

PART I.—GENERAL.

The Hon. the MINISTER OF FINANCE.

WE have pleasure in submitting for your information the Balance-sheet and Revenue Accounts for the year ended 31st March, 1939, together with a report on the Board's administration for the period, as required by subsection (1) of section 43 of the State Advances Corporation Act, 1934–35.

The comprehensive nature of the Corporation's business, one of the largest of its kind in the Empire, and covering as it does a wide sphere of land and stock mortgages and local-body loans amounting altogether to nearly £60,000,000, invites passing reference to the consumer countries of New Zealand's primary products, on which so much dependency has to be placed.

The political situation in Europe has seriously handicapped normal trading, and Britain, like most of the other European countries, has been concentrating more on the preparation of defence and armaments generally, which has diverted to a large degree labour and capital from the usual commercial activities, which makes for some uncertainty in future trading conditions. A feature in the commercial relations of New Zealand with England has been the imposition by the latter of a restricted quota on the importation of New Zealand mutton. Although the percentage may not seem to be very large, it will, of course, have an effect on the sheep-farming industry and may cause some embarrassment to those who have previously relied on the disposal of surplus sheep as one of the main avenues of revenue.

Prices for other lines of New Zealand produce have, unfortunately, not been maintained at the levels ruling during the previous year, affecting, of course, internal finances and London funds.

TRADE AND INDUSTRY IN NEW ZEALAND.

Dealing firstly with farm-production, the exports for the year have been on a lower scale in comparison with the previous year, and this applies both to quantity and value in most of the main items. The following table is supplied, with the previous year's figures in parentheses for comparison :—

Commodity.	Quantity.	Value.
	Cwt.	£
Meat	6,018,307 (5,958,981)	16,278,123 (16,544,435)
Dairy-produce	4,324,266 (4,913,008)	22,441,272 (24,221,352)
	Bales.	
Wool	814,458 (820,540)	11,946,418 (16,012,253)
Skins and hides	2,274,294 (3,629,697)
Other farm products	1,217,161 (936,611)

It will be observed that the principal reduction is in the wool section, where the returns are £4,065,843 less than for 1937–38. The decrease in the volume of output in the wool and dairy-produce sections apparently arises from two main factors :—

- (a) The stock losses sustained by sheep-farmers during the latter part of the 1937–38 season, which is reflected in the number of sheep shorn in the following season.
- (b) The dairy-farmers have, in certain districts, shown a considerable reduction in output owing to the unusually dry conditions that existed throughout the summer.

The net returns received in respect of exports of wool and dairy-produce were affected more by the recession in price than by the reduced volume of exports.

The position of the employment of industrial labour has been such that the income of other sections of the population has been maintained at a high level. In this connection it will be of interest to note on the graph appended to this report a comparison is given of the trend of wholesale and retail prices, wage-rates, and value of productions. A feature in this graph is the value of production, which has shown practically no movement from the last year's level, whereas the other groups show an upward tendency. Another graph showing the trend of export prices and farm expenditure is also attached.