

INDEX NUMBERS OF FARM EXPENDITURE AND OF PRICES, 1914-30.

Year.	Farm-expenditure Index.	Export-price Index.	Wholesale-price Index.	Retail Prices (All-groups Index).
1914	1000	1000	1000	1000
1915	1096	1187	1125	1072
1916	1195	1380	1209	1160
1917	1284	1574	1376	1287
1918	1452	1623	1619	1426
1919	1511	1671	1692	1567
1920	1661	1645	1986	1776
1921	1606	1523	1844	1774
1922	1543	1146	1581	1594
1923	1593	1403	1517	1580
1924	1586	1597	1584	1604
1925	1582	1702	1546	1622
1926	1555	1377	1475	1628
1927	1574	1366	1403	1615
1928	1642	1520	1417	1618
1929	1636	1456	1413	1607
1930	1628	1144	1376	1573

NOTE.—The farm-expenditure index shows the effect of fluctuations in prices since 1914 on the working-expenses of farms, while the export-price index indicates the movement in the prices received for produce exported (which are, in the main, produce of the farm). The wholesale-price index shows the movement in the internal level of prices at wholesale. The price quotations in which this index is based are mainly manufacturers' quotations for New Zealand produce, and merchants' quotations for imported commodities. The retail-price index indicates the movement in the retail prices of the commodities used by the average household.

Comparison of the farm-expenditure index with the general export-price index shows the net effect of price-movements on the economic position of the farmer since 1914. It will be observed that between 1915 and 1919 the export-price index was consistently higher than the farm-expenditure index. This period was, as has been stated before, characterized by exceptionally favourable trade balances. During 1920, 1921, 1922, and 1923 the position was reversed—the export-price index being consistently lower than the farm-expenditure index. The recovery in export prices during 1924 brought the export-price index to a slightly higher level than the expenditure index, while a further rise in export prices during 1925 increased the advantage in favour of the export index number to 120 points. Since the year 1926 the balance has been heavily against the export-price index, the farm-expenditure index being 178 points higher than the export-price index in 1926, 208 points higher in 1927, 122 points in 1928, and 180 points higher than in 1929.

The farm-expenditure index for 1930 (1628) shows a fall of 8 points as compared with the 1929 figure. Although wholesale prices fell in the later months of 1930, other factors making up the budget of the farmers' expenditure had not up till the end of that year shown any considerable reduction. The divergence between the farm-expenditure index and the export-price index reached an adverse record of 484 points in 1930, the previous record being 397 points in 1922. Evidence that the 1931 farm-expenditure index will be substantially below the 1930 figure is, however, not wanting. The reduction of 10 per cent. in award rates of wages made by the Arbitration Court in May, 1931, will have a material though largely indirect effect in this direction, while wholesale prices have also declined considerably below 1930 levels. The amount of land-tax collected for the year ended 31st March, 1931 (£1,145,617), represents a fall of £361,294 as compared with that for the previous year (£1,506,911). The substitution of income-tax on profits from farm lands above £7,500 in unimproved value in place of special land-tax is, however, largely responsible for this reduction in the receipts from land-tax, so that the effect of this reduction in land-taxation on farm costs is partly illusory.

It is clear that wholesale prices have not, in 1930, fallen to the same extent as export prices. The wholesale-price index number is a "consumption" index—that is, the weights used in compiling it are based on the relative consumption in New Zealand of the different commodities included in the regimen of the index number. It is thus different in type from the export-price index, which includes only the principal commodities exported from New Zealand and is "weighted" by the quantities of the different items exported each month (in the case of monthly indexes) and each year (in the case of the annual indexes). The wholesale-price index thus measures the internal level of wholesale prices, while the export-price index indicates the movement in the external levels of wholesale prices of the principal items exported by the Dominion. Wholesale prices have been falling slowly since 1924, decreases in the general index number having been recorded in each successive year since that year, with the exception of the year 1928, when a slight increase of 14 points was recorded. The 1930 annual average index number (1376) represents a fall of 37 points, as compared with a fall of 312 points in the export-price index. It is noteworthy that in 1928 and 1929 wholesale prices were on a lower level than export prices.