

Wage levels and savings

As we enter a period when prices overseas, especially of raw materials, are becoming stable, and in some cases receding, the importance of successful stabilization of costs and efficiency of production in New Zealand becomes greater than ever.

The general level of wages has a double effect on internal stability. In the first place it affects costs of production directly, because wages become costs. Secondly, it largely determines the level of incomes, and thus, to the extent that a wage increase is spent instead of being saved, directly affects the demands for goods and services. Increasing wages unless balanced by increased production are incompatible with stable costs of production and prices.

One important subject in relation to increased production is that of savings. More production requires extended and new equipment and installations. Such equipment and installations cannot be obtained except by saving or by loans from overseas. The national output in any year can only be used once—either consumed currently or invested in capital equipment for future production of consumers' goods and services. The whole of our national income should not be expended on current consumption—a portion equal to the new capital expenditure must be saved if we are to avoid undue pressure on the prices of consumer goods. Sufficient savings to finance capital development for our long-term needs are essential. Every effort should therefore be made by all New Zealanders to increase their savings, in banks, in the Post Office, in National Savings, in Government securities, or through insurance, and companies should allocate the greatest possible proportion of their annual profits to reserve.

New Zealand's balance of payments

For the calendar year 1948 New Zealand's payments to the rest of the world exceeded receipts by a little over seven million pounds sterling. Receipts totalled £150,000,000 and payments £157,000,000, but this excess of payments takes into account capital transactions in relation to Government and local-body debt amounting to £10,400,000.

The volume of our exports in 1948 continued to increase, and the value reached a record total of £124,600,000. Imports in the same year totalled £108,000,000.