

According to the figures published by the Government Statistician, the values of exports and imports to and from all countries during the same period were—

								N.Z. Currency (000 omitted).
								£
Exports	..	..	..	..	..	..	..	49,676
Imports	..	..	..	..	..	..	..	37,440
Showing an excess of exports amounting to								12,236
Against this favourable balance of trade there must be set off the total of the London funds absorbed by interest on Government and local-body debt, and by the part redemption and part conversion of the Government's 5-per-cent. 1935-45 sterling loan, which together amounted to approximately								11,200
Leaving a net favourable balance of								£1,036

It will be seen that the balance of payments arrived at in this manner corresponds more or less closely to the alteration in the combined holdings of London funds.

Whilst this comparison suffices to indicate broadly the absence of any pronounced net movement of capital to or from the Dominion, it is not intended as an exact calculation, as various qualifying factors have been disregarded and, in addition, certain alterations in the method of arriving at the amount of London funds held by trading banks in respect of New Zealand business were agreed to during the year.

There still appears to be a lack of understanding in some quarters as to the nature and significance of the London funds at present held on account of New Zealand. To regard them as lying idle is obviously incorrect in various respects. In the case of a country like New Zealand, which is on a sterling exchange standard, London funds serve the same purpose as do the gold reserves of countries on the gold standard—that is, they constitute the foundation upon which the credit structure of the Dominion rests, in addition to providing a reserve available for meeting commitments overseas in case of need. Moreover, the full equivalent of the London funds in New Zealand currency has been made available in the form of purchasing-power in the hands of the public in the Dominion; and until required for expenditure overseas this purchasing-power is available for use within the Dominion.

The following figures show the reserve position—that is, the ratio of gold to sight liabilities—of certain countries on the gold standard :—

Country.	December, 1935.	Highest point during 1935.
	Per Cent.	Per Cent.
Switzerland	85	96
Netherlands	76	81
United States of America	75	75
France	71	81

These figures do not include any foreign currencies which may have been held in augmentation of the national monetary reserves.

As compared with the above figures, the Reserve Bank's ratio stood at 98·46 per cent. at the end of the financial year, the lowest point touched during the year having been 96·56 per cent. But whereas the reserves shown for the above-mentioned "gold" countries were entirely held in the form of gold, which is unproductive, the bulk of the reserve of the Reserve Bank is revenue producing.

It must be remembered also that the Dominion's sterling reserves accumulated at an abnormal rate during the years 1933-34, and they are therefore more than ordinarily liable to be drawn upon in respect of deferred purchases overseas. Moreover, the Reserve Bank's figures being relatively small, the effect, per £1,000,000, produced upon the ratio by the replacement of sterling assets by assets in New Zealand would be relatively great.

GENERAL SURVEY.

Indices prepared by the Government Statistician, upon which the following comparative statement is based, show that, with the exception of exports, the price-levels at the end of the year did not differ much from those at the beginning, although moderate fluctuations occurred during the year.

Base : 1909-1913 = 1000.

Index.	March, 1935.	March, 1936.	Percentage Increase.	Highest and Lowest Point reached during Period.	
A. Wholesale—				High.	Low.
Imported items	1312	1313	..	1329	1311
Locally produced items	1409	1447	2·7	1522	1409
Combined wholesale index	1365	1386	1·54	1434	1365
B. Export prices	1090	1204	10·46	1242	1026
C. Retail prices	1409	1428	1·35	1453	1409