

Issues of revenue bills in New Zealand amounted to £7,935,000, discounted for the most part at  $5\frac{1}{4}$  per cent. and  $5\frac{7}{16}$  per cent., but in a few cases at rates as low as 2 per cent. Bills to the value of £4,905,000 were redeemed before the year closed, leaving £3,030,000 of floating debt to be carried forward, representing the deficit for the year to the extent of £1,862,218, and the balance carried forward in the Consolidated Fund, £1,167,782. From a cash point of view, however, the £3,030,000 of outstanding bills was covered by fixed deposits held in London amounting to £3,105,000. These deposits arose partly from cash remitted from New Zealand during the last quarter of 1931–32 under the exchange-pool arrangement, and partly from the sale of Reserve Fund securities in London.

In addition to the revenue bills, there were also considerable transactions in redemption bills—that is, bills issued in redemption of debentures and other long-term debt securities. As stated in the main Budget for 1931, redemption bills to the amount of £3,550,000 were outstanding on the 1st April, 1931, having been issued to avoid heavy exchange cost in remitting cash to London. Redemption bills.

Of this floating debt in London, £971,250 was redeemed out of the proceeds of the £5,000,000 loan raised in June, 1931, and the balance of £2,578,750 was converted back into New Zealand debentures. A further £4,000,000 of bills was, however, issued in London in redemption of New Zealand debentures, and this was the amount that was taken into account when the exchange pool was formed. Issued earlier at discount rates varying from  $2\frac{1}{16}$  per cent. to  $2\frac{1}{4}$  per cent., these bills in December, 1931, were renewed by special arrangement for six months at a rate of  $6\frac{1}{8}$  per cent. The bills were thus outstanding at the end of the financial year, but were paid off out of the proceeds of the £5,000,000 long-term loan raised in May last. In addition, a small redemption bill of £25,000 held by a Government Department in New Zealand was also outstanding on the 31st March last.

The Treasury-bill transactions as a whole will doubtless appear to be intricate, but they illustrate the difficulties of finance in a troublesome period.

#### BUDGETARY POSITION FOR 1932–33.

The prospective position for the current financial year was outlined in the preliminary Financial Statement presented to this House in April last. It will be remembered that we were confronted with a prospective budgetary shortage estimated at £8,300,000, at a time when resources had already been generally strained in the effort to balance last year's Budget, and very little in the way of taxable capacity remains. Budgetary position for 1932–33.

To the extent of £7,300,000 this huge prospective shortage arose from heavy shrinkages in the various items of revenue. The outlook, however, has undergone a change for the better during the past few months, and, as half the year has now elapsed, more accurate estimates can be made of the probable receipts under the various headings. Accordingly the estimated revenue decreases given in the previous statement have been varied somewhat.

The main alteration is in respect of Customs revenue, which it was anticipated would fall to £5,000,000. During the first five months of this financial year, however, receipts are £250,000 ahead of those for the corresponding period of last year. Imports for the period showed a comparative decrease of £406,000, and the additional revenue was due to the fact that the increased duties imposed last year were operative from the 1st August, 1931, only. Given a reasonably good season, with an improvement in overseas prices, of which there are hopeful indications, it appears likely now that the value of exports for the year will reach last year's total. This should allow of much the same volume of imports, for, with due allowance for interest and other invisible import items, the balance of external trade was on the right side last year. Accordingly, after a careful investigation of the prospects for various classes of goods, and making allowances for the loss of revenue arising out of the tariff reductions to be made to give effect to the Ottawa agreements, I have decided to put the estimate down at £5,700,000, which is approximately £200,000 less than was received last year. Customs revenue.

Beer duty, it is considered, should produce about the same amount of revenue as was received last year, the decrease in the volume of business being offset by the higher duties imposed last year. Beer duty.