

Transfer of surplus.

It is proposed to transfer this surplus of £809,000 to the Social Security Fund, and the necessary legislation to give effect to this will be introduced later during the session. This transfer will reduce the amount of subsidy otherwise payable to the Fund for the current financial year.

Included in the expenditure ("Annual Appropriations: Other Services") is a transfer of £272,000 to the Dairy Industry Account to cancel the indebtedness in the account resulting from the deficit in the guaranteed price for dairy-produce during the 1936-37 season.

Full details of both revenue and expenditure have already been published and are shown in the Budget tables so I do not now propose to review the results in detail.

It is worthy of note, however, that practically every item of taxation other than Customs—and for this item the receipts for 1937-38 were abnormal—showed substantial increases over the previous year. This fact is a clear indication of the greater prosperity of the people generally.

PUBLIC DEBT.**Public indebtedness.**

During the past financial year the provision of funds for expenditure on public works and other capital purposes resulted in a net increase in the public debt of £13,768,930.

New issues, which were all made in New Zealand, were made for the following purposes :—

	£
Public works	9,622,279
Electric supply	180,000
Main highways	2,675,600
State coal-mines	95,000
State forests	175,000
Housing	4,000,000
Raised for redemption, but not used at 31st March, 1939	1,107
	£16,748,986

Against the increase of £16,748,986 are offset redemptions totalling £2,980,056, which were made from the undermentioned accounts :—

	£
Public Debt Repayment	1,756,618
Sinking Funds	228,030
Reparation and War Credits	5,025
Repayments of capital by other accounts	990,383
	£2,980,056

Domicile of debt.

The net increase of £13,768,930 has raised the total public indebtedness to £303,970,272, which at 31st March, 1939, was domiciled as follows :—

	£
London	156,853,016
Australia	879,600
New Zealand	146,237,656
	£303,970,272

Treasury bills.

During the year revenue Treasury bills totalling £3,575,000 were issued, but all these were redeemed out of revenue, and consequently no revenue bills were outstanding at the close of the year.

Reserve Bank credit.

The money for housing and most of the borrowing for public works and other purposes were obtained from the Reserve Bank. This method of finance has the effect of increasing internal purchasing-power, and its usefulness is conditioned by the volume of production. In present circumstances, when sterling funds are short and imports have to be restricted, this type of