

Exports of manufactured goods and retail and wholesale turnover have strengthened markedly, while output and employment have grown strongly in most sectors of the economy. Growth in the volume of production could reach about 4 percent in the 1983-84 and 1984-85 financial years.

Growth in output, and the impact of Government policies and improved productivity in holding down labour costs has stimulated employment, the level of which has been increasing since the middle of 1983. This has been accompanied in recent months by reductions in the numbers of unemployed.

These developments are welcome.

Nevertheless, the Government's commitment to the highest possible level of employment must be matched by a similar commitment by employers and unions. It must also be recognised that achievement of this overriding goal may involve reconsideration of existing practices and arrangements in the labour market and changes to some of them.

The talks on long-term wage reform have resulted in agreement being reached on a number of the principles on which a reshaped wage-fixing system should be based. The Government will be introducing measures this year so that wage bargaining under the new regime can be conducted from 1985 onwards.

The incomes and prices freeze and associated economic conditions have achieved a dramatic reduction in the inflation rate.

The annual rate of increase in the consumers price index has declined from 17 percent in the year ended June 1982 to 3.5 percent in the year ended March 1984. This is the lowest annual rate recorded since 1968.

Although a small increase in the rate of inflation must be expected during the next year, competitive market pressures and the remaining controls will help ensure that only limited price rises occur. The Government will be monitoring the situation very closely.

The growth in the fiscal deficit to the current level reflects measures adopted in support of the wage freeze as well as the desire of the Government to mitigate the worst effects of the international recession while diversifying the productive base of the economy.

The Government is aware of the dangers of continuing high fiscal deficits and is committed to their reduction in the medium term. The deficit for the year ended March 1984 was considerably less than budgeted and a further reduction will be experienced in the year to March 1985.

Large fiscal deficits place an added burden on monetary policy. The Government will continue to finance a substantial portion of the internal deficit by borrowing on the domestic market in order to control the growth of money supply.