

LONDON LOAN, 1927.

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To provide the necessary funds to enable the public-works programme to be proceeded with during the current year, a £6,000,000 loan, issued on the 2nd May, at £99 10s., and bearing interest at 5 per cent., was successfully floated in London. The loan was oversubscribed, and this, in conjunction with the terms of issue, which were better than those of any other similar issue this year, is a striking proof of our credit in London. The yield to investors, including redemption of the discount over the period of the loan, is £5 0s. 10d., while the cost, including redemption of discount and expenses, is £5 4s. 7d. per cent. per annum.

In terms of the prospectus, the proceeds of the loan will be expended on the following purposes :—

Construction of and additions to railways and rolling-stock	£
Development of hydro-electric-power works	3,000,000
Telephones and telegraph extensions	900,000
Other public works	750,000
	1,350,000
	<u>£6,000,000</u>

STATE ADVANCES OFFICE.

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New loans granted during the year amounted to £3,665,175, and the amount paid over in respect of these and other loans previously granted totalled £6,185,970.

Since the inception of the Department £57,159,209 has been advanced to borrowers, £22,324,608 of which has been repaid, leaving a balance of £34,834,601 outstanding at the close of the last financial year.

During the four years ended 31st March, 1927, the total advances paid over by the Department amounted to £23,899,939. The loans were fairly evenly divided between town and country, advances on urban and suburban securities amounting to £12,096,502, and on rural securities to £11,803,437.

Housing.

These advances include £10,621,491 for erection and purchase of houses, of which £7,961,698 were advanced to workers, and £197,245 advanced to local authorities for erection of workers' dwellings. This indicates the extent of the State's assistance towards overcoming the housing shortage.

Rural advances.

A Rural Advances Act was passed last session, and it is hoped that this Act will provide the machinery for directing the flow of private investment back to farm mortgages. The investor, however, will not be asked to invest directly in a mortgage, but to buy bonds secured on all mortgages for the time being held by the Rural Advances Branch of the State Advances Department, which is charged with the administration of the new Act, subject to the supervision of the Treasury in so far as the bond issues are concerned. In this way the investor will obtain liquid stock-exchange securities which can be readily sold at any time. Further, as the mortgagor repays the advance on a table mortgage the margin of security behind the collective mortgages on which the bonds are secured will steadily increase. The farmer borrower, moreover, has the right to pay off his mortgage at any time at par by presenting for cancellation bonds purchased on the market.

The new Rural Advances Branch commenced operations on the 1st April last. The special features of this branch are that it allows advances up to £5,500 instead of £3,500 as in the case of the Settlers Branch, and, as the bonds are secured on the first mortgages and not on the State revenues, it avoids increasing the public debt for a purpose that is really purely commercial. Up to the 18th July last, 157 loans, amounting to £387,965, have been authorized.

INTERMEDIATE CREDIT.

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In the recess the Government have further considered such of the recommendations of the Royal Commission as could not be dealt with last year. The proposals with regard to intermediate credit will form the basis of a Bill to be submitted to Parliament during this session,