Economic conditions in the United States of America have an important bearing on international trade, and New Zealand, as well as other countries which must rely on external markets for the disposal of the major portion of their produce, is interested to no small degree in the attempts that have been and are still being made to stabilize trading conditions in the States.

Cheap money is still, for various reasons, a dominating factor in the economic policies of the great financial nations, but the effect of this factor is minimized by the lack of confidence that prevails generally.

5. *Trade and Industry in New Zealand.*—Within the Dominion trade conditions have been favourable, and in value the turnover in both primary and secondary industries has shown an upward tendency.

Reference to official statistics (and to the graphs attached to this report) will show that value of total production for the year ended 30th June, 1937, amounted to £136,100,000, an increase of £21,900,000 over the previous year. Of this increase, £16,100,000 came from farm production, and this in turn was reflected in gross farm income, which rose from £60,500,000 for 1936 to £71,900,000 for 1937. This evidence is a satisfactory feature of the period under review.

The Board is also pleased to note the improvement in the economic position of other sections of the community that is reflected in an increase of £13,600,000 in salary and wage payments.

By means of a graph appended to the 1937 report it was shown that over a five-year period up to 1935 there had been a fairly wide gap between export prices and farm expenditure, but the graph, which is continued in this report on page 22, indicates that the position established at the end of 1936 has been approximately maintained during the past year.

An additional graph, which appears on page 23, supplies an interesting comparison of the trend in retail prices, wholesale prices, wage rates, and value of production over a period of approximately twelve years. Retail prices, which showed a fairly sharp upward movement in 1937, dropped slightly in the first quarter of the current year, whereas wage rates for the same period show a gradual increase.

The trend in wholesale prices up to 31st December, 1937, was still on the up grade and is moving on approximately the same plane as the retail index.

Value of production, which has been rising steadily since the middle of 1935, has continued upward to the middle of 1937, that being the latest period for which figures are available.

A comparison of the export figures for the two past years supplies further evidence of the buoyancy in trading conditions. Exports during the year ended 31st March, 1938, were valued at the record figure of £(N.Z.)65,008,000, which represented an increase of £(N.Z.)4,773,000 over the previous year's figures. The comparison is still more favourable when considered with the value of exports for the year ended 31st March, 1932, which reached the low level of £(N.Z.)33,940,000. The quantity and value of the three principal commodities exported during the past year are set out hereunder, the figures for the previous year being shown in parentheses :—

	Quantity.	Value.
	Cwt.	£
Frozen meat	5,398,731 (4,908,968)	15,030,216 (13,066,703)
Dairy-produce	4,693,907 (4,723,136)	23,816,339 (21,439,478)
	Bales.	
Wool	820,540 (843,028)	16,012,253 (15,787,209)

In the frozen-meat section, lamb was the most important item in maintaining the export figures. It is pleasing also to note that good results have been obtained from the pig industry, the value of exports for the past year being £(N.Z.)271,900 in excess of the returns for 1936-37. This is an encouragement to dairy-farmers to concentrate more on pig-raising as an adjunct to the production of butter, cheese, and casein. Dairy-produce exports for the quarter ended 31st March, 1938, were valued at £1,240,000 more than those for the same period in 1937, and the prospects of selling the balance of the season's output at the higher price level appear favourable.