

Exchange rates.

Due partly to the adverse balance of trade, but more especially to the economic conditions obtaining in Australia, the exchange rates rose sharply against the New Zealand importer, and at the close of the financial year stood at £5 per cent. While the result has been to increase the cost of all imported goods, at the same time a considerable incentive has been given to local production. Moreover, the favourable exchange rates for exporters have to some extent reimbursed the primary producers for lower prices realized, so that the position is not without its compensations.

Economic position.

Reviewing the whole position for the year, it will be seen that the present financial stringency is due principally to the decline in the value of our primary products. As these are responsible for approximately 99 per cent. of our exports, it is evident that any reduction in value affects the prosperity of the whole Dominion. This decline of export values is not peculiar to New Zealand, but is evidence of the fact that world prices are tending progressively downwards. We are therefore faced at present with a substantial reduction in our national income, to which we must adjust our expenditure accordingly. From the point of view of the public accounts, the Government is faced with reduced revenue from both Customs and land and income tax, and, in fact, from all heads of revenue, during the ensuing year, while, on the other hand, debt charges, pensions, and other statutory payments of a rigid nature will result in additional expenditure. Moreover, the railways have now become a liability on the Consolidated Fund, and will require financial assistance to enable them to carry on.

It will be remembered that last year it was found necessary to reduce expenditure and increase taxation in order to ensure a balanced Budget. A country dependent on overseas investors for the greater part of the capital required for developmental purposes cannot afford to impair its credit by deficits. The steps taken by the Government to meet the financial position were successful, and, as has already been publicly announced, the year's transactions closed with a surplus of approximately £150,000.

REVENUE.

Revenue.

A summary of the ordinary revenue account of the Consolidated Fund is to be found in Table No. 3 attached to this Statement, and the actual details appear in the published accounts.

Of a total revenue for the year of £25,349,861, the sum of £19,474,115 represents proceeds of taxation, the balance of £5,875,746 being interest earnings, fees, and miscellaneous departmental receipts. Of the proceeds of taxation, £8,837,335 is direct taxation, and the remaining £10,636,780 is indirect.

Included in the total revenue is the sum of £1,510,790, being petrol-tax, duties, licenses, &c., in respect of motor-vehicles, which revenue is specially earmarked for main highways, leaving £23,839,071 available for the general purposes of the State. This represents an increase of £1,482,972 over the receipts of the previous year.

The principal headings of increased revenue were "Customs" and "Land and income tax." Customs revenue showed an increase of £942,794 over that of last year, and exceeded the estimate by £497,046. This was due to the fact that the total imports were greater than anticipated, the imports for 1929–30 exceeding those of the previous year by over £4,000,000. The main items resulting in the increased revenue were duty on apparel and textiles (£140,317), spirituous liquors (£110,047), and motor-vehicles (£74,845). Also, the additional primage duty, which is included in Customs revenue, was responsible for approximately £310,000 of the total. In accordance with the provisions of the Act imposing the additional tax, the primage duty on foodstuffs and also on manures reverted to 1 per cent. on the 31st March last. It was prescribed in the Customs Amendment Act, 1929, that the additional primage duty on other classes of goods might be removed by Order in Council, and it was hoped at the time that it would be possible to do this on the 1st April last. In view of the present financial position, however, no such action could be taken.

Primage duty.

Direct taxation.

Land and income tax receipts for the year totalled £5,040,675, as against £4,451,201 for the previous year, and exceeded the estimate by £147,675. The Commission set up to consider cases of hardship arising out of the amendment to the law last session, whereby farmers holding land of an unimproved value of £14,000 or over are assessable with special land-tax, considered 531 applications,