

A small amount will probably be required for supplementary estimates and contingencies, but I consider that we can now be reasonably certain of keeping the deficit within £1,000,000, which is half the amount allowed for in the initial programme for the year. Most of the additional saving arises out of the generosity of Great Britain. Given a little acceleration along the road to economic recovery we may be able to reduce the deficit still further.

The prospective deficit has been reduced to this amount partly by an easing-off or cessation of the fall in the various items of revenue, but mostly by reductions in expenditure.

For the reasons already indicated, there will be no increases in taxation this year; in fact, there will be some reductions in giving effect to the Ottawa agreements. Further, it should not be overlooked that the people are already receiving considerable benefit from the restoration of penny postage.

The Government is anxious to assist trade and industry by making further reductions in taxation, and will continue its efforts to keep expenditure down to a minimum in order that action in this direction may be taken as soon as possible.

As far as I am aware, this is the first time that this Dominion has been so hard pressed as to find it necessary or advisable to budget for a deficit, and the fact is eloquent testimony of the extent to which a landslide in price-levels can strain the whole economic and financial structure of the country.

UNEMPLOYMENT.

Unemployment unfortunately continues to be the most intractable and distressing problem with which we are faced. The further fall during the year in the value of exports by reducing the general spending-power of the community and thus lessening the demand for labour has undoubtedly accentuated the trouble and made the Government's task in providing relief a particularly difficult one.

There can, of course, be no permanent solution of the problem until the unfortunate men and women now unemployed can be reabsorbed in profitable trade and industry. A return of business confidence and increased activity locally can do a great deal to ease the situation, but, as we are so predominantly an exporting country, our prosperity largely depends upon events overseas, and in particular upon the prices for food and primary products in Great Britain. The present indications of an upward tendency in those prices are heartening, and we can only hope it will continue. In the meantime the wage-earners and those still in receipt of income are being heavily taxed, and with the proceeds of such taxation the Unemployment Board and the Government are doing their utmost to provide relief work of as productive a nature as is possible under the circumstances.

The resources of the Unemployment Fund during the past financial year amounted to £2,439,000, of which £1,249,000 was derived from levies and the emergency unemployment charge, and £1,119,000 from the Consolidated Fund, the remainder being the balance brought forward and sundry items.

The disbursements consisted of administration expenses, £37,000, and £2,216,000 expended on various schemes for providing work. Subsidizing employment on farms absorbed £137,000, while £12,500 was expended on rural camps and £55,000 for miscellaneous items. The bulk of the expenditure, £2,013,000, was incurred on what is known as No. 5 Scheme, being for the most part works carried out for the benefit and under the supervision of local bodies throughout New Zealand.

Towards the end of last financial year it became evident that the financial resources placed at the disposal of the Unemployment Board were quite inadequate to cope with the increasing numbers of unemployed. Further, the position of the Consolidated Fund was such that it was deemed advisable to relieve it of the burden of the £1-for-£1 subsidy provided for under the original legislation. Accordingly unemployment finance was entirely separated from the general Budget and the special taxation on salaries and wages and other income was raised to 1s. in the £1, operative from the 1st May last. On this basis the income at the disposal of the Board up to the 31st March next is now estimated at £3,967,000, made up as follows:—

	£
Levies	400,000
Wages-tax	2,400,000
Tax on other income	1,000,000
Subsidy from Consolidated Fund	167,000
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	£3,967,000
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Unemployment
Budget, 1932-33.