It is estimated that the normal requirements for Government and local-body debt service overseas, and for the net adverse balance of other transactions of a purely financial character (including travellers' requirements), amount to nearly £(N.Z.)12,000,000 annually; but, as revealed by the external trade statistics given later in this report, the surplus of exports over imports for the year ended the 31st March, 1939, had fallen to £3,459,000 only. Moreover, owing to the state of the market for New Zealand local-body loans in London, it became necessary to repay several of those sterling loans which fell due during the year.

Thus, whilst the decline in the favourable balance of external trade appears to have accounted for about one-half of the shrinkage in the net overseas funds, it is evident that there was an abnormal net overflow of capital after allowing for the local-body debt repayments.

In view of the relationship between internal credit expansion and demand for overseas funds, the connection between the total increase of more than £14,000,000 in the accommodation granted by the Reserve Bank to the Government and the loss of overseas funds which occurred during the year is significant.

## TRADE, BUSINESS, AND PRICES.

### *External Trade.*

During the year ended the 31st March, 1939, there was a fall of £(N.Z.)7,100,000 in export values. With the exception of the year 1935, when export values declined by £(N.Z.)1,100,000, this was the first fall in the annual value of exports since 1932, as is shown by the following table :—

*Value of Exports.*
(000 omitted.)

| Year ended 31st March, | £(N.Z.) |
|---|---|
| 1932 | 33,943 |
| 1933 | 37,510 |
| 1934 | 46,043 |
| 1935 | 44,918 |
| 1936 | 49,676 |
| 1937 | 60,235 |
| 1938 | 65,008 |
| 1939 | 57,867 |

The decrease in total export values for 1938–39 as compared with 1937–38 was due mainly to a fall in wool prices, the 814,000 bales exported during 1938–39 being valued at £(N.Z.)11,900,000 as compared with £(N.Z.)16,000,000 for the 821,000 bales exported during the previous year. Exports of butter also declined in value and quantity, this decrease being due to a considerable fall in butterfat-production caused largely by unfavourable seasonal conditions. The principal changes in quantities and values of exports are shown in the following table :—

| — | Year ended 31st March. | | | | Percentage Change 1939 over 1938. | |
|---|---|---|---|---|---|---|
| | 1938. | | 1939. | | | |
| | Quantity. | Value. | Quantity. | Value. | Quantity. | Value. |
| | (000 omitted.) | £ | | £ | | £ |
| Wool | 821 bales | 16,012 | 814 bales | 11,946 | −0·7 | −25·4 |
| Meat— | | | | | | |
| Lamb | 2,753 cwt. | 9,489 | 2,674 cwt. | 9,186 | −2·9 | −3·2 |
| Mutton | 925 ,, | 1,812 | 1,015 ,, | 1,910 | +9·7 | +5·4 |
| Beef | 922 ,, | 1,393 | 979 ,, | 1,724 | +6·2 | +23·8 |
| Pork | 583 ,, | 1,800 | 542 ,, | 1,791 | −7·2 | −0·5 |
| Dairy-produce— | | | | | | |
| Butter | 3,006 ,, | 18,027 | 2,444 ,, | 15,887 | −18·7 | −11·9 |
| Cheese | 1,624 ,, | 5,615 | 1,647 ,, | 6,152 | +1·4 | +9·6 |
| Other | .. | 10,860 | .. | 9,271 | .. | −14·6 |
| Total | .. | 65,008 | .. | 57,867 | .. | −11·0 |

The progressive increase in the annual value of imports since 1932 and the extent of the fall during the past year are indicated in the following table :—

*Value of Imports.*
(000 omitted.)

| Year ended 31st March, | £(N.Z.) |
|---|---|
| 1932 | 24,760 |
| 1933 | 25,060 |
| 1934 | 26,135 |
| 1935 | 32,568 |
| 1936 | 37,440 |
| 1937 | 47,621 |
| 1938 | 58,065 |
| 1939 | 54,408 |