1929.
NEW ZEALAND.

FINANCIAL STATEMENT.

(In Committee of Supply, 1st August, 1929.)

BY THE RIGHT HON. SIR JOSEPH WARD, BART., P.C., K.C.M.G., LL.D., MINISTER OF FINANCE.

Mr. Smith,—

The honour once again devolves upon me of laying before honourable members and the people of New Zealand a statement of our national finances, and of submitting to this House proposals for meeting the requirements of the Government for carrying on the affairs of State and dealing resolutely with the urgent economic problems facing the country, in order that the Dominion may again be placed on the highroad to general prosperity.

Control of expenditure.

As you are aware, the Government assumed office only in December last, and it was then too late in the financial year to make any radical changes so far as the general financial position was concerned. As soon as I was able to investigate matters, however, I was seized with the fact that the year's transactions on the basis of the arrangements made by my predecessor in office would result in a deficit, and, as you are all aware, this unfortunately proved to be the case. I may say, however, that I took immediate steps to institute a careful control of departmental expenditure in order to minimize the deficit as much as possible. A saving of approximately £90,000 in the annual votes resulted from the Government's efforts in this direction.

Economic conditions.

The deficit for the year was £577,252. I must emphasize that this is mainly the outcome of the Budget of my predecessor in office. The principal cause of the trouble was overestimating the revenue from taxation, in addition to which the expenditure was unexpectedly increased by £156,000 for additional interest arising out of the large conversion operations I was called upon to deal with immediately upon assuming office. Fundamentally, the lessened yield from taxation arose out of the tardy recovery of the trading position. Exports from the Dominion in 1927–28 were valued at nearly fifty-five millions, and exceeded imports by ten millions and a half. During the last financial year the position of external trade was better still, exports totalling over fifty-seven millions and exceeding imports by twelve millions. These results are, of course, reflected in the banking figures, where the position shows a recovery from £4,260,000 excess advances for the June quarter, 1927, to £7,520,000 excess deposits for the June quarter, 1928, and £9,640,000 excess deposits for the same quarter of this year. This indicates that the credit position has quite recovered from the depression obtaining in 1926 and 1927, and a healthy revival in business is the natural corollary. A study of the published banking figures, however, will show that the additional funds have gone mostly into fixed deposits, while the total of advances is lower than it has been since 1925, all of which proves that at present a large part of the available banking resources is not being used to finance trade and industry. This is causing many of our troubles. There is, for instance,