

Activities in respect of public works have necessarily been substantially curtailed since the outbreak of war and, though in the opinion of my Ministers, restrictions in this direction must continue in the meantime, nevertheless they are convinced that certain urgent national works in connection with hydro-electric undertakings, transport development, and projects designed to assist primary and secondary industry, including irrigation and land development, must be continued as far as is practicable.

MR. SPEAKER AND MEMBERS OF THE HOUSE OF REPRESENTATIVES,—

In spite of the abnormal conditions resulting from the war, the economy of New Zealand has continued on a satisfactory basis. Exports for the year ended 31st December, 1940, reached the record figure of £73,700,000, due partly to the existence of satisfactory fixed prices for most of our exports and partly to a gratifying increase in production in all the main fields of primary industry. This figure is £7,000,000 greater than the previous record of 1937. Imports for 1940 were £49,000,000, a reduction of £400,000 on the previous year. The smallness of this decrease is an indication of the extent to which increases in the cost of imported commodities have tended to offset supply difficulties arising from the war, and the restrictive effects of import selection.

As a result of the year's overseas trading there has been a substantial improvement in the sterling balances of the Dominion, but it is still necessary severely to curtail imports of non-essentials in order to provide funds for the purchase of war materials and for meeting as much as possible of the expenses of maintaining our overseas Forces. In particular, the use of dollar funds is being rigorously controlled and thus restricted to the barest minimum, in order not to hinder British Commonwealth war purchases from the United States of America. Moreover, the favourable export position which obtained in 1940 will not be maintained during 1941, as exports of meat will be affected by the restrictions in shipping space imposed as a result of war conditions.

National receipts and expenditure, as shown by the Public Accounts for nine months ended 31st December, 1940, indicated a gratifying position in view of the difficult times, and it is anticipated that the end of the financial year will disclose a satisfactory surplus of receipts over expenditure. As regards war expenses, the actual expenditure brought to charge in the War Expenses Account from its inception in September, 1939, to 31st December, 1940, was £19,900,000. On the receipts side £10,900,000 was raised by taxation and £13,900,000 by loans (including £2,672,000 given interest-free), while donations amounted to £71,000.

In accordance with the policy of my Government that everyone should contribute to the war effort, a war loan is being raised with provision for compulsion in those cases where contributions are not appropriate to the means of the persons concerned, as measured by their liability for income-tax. At the same time, a system of national savings has been inaugurated with the design of collecting and using for the war effort small savings on a voluntary basis. In order to provide funds from the savings of the people for civil works of national importance my Government have recently opened for subscription National Development Loans.

In line with the practice in other parts of the British Commonwealth steps have been taken through the Reserve Bank to mobilize our holdings of overseas currency and securities in order that additional funds may be made available for the purchase of overseas war supplies.

In the opinion of my Ministers it is necessary at all times to have regard to the possibility that war exigencies may materially alter the economic and productive structure of the Dominion, based as it is so