

to meet Government requirements and partly by the trading banks to finance traders, manufacturers, farmers, and others. High levels of prices and of national income that are generated by abnormal conditions prevailing during and immediately after a war invariably produce an expansion of bank credit which, while it may itself be a contributory factor in raising prices, is largely a result rather than a cause of such increases. A sudden and drastic curtailment of bank advances might in these circumstances cause more harm than good and seriously retard the maintenance and improvement of trade, industry, and employment. Hence the necessity for a prudent and flexible bank advances control policy that checks undue expansion of credit but does not hamper sound business development.

In assessing present and prospective economic conditions in New Zealand it is necessary to note whether and to what extent changes in spending-power as shown by the amount of money in circulation and the aggregate amount of private incomes are paralleled by changes in the supply of goods. Comparing the year 1938-39 with 1945-46, the latest year for which the information is available, the amount of aggregate private incomes rose from £(N.Z.)186 millions to £(N.Z.)327 millions, the value of farm production from £(N.Z.)83 millions to £(N.Z.)116 millions, of factory production from £(N.Z.)31 millions to £(N.Z.)55 millions, and the total value of all production from £(N.Z.)136 millions to £(N.Z.)201 millions. In 1939 export receipts amounted to approximately £(N.Z.)65 millions; for the year ended the 31st March, 1948, they were £(N.Z.)134 millions. The great increases in production values and export receipts have been caused mainly by higher prices rather than by an expansion of production of actual goods, and the higher prices have had an important influence on aggregate private incomes.

The movement in export and wholesale prices that has occurred during recent years is shown in the following table of official price statistics:—

PRICE INDEX NUMBERS

(Base : 1926-30 = 1000)

					March, 1939.	December, 1947.	Percentage Increase.
Export prices..	..	..	..	..	869	1815	108·9
Wholesale prices—							
Locally produced	..	..	..	..	1029	1512	46·9
Imported ..	..	..	..	..	1066	2027	90·2
All groups ..	..	..	..	..	1050	1809	72·3

The relatively smaller rise in the wholesale prices of locally produced goods is some evidence of the effects of stabilization measures, which were able to exercise a restraining influence on costs and prices of local production, but which for obvious reasons could not control import prices. The changes that have taken place in the actual quantities of goods produced during the period of rising prices and, consequently, of higher levels