

Following the report of the Royal Commission, the Government in 1927 took the further step in passing the Rural Intermediate Credit Act, to provide a credit system to finance the purchase of stock and improvements. This organization has now been established, and gives every promise of being successful.

It was considered that these two organizations for long-term and intermediate credit, together with the overdraft facilities offered by the banks, should provide for the financial needs of the primary producer.

Though the housing shortage as a national problem is no longer urgent, there is still a strong demand for cheap money to build homes, and in so far as workers are concerned it is in the interests of the Dominion that reasonable demands should be met. It was considered that if the new basis for farmers' finance was successfully inaugurated, the turnover of the existing capital of the State Advances Office would provide ample funds for this purpose.

MATURING LOANS.

Apart from new requirements, it may be added that nearly a third of the public debt will mature during this and the next two financial years. Most of the maturities for this year have already been disposed of, and the remainder are well in hand. An important transaction to be dealt with is the large amount of 4-per cent. consolidated stock which matures in London in November, 1929. This stock arose out of the conversion and consolidation of some of the earliest of our loans. The amount, originally £29,000,000, was too large to be safely left to be dealt with at maturity, and concurrently with the last loan in May, 1928, for new money, an offer to convert up to £5,000,000 of the 1929 stock into 4½-per-cent. stock maturing in 1947 was made. The offer was taken up, the cost to the State working out at £4 18s. 3d. per cent., which must be regarded as satisfactory in view of the ruling rates of interest. Proposals are at present under consideration for dealing with further portions of the 1929 stock.

The gross increase in the public debt for this financial year is estimated at about £7,850,000. Against this, however, debt-repayments to the amount of £2,450,000 will have been effected by 31st March next, so that under present arrangements the net increase in the debt for this financial year will be about £5,400,000. This will compare favourably with the three preceding years, when the net increases were respectively £5,500,000 (1927-28), £7,000,000 (1926-27), and £11,000,000 (1925-26), thus showing a steady reduction annually.

The gross increase of £7,850,000 above mentioned meets the various items in the public-works programme for this year, and includes £600,000 additional new capital for State advances. The moneys are provided by the loan of £5,000,000 raised in London in April last, and the balance is being obtained locally, according to our usual practice.

ECONOMIC AND GENERAL.

It is well known that the public finances of New Zealand are closely affected by the fluctuations in volume and value of our export trade. Depressed export prices produce in the first place a farming depression; this in turn restricts trade and finance; and finally we have falling State revenues, and increased State expenditure on unemployment relief, &c.

During my three-years term of office we passed through two years of pronounced depression. In both 1926 and 1927 the prices of main exports declined sharply and there was an adverse trade balance. The exports for the financial year ended March, 1927, showed a drop in value of £9,000,000 as compared with 1925.

In May, 1927, the banks took steps to curb advances, restrict imports, and increased overdraft rates and rates for deposits. Due to this and the general economic dislocation, there were extensive withdrawals from the Post Office Savings-bank. These withdrawals emphasized the inconvenience of taking large deposits which are of little value to the Post Office. Therefore the opportunity was taken when most of such deposits had gone to reduce the limit on which interest is paid from £5,000 to £2,000. At the same time ample provision was made for the investment of genuine savings through the medium of Post Office certificates.