

A comparison of the yearly values of exports and imports shows that from 1932 to 1937 (inclusive) the average annual excess of exports over imports was approximately £(N.Z.)13,000,000, whereas the excess of exports in 1938 was less than £(N.Z.)7,000,000, and in 1939 was £(N.Z.)3,500,000. The actual amounts are as follows :—

Excess of Exports over Imports.
(000 omitted.)

Year ended 31st March,						£(N.Z.)
1932	..	..	..	..	..	9,182
1933	..	..	..	..	..	12,451
1934	..	..	..	..	..	19,907
1935	..	..	..	..	..	12,350
1936	..	..	..	..	..	12,236
1937	..	..	..	..	..	12,613
1938	..	..	..	..	..	6,943
1939	..	..	..	..	..	3,459

Business Activity.

Though the upward movement of business activity, which had been a notable characteristic of the previous four years, was checked by the reduction in external trade, there was no evidence of any considerable recession in the general level of activity, as is indicated by a comparison of the figures shown below :—

	Year ended 31st March,		Percentage. Increase or Decrease.
	1938.	1939.	
(£(N.Z.) millions.)			
Trading bank debits (excluding Government) ..	957·2	937·5	— 2·1
Note circulation (weekly average held by public) ..	9·131	10·364	+13·5
Sales tax	3·519	3·572	+ 1·5

Commodity Prices.

The table of price comparisons given below shows that prices generally, and more particularly the export and wholesale groups, were steadier during the year ended 31st March, 1939, than they were during the previous year. The export price index number for March, 1939, was slightly below the level for March, 1938. Wholesale prices, influenced mainly by variations in the prices of locally produced goods, fell slightly from March, 1938, to September, 1938, rose thereafter, and at the end of March, 1939, were about 1½ per cent. higher than they were a year previously. Retail prices have been fairly steady during the greater part of the year, but have shown a rising tendency, more especially since November, and finished the year approximately 3 per cent. higher than at the beginning of the year.

Commodity Price Index Numbers.

	Export.		Wholesale.		Retail.	
	1937-38.	1938-39.	1937-38.	1938-39.	1937-38.	1938-39.
(Base : 1909-13 = 1000.)						
April ..	1401	1343	1481	1519	1550	1612
May ..	1463	1389	1502	1514	1566	1620
June ..	1454	1390	1514	1517	1564	1620
July ..	1441	1360	1512	1508	1569	1618
August ..	1451	1329	1525	1513	1579	1622
September ..	1459	1380	1524	1506	1591	1618
October ..	1486	1354	1529	1512	1598	1624
November ..	1563	1377	1564	1518	1613	1624
December ..	1456	1345	1565	1547	1620	1651
January ..	1408	1329	1533	1546	1606	1646
February ..	1351	1342	1528	1540	1606	1652
March ..	1345	1330	1522	1548	1605	1647

GENERAL REVIEW.

The developments outlined earlier in this report reveal that not only did general business activity and the demand for imports continue at a high level in spite of the reduction in the total value of exports and a considerable net outflow of capital, but that, notwithstanding the expansion of credit represented by the increase of over £14,000,000 in Reserve Bank accommodation to the State (including the increase of £2,300,000 in advances to the Primary Products Marketing Department), commodity prices remained relatively stable throughout the year.

Now that the surplus sterling reserves have been practically exhausted, however, and the Reserve Bank has been relieved of the obligation to pay its notes in sterling, a different situation presents itself.