

exported in increasing quantities, and together with the increasing output of industries already established in this field will make a valuable contribution to our export income as well as broadening the base of the national economy.

Encouraging results have already been obtained in my Government's search for new overseas markets, not only for our main lines of primary produce, but also for the products of our steadily expanding and highly efficient manufacturing industries. My Government is anxious to see an increase in New Zealand's trade with Australia and the arrangements recently negotiated by my Prime Minister should, in the coming year, result in a marked increase in trade between our two countries.

Although minor crises, which are the economic aftermath of the Second World War, develop from time to time and require a temporary resort to directly corrective measures, substantial progress has been made in moving from import licensing to import duties as a means of stabilising sound local industries.

The review of the Customs tariff, which is to be undertaken this year, should lead to the removal of anomalies where they exist and the formulation of an up-to-date tariff in keeping with modern conditions. A Bill will be placed before you which will provide for the consolidation of existing legislation affecting the Department of Industries and Commerce and for the redefinition of that Department's functions and objectives.

The problems associated with substantial over-employment and high levels of business activity to which I referred when I last addressed you are still with us. Notwithstanding a further rise in export income last year, a record level of expenditure on imports was responsible for a net reduction in our overseas reserves. It has been necessary to take further steps to meet the situation during the past year, and, in particular, the banking system has been placed under some pressure to reduce the level of bank credit. My Ministers believe it will be necessary to continue with the present policies, which are designed to strengthen the country's economic position externally while maintaining stability within New Zealand.

The Commission appointed under the chairmanship of the Honourable Mr Justice Tyndall to investigate the functioning of the nation's financial and banking system and to examine and report on proposals for changes in banking methods and financial policy has completed its report, which will shortly be placed before you for your consideration.

During the present financial year, securities issued by my Government and totalling in all £50 million in some four loans fall due for repayment. Since it is the aim of present policies to absorb the excess demand in the community and to lessen the pressure for imports, a successful conversion operation became a matter of major importance. My Ministers therefore decided to make to all the holders of the maturing loans one offer of conversion. The rate of interest was increased in line with current market rates and while the final figures are not yet available it appears that approximately forty million pounds, or eighty per cent, of the loans will be converted. In all the circumstances my Advisers regard this as a satisfactory outcome for what is the largest financial transaction of its kind in New Zealand. Suitable adjustments in the borrowing rate for local government authorities have been effected.

The impact of Government income and expenditure on the economy generally is a major factor and my Ministers will continue to subject Government expenditure particularly to the most careful scrutiny to ensure that Government plays its full part in the control of imports and of inflationary pressures.