

Budgets for the year. The deficit for the year will thus be about £2,500,000, although the exact figure cannot be arrived at until the accounts for the year are completed. As stated in my earlier review of the position, it is regrettable that the outcome is not more encouraging, especially in view of the fact that the taxpayers have borne with equanimity such heavy extra burdens in the effort to produce a balanced Budget.

It should not be overlooked, however, that the deficit is much more than offset by reserves invested in discharged soldiers settlement mortgages. These reserves, which still amount to £10,850,000, came from revenue and can be legitimately called back into revenue. The only difficulty is that these reserves are, at the moment, more or less frozen and are not easily realizable. Authority was taken in section 7 of the Finance Act, 1931 (No. 4), for liquidating the reserves by hypothecation of securities, but as I did not think it expedient to discount repayments of capital by mortgagors to the extent required to balance the Budget, the authority was not exercised during last financial year. However, it may be found feasible to make use of the authority this financial year.

The remaining sections of the Economic Committee's report, being tabled concurrently with this Statement, contain figures bearing on the estimated results for last financial year. It will perhaps be observed that these figures vary slightly from those I have used, but by way of explanation I may say that the information supplied to the Economic Committee was based on the results for the first nine months of the year, whereas the revised estimates I have given are based on later information.

#### PROSPECTIVE POSITION FOR 1932-33.

So far as it is possible to forecast the position for 1932-33, full information was furnished by the Treasury to the Economic Committee. This information was tabulated and discussed in those parts of the Economists' Report which have not yet been made public. The view of the Government was that this information should be published at the same time as the Government was in a position to lay before the House the measures it proposed to adopt to cope with the situation. Accordingly, the remainder of the Economists' Report dealing with the financial situation is now published concurrently with this Statement. This relieves me from the necessity of repeating facts contained in that appendix, although the figures have been varied slightly in the light of later information. But before discussing the Government's proposals I will set out briefly some remarks about the prospective revenue and expenditure.

During this financial year the position may be materially affected by external factors, such as international action in regard to settlement of reparations and war debts, a rise in world prices, and an improved trading position in our principal market—Great Britain. The Ottawa Conference may also have a bearing on the position. Internally steps that may be taken to assist in restoring economic balance may affect the budgetary position adversely or otherwise. However, it must be recognized that a recovery in public finance will, to a certain extent, lag behind improvement in trade and industry, so that unless recovery is rapid, which is unlikely, it is practically certain that we must face another very difficult financial year. As rapid changes are still a feature of the situation and the finances may possibly be affected in a manner and to an extent that cannot possibly be foreseen at present, the estimates of the probable revenue and expenditure for this financial year are only preliminary and will have to be reviewed later. Nevertheless, the position revealed is such that we cannot afford to wait, but must immediately initiate remedial measures in order to obtain the benefit therefrom over the full period of twelve months.

#### REVENUE.

As indicated in my remarks on the position for last year, the shrinkage in the various items of revenue is still going on, and for this financial year we must count on a yield substantially less even than for last year.

*Customs.*—During the past year there has been a very heavy falling-off in imports, and, in view of the fall in the value of exports and the necessity of remitting large sums from New Zealand to meet Government commitments in London, it is