

The volume of goods imported in the year ended 30th June, 1948, was 25 per cent. more than 1938–39. Taking into account the rise in local production to 20 per cent. above pre-war, we find that the volume of all goods available for use in New Zealand has risen by 25 per cent. over 1938–39. The community has thus progressed beyond the point of re-gaining its pre-war level of consumption. On a “per head” basis goods available are 11 per cent. higher in volume than in 1938–39, and nearly 30 per cent. above 1936. In other words, on an average, each individual has available one-third more goods—imported and locally-produced—than he had in 1936.

This summarises the most important aspect of our economy—the physical goods available to individuals.

On the financial side the years of spectacular increases in the volume of money are past. For the year ended March, 1949, the increase in the volume of money was £3·5 million—compared with £22·6 million for the year ended March, 1948, £6·9 million for 1947, and £32·5 million for 1946.

On the evidence of the considerably diminished increase in the volume of money for the year ended 31st March, 1949, it seems clear that, by such measures as general stabilization, price control and the restriction of trading-bank advances, the financial policy of the Government has been successful in preventing buoyant conditions from developing into inflation.

Sterling holdings on 25th May, 1949, totalled £74,830,000. There had been a declining tendency since July, 1947, but this was inevitable, in view of war arrears of consumer and capital imports. The peak figure of sterling held by New Zealand was that of February, 1947, when approximately £91 million sterling was held.

New Zealand has had ample experience in the past to learn that precipitous falls in the overseas prices of primary products can, in the absence of adequate safeguards, reduce the exporter and the whole community to economic distress. The importance of stabilization to farmers entails the following action by the Government: (1) The maintenance of a guaranteed price; (2) the securing of long-term markets for the farmer's goods; and (3) the efficient use of overseas exchange—and the assurance of economic reserves.

There is good reason for satisfaction concerning the farm industry stabilization accounts, in which £44 million are held in reserve. Used in conjunction with the guaranteed price, which could take into account falling costs following any possible falling prices, the stabilization funds and the wool reserves would afford a very substantial cushion against any shocks originating overseas.