

Practically all official statistics for the year under review, as compared with the previous year, illustrate the relative prosperity of the times. For instance—

	Per Cent.
Exports increased by	21·3
Imports increased by	27·2
Excess of exports increased by	3·1
Bank debits in March (excluding Government) increased by	25·1
Net note-circulation (March, 1937, as compared with March, 1936) increased by	26·1
Retail-price index increased by	7·6
Wholesale-price index increased by	6·2
Export-price index increased by	12·2
Sales tax collected increased by	23·6
Mortgages registered increased by	13·8
Mortgages discharged increased by	12·1
Unemployed males <i>decreased</i> by	31·3

In any primary producing country the relationship between farm expenditure and export prices is of immediate concern, and it was the sudden gap between costs and prices in New Zealand which developed as a result of the depression which upset our farming equilibrium. The graph at page 32 hereof clearly shows the divergence between these factors which commenced in 1929–30. The graph shows that on the 1914 base the indices of these two items were approximately at the same level in 1929. In 1931 the disparity between farm expenditure and export prices was particularly marked. In 1932 there was practically no improvement, in 1933 the difference was reduced to a slight extent, and in 1934 there was a substantial improvement in the position. In 1935 there was little change, while in 1936 the sharp upward trend of export values, although accompanied by an upward trend in farm expenditure, resulted in the still further closing of the gap, until at the end of 1936 it might fairly be said that the relative position was that obtaining in 1929. The graph above referred to shows the relationship between export prices as a whole and farm costs generally without any differentiation between the various classes of exports. As at 31st December, 1936—beyond which date official statistics relating to farm expenditure are not available—equilibrium had been restored in farm budgets taken over the whole field of production.

The movements of wholesale and retail prices, wage-rates, and value of production may be clearly followed from the graph appearing at page 33 herein. The graph which has been prepared on an annual basis up to 31st December, 1935, and thence on a quarterly basis up to 31st March, 1937, illustrates that the upward trend in wage-rates (increased purchasing-power) was not cancelled out by the upward trend in retail prices (cost of living), although the latter have shown a steeper rise over the year than wholesale prices.

As to the future, the prospects for our primary products, notably wool, are bright, and, apart from any complications which might arise out of the international situation, it seems reasonable to look forward to a further year of prosperity.

From the viewpoint of the Corporation, directly concerned as it is with the welfare of large numbers of primary producers, the year has been a successful one, but allowances must be made for the fact that during the depression years farmers have, in many cases, been unable to provide for maintenance expenditure to the extent that was desirable. There is, therefore, leeway to make up, and observations in the field point to the fact that the standard of maintenance of pastures and stock is now being improved. At the same time receipts have increased substantially, and the Board looks forward with confidence to a continued improvement in this way.

In so far as urban mortgagors are affected, the restoration of wages to the 1931 level, the reduction in registered unemployed, and the generally improved conditions are reflected in the improved receipts during the year, although lost ground has still to be recovered.

4. *Trend in Interest-rates.*—The policy of lower interest-rates enunciated at the British Empire Conference at Ottawa in 1932, and confirmed collectively and individually by the several Governments within the British Commonwealth of Nations in succeeding years, is still being actively maintained. A similar policy has been adopted by practically all other important nations, but the countries