

During the war period Canadian production has been enlarged amazingly and her exports have exceeded imports to such an extent that Canada has built up balances abroad and changed over from a debtor to a creditor nation. So far as New Zealand is concerned we will benefit from the agreement principally through being relieved in future of the necessity of buying Canadian dollars to pay our share of the cost of the Air Training Scheme or for aeroplanes or other war supplies obtained from Canada. Certain freight charges on Canadian railways and Canadian ships, and also the supply of a selected range of other commodities indirectly required for war purposes may also be eligible for supply under Mutual Aid. The agreement generally should be of considerable assistance to our war effort.

The total war expenditure to the 31st March, 1944, on all phases charged through War Expenses Account amounted to £383,200,000. We must not overlook the fact, also, that administrative and other charges indirectly connected with the war are being borne by the Consolidated Fund.

Receipts to date are as follows:—

Taxation, including transfers from the Consolidated Fund	£
.. .. .	145,200,000
Loans in New Zealand and overseas	182,300,000
Reciprocal Aid: Lend-Lease	59,300,000
Miscellaneous receipts	5,300,000
Total	392,100,000
Less the closing balances of cash, imprests, and investments	8,900,000
	£383,200,000
	£383,200,000

As regards the public debt a London loan of £7,340,000 sterling, bearing interest at 4½ per cent., was due for repayment on the 1st March, 1944. As the liquidation of this sum would have seriously reduced our sterling funds, negotiations were undertaken with a view to converting the amount. Very satisfactory arrangements were made, and the necessary authority was given for the New Zealand Government to go on the London market with an offer of conversion to the present holders. The conversion offer was made on the basis of 3½-per-cent. securities maturing on the 1st March, 1964, but with an option to the New Zealand Government to repay at any time within four years of the new maturity date, the conversion offer being made at par. As a result of this conversion offer £6,017,000 was taken up by the existing holders in the new issue, and the balance, £1,323,000, was taken up by the Reserve Bank of New Zealand. The net result is that the whole loan has been converted into new stock, a portion of which is held by the Reserve Bank. As the conversion was effected at 3½ per cent. and the old loan carried interest at 4½ per cent., there has been a net saving in interest to New Zealand of 1 per cent. on the total loan, involving £73,400 per annum. Further substantial loans are maturing in London at an early date.

Two further instalments of the balance of the £16,000,000 London loan, maturing on the 1st January, 1945, have been dealt with, leaving only £2,800,000 sterling for attention during the present year. The past year's transactions in connection with this loan have resulted in a reduction of our overseas debt of £2,284,700.

On 1st July last one-half of the £2,800,000 outstanding in connection with the 1939-45 London loan was disposed of by the repayment of approximately £560,000 and the conversion of approximately £860,000. The terms of the conversion were the best yet obtained, £99 of new stock at 3½ per cent. being offered for each £100 of maturing stock.

A conversion offer was also made in New Zealand to holders of a loan totalling £9,839,000 maturing on the 15th February, 1946, but in respect of which the Government had the option to repay on or after the 15th February, 1943. This loan carried interest at 4 per cent., and the conversion offer was for 3 per cent. stock maturing 1960-63 with a premium of 3 per cent., or for 2½ per cent. stock maturing 1949-51 with a premium of £1 per cent. The offer closed on the 11th March, but the conversion did not take effect until the 15th May, so that the result does not affect the accounts for the past financial year. Approximately £8,000,000 was converted, and about £1,500,000 paid off, with a few hundred thousand pounds still outstanding.

Aggregate war expenditure

War Expenses Receipts.

Public Debt Operations, 1943-44

Public debt transactions