

PART I—INTRODUCTORY

1. TRADE DURING 1949

DURING the year world production and trade made progress towards more normal conditions—if normality does exist in an ever-changing world—and goods, with a few exceptions, are again available in quantity from overseas. Naturally, with the concentration of demand in the non-dollar countries, supplies from these sources are not always so plentiful as from the dollar area, where, in fact, some surpluses exist.

The sterling area, with the invaluable assistance of Marshall Aid, persevered in its struggle to attain dollar viability, the most notable step in the year being the dramatic devaluation last September of sterling, followed by the New Zealand pound and many other currencies. Devaluation has inevitably meant to New Zealand increased costs in our money for dollar goods and some sterling-area goods affected by world market conditions—*e.g.*, wheat and oil. Further, the United Kingdom index figures for export and import prices since September last, given below, show that we must expect the prices of goods from that source to rise as the higher cost of imported goods makes its presence felt in its cost structure.

TABLE I—UNITED KINGDOM PRICE INDICES
(Base, 1947 = 100)

Month.	Exports.	Imports.
1949—August	113	111
September	113	110
October	113	118
November	114	120
December	115	122
1950—January	116	124
February	116	125

With export receipts higher than ever previously and with a large Government capital works programme, business activities within New Zealand continued at a high level. As a result of the appreciation in 1948 of New Zealand currency, the upward trend of the wholesale price index figure was arrested and decreased from 1012 in 1948 to 1005 in 1949 (1939 = 590). However, despite this appreciation, the retail price index figure increased to 1009 in 1949 from 992 in 1948 (1939 = 748) and the quarterly figures for 1949 showed a continued upward trend. These figures are, in some degree, a reflection of the vast increase in the volume of money in circulation which rose from £51.4 million in 1939 to £201.0 million in 1949 and £220.3 million in January of this year.

Whilst this country's exports increased from £(stg.)46.9 million in 1938 to £(stg.)117.2 million in 1947-48 and £(stg.)144.8 million in 1949, the reserve ratio of the Reserve Bank of New Zealand, at the end of 1949, was 27.7 per cent.—only slightly above the statutory reserve of 25 per cent.

Despite the vast increase in export receipts, because of the high level of purchasing-power in the country and the consequent heavy demand on our London funds, import control has had to be retained. Foreign exchange expenditure on imports in 1948 and 1949 was £96.4 million and £116.9 million respectively.