

Bank rates.

The associated banks have also agreed to participate in the arrangement, and have made a public announcement regarding a reduction in deposit-rates of $\frac{1}{2}$ per cent. for two-year deposits, and $\frac{1}{4}$ per cent. for shorter periods, to operate as from 1st August. The minimum rate for advances will be reduced by $\frac{1}{2}$ per cent. from 1st November next.

Savings-banks' rates.

The Post Office Savings-bank deposit rate, which has remained at 4 per cent. since 1920, will be reduced to $3\frac{3}{4}$ per cent. on 1st August, being the rate which operated in 1914. Similar adjustments in deposit rates have also been agreed to by the private savings-banks, the reduction in most cases being $\frac{1}{2}$ per cent. In the case of the Auckland Savings-bank, the deposit rate will be reduced by $\frac{1}{4}$ per cent., but the lending-rate is to be reduced by $\frac{1}{2}$ per cent. the latter reduction to apply to both current and future mortgages.

Building societies, &c.

Similar adjustments have also been agreed to by the principal building societies, trustee, investment, mortgage, and deposit companies, and it is confidently anticipated that the remainder will agree to fall into line, and thus bring about an all-round reduction in interest rates. These reductions in deposit rates will take effect as from the 1st August next, and corresponding reductions in lending-rates will be made as soon as practicable thereafter. I feel sure all sections of the community will appreciate the efforts that have been made on their behalf with a view to reducing the cost of living generally.

State Advances Office.

In so far as the State Advances Office is concerned, honourable members will realize that it is not possible in the meantime to reduce the rate of interest on existing mortgages, owing to the very small margin between the borrowing and lending rates of the Office, the borrowing rate being fixed by the cost of the long-term loan capital. Where circumstances justify it, however, the State Advances Board will extend sympathetic consideration in cases of genuine hardship by extending the period of the balance of the loans or otherwise easing the burden of the half-yearly payments.

BANKING AND CURRENCY.**Banking and currency.**

Arising out of the economic depression and the fairly general dissatisfaction at the present unprecedented rates of exchange on London, the question of banking and currency is at present receiving a good deal of attention throughout the Dominion, and I have received many—and in some cases distinctly novel—suggestions for remedying matters. In fact, many seem to think that the quickest way out of our present troubles lies in the direction of a reform of our banking and currency legislation; but I am afraid no change in our banking system could possibly compensate us for the shrinkage in the value of our exports in the overseas markets or overcome the fact that the relative weight of fixed charges for interest and debt-repayments has been proportionately increased by the fall in world price-levels. A change in monetary policy at the other end of the world, and more especially co-operation between the principal central banks of the world, may, however, materially benefit us in these matters.

Exchange-rates.

At the same time, our difficulties are being accentuated by rates of exchange being at present up to 10 per cent., and it is within our power to do something to hasten a return to more normal rates and make such provisions as will greatly minimize the chances, if not entirely obviate the possibility, of a recurrence of such abnormally high rates of exchange.

There is no doubt that the high rates of exchange and especially the uncertainty as to future movements in the rates are a considerable factor in the business stagnation that prevails. Further, the exchange-rates have seriously affected our credit abroad, increased the cost of new borrowing, added a further 10 per cent. to the weight of interest payments abroad, and prevented prices and the cost of living falling as much as they otherwise would have done. It is true that exporters are receiving an exchange bonus of approximately 10 per cent.; but it is not very long before any temporary advantage obtained thereby is cancelled out in the higher rates and taxes, higher cost of goods, and the general reaction from slackness in trade.

I do not propose at present to go into the question of the causes of the current rates of exchange, or whether or not they are wholly justified by New Zealand conditions.