

this has now been enlarged principally for the purpose of encouraging the erection of new houses and for the financing of farms. This provision has enabled the Corporation to make advances to qualified applicants for the erection of houses in urban and suburban areas as part of the Government housing policy.

There were other changes effected by the Act to which reference will be made in the course of this report but which need not be specifically detailed at this stage.

2. *World Events*.—A reference to overseas conditions is a prelude to a study of general business conditions in New Zealand as affecting the progress of the Corporation.

The year under review has been marked by a series of international incidents each of which has had its effect on international relationship and good will. In the monetary field we have seen the departure of France from the gold standard quickly followed by Holland and Switzerland, these being the only countries of any importance at the time maintaining the gold bloc. Then came the Tripartite Currency Agreement between Great Britain, France, and the United States, by which these three countries agreed upon a gold-exchange parity. Probably no single factor during the past decade has had a greater influence upon world economic affairs than this agreement, which aimed at the stabilization of currencies and a greater freedom of international trade. In the stimulation of international trade, increased real purchasing-power, and the establishment of a generally higher level of prices for commodities lies the amelioration of the present difficulties in world economic affairs.

If from the present multitude of conflicting circumstances there arises a reasonable degree of international goodwill, the world should not have to wait long for the desired return of those elements of confidence and stability which are essential to the general well-being. Recent trends indicate that the prospects of continued progress in international trade are reasonably good. Trade is increasing and the process of recovery is continuing, which augurs well for the future of a primary producing and exporting country such as New Zealand.

With our prolific production of primary produce and relative paucity of secondary industries we are materially interested in the trends of markets overseas. Our domestic economy in the past has always reacted to fluctuations in overseas prices, although the operation of the guaranteed-price legislation now has a steady influence.

3. *Business Conditions in New Zealand*.—Exports for the year realized the unprecedented total of £(N.Z.)60,230,000 as compared with £(N.Z.)49,680,000 for the previous year and with £(N.Z.)33,940,000 for the depression year of 1931–32. Export-price levels were substantially higher than for the previous year, as is evidenced by the graph showing the index numbers of export prices appearing at page 32 herein, but increased volume of exports also accounted to some extent for the increased total value.

The phenomenal rise in the export values of wool from £(N.Z.)10,420,000 in 1935–36 to £(N.Z.)15,780,000 in 1936–37 accounted for a little more than half of the total increase. Dairy-produce export values increased by £(N.Z.)3,170,000 while values of other produce—meat, skins, &c.—were also on a higher plane.

The rise in export values contributed to increased purchasing-power of the public; wages were restored to the 1931 level, and, with returning confidence, the year has been one of marked business activity.

Imports increased from £(N.Z.)37,440,000 in 1935–36 to £(N.Z.)47,620,000 in 1936–37, while the excess of exports over imports for the same period rose from £(N.Z.)12,230,000 to £(N.Z.)12,600,000.

The trade balance may therefore be regarded as satisfactory, especially when it is remembered that the marked increase in imports is, in part, due to the replenishing of stocks which had through the depression years been maintained at remarkably low levels, and were insufficient to support the volume of internal trade now being experienced.

There is no doubt but that the rearmament programme in Great Britain and other countries to some extent influenced the rise in export values, and will undoubtedly be a factor in maintaining those values. To the same cause may be attributed sharp increases in the price-levels of many classes of imports, notably metals and other basic materials.