wish to point out again to our managers that it is important to impress on customers that it is highly desirable from their point of view to leave a reasonable proportion of annual profits in the business in order to build up a real reserve for possible contingencies. Many of our smaller clients are inclined to withdraw annually practically all that the business makes, and when hard times come there is no actual reserve to provide for unusual losses. Our managers can be of great assistance by giving friendly advice in an important matter of this kind.

*12th November, 1929*

There is a continued strong demand for new loans and enlarged credits which inclines us to the view that there may be a tendency on the part of many of our customers to accumulate inventories beyond the needs of their respective businesses, or to manufacture for stock in anticipation of forthcoming orders. There is no justification for increasing inventories at this time except for the purchase of raw materials to take care of the manufacture of goods for orders on hand from first-class concerns.

*2nd June, 1930*

We have previously emphasized the desirability of customers refraining from accumulating inventories beyond the immediate needs of their business, and from manufacturing for stock in anticipation of forthcoming orders. We went so far as to say that there was no justification for increasing inventories in the fall of last year, but notwithstanding this we find that in a great many cases coming before us inventories were higher at the end of December than a year ago.

In discussing this feature we have frequently been advised that customers feel it would be unwise to hurry liquidation of stocks as they believe it will be possible to work them off without loss over a period of the next three or four months. We may say, however, that it is our feeling that there will be many whose inclination is to follow this course rather than face their loss now.

Customers should be counselled to cut their inventories as far as possible, even if losses have to be taken, because it is much better that they should have the situation behind them rather than to be carrying on in a state of uncertainty as to when and at what sacrifice they will be called upon to move out their heavy inventories.

*5th June, 1931*

We are, of course, ready as always to acquire new loaning business where the basis is sensible and the source of repayment is properly in sight. Conditions at the moment are admittedly unsatisfactory but we look with confidence to the future and feel that when commodity prices become more or less stable there will be a definite turn for the better. It is also the case that with a background of valuable natural resources and a level-headed population the eventual outcome is bound to be favourable.

*8th September, 1931*

We should like every manager to do what he can to bring about a better picture than is now presented in respect of our unsatisfactory farmers' business, bearing prominently in mind at the same time that we do not want to add to the difficulties of our farmer customers. It is not inflicting hardship, however,