

A YEAR OF CANADIAN BANKING—1893-4.

BY AN EX-DIRECTOR.

The annual reports of fourteen leading Canadian banks have now been published, and as these banks represent two-thirds of the banking capital of the Dominion, we can arrive at a tolerably accurate estimate of the financial condition of Canada. Diminished note circulation and deposits on demand, a very moderate increase of deposits on notice, and a general slight decrease in profits are the features of the year, and indicate diminished trade, small profits and some losses. The Government return of all Canadian banks for May, 1894, compared with May, 1893, shows, however, that although their capital has been increased by only \$161,000, their reserve has been increased by no less than \$1,145,640, and it now stands at twenty-seven millions, or over 43 per cent. of their paid-up capital; circulation has fallen about three-and-a-half millions, and deposits on demand nearly two millions, while deposits on notice have increased by only five and a quarter millions against fourteen millions for the previous year. It is satisfactory to notice that "specie and Dominion notes" have increased by over two millions, "municipal and other securities" by over two millions, and "railway securities" by nearly two millions more, the Bank of Montreal having invested \$2,207,000 in first-class United States railway bonds. All this strengthens the position of the banks. "Call loans" have diminished by half a million and "current loans" by a similar sum. This indicates careful management on sound principles. The increase of \$750,000 in over-due debts, however, has an ugly look. Ten of the banks show slightly decreased profits and four an increase. Most of the French banks have done well, "Du Peuple" and "Hoche-laga" having increased their Rest and deposits, the latter making a net profit of 13 per cent. The "Jacques Cartier" has very large deposits in proportion to capital.

COMPARATIVE STATEMENT OF 14 BANKS, 1892, 1893, 1894 (PERCENTAGES IN PROPORTION TO CAPITAL).

Bank.	Capital.	Rest.	Circu-lation.	Dep. without Int.	Dep. at Int.	Total Dep.	Profits.	Dividend.
	\$	%	%	%	%	%	%	%
Montreal, '92	12,000,000	50	40.93	59.14	165.66	224.80	11.04	10
" '93	12,000,000	50	42.71	62.97	162.85	225.82	11.04	10
" '94	12,000,000	50	38.64	54.83	193.51	248.34	10.94	10
Com'erce '92	6,000,000	16.66	43.73	45.39	237.94	283.33	8.62	7
" '93	6,000,000	18.33	45.13	46.69	252.74	299.43	8.94	7
" '94	6,000,000	20	39.50	44.27	248.56	292.83	8.80	7
Merch'nts '92	5,799,200	45.43	47.10	55.90	126.22	182.12	9.14	7
" '93	6,000,000	48.33	44.43	57.05	122.66	179.71	10.07	7
" '94	6,000,000	50	37.65	49.07	123.86	172.93	10.51	7½
Quebec '92	2,500,000	22	23.95	20.35	204.14	224.49	6.41	7
" '93	2,500,000	22	24.91	26.80	227.53	254.33	7.55	7
" '94	2,500,000	22	26.18	20.20	249.14	269.34	7.88	7
Toronto, '92	2,000,000	85	73.66	69.54	321.33	390.87	14.13	10
" '93	2,000,000	90	69.12	81.53	356.41	437.94	14.25	10
" '94	2,000,000	90	65.95	61.51	371.45	432.96	12.35	10
Molson's, '91	2,000,000	55	91.91	*210.57	167.87	378.44	10.83	8
" '92	2,000,000	57.50	93.72	90.76	378.07	468.83	14.03	8
" † '93	2,000,000	60	89.56	75.70	358.31	434.01	11.08	8
Imperial, '92	1,940,607	52.57	66.39	81.64	333.32	414.96	11.64	9
" '93	1,950,790	56.40	70.45	77.07	339.15	416.22	12.42	9
" '94	1,954,525	58.95	61.45	69.22	376.09	445.31	12.02	9
Dominion '92	1,500,000	93.33	67.63	100.82	503.40	604.22	14.68	11
" '93	1,500,000	96½	68.07	87.67	574.63	656.30	14.33	11
" '94	1,500,000	100	60.36	70.72	579.91	650.63	14.29	11
Ontario, '92	1,500,000	21	59.07	72.93	259.11	332.04	8.80	7
" '93	1,500,000	23	60.59	84.41	297.15	381.56	8.68	7
" '94	1,500,000	23	55.13	75.20	280.43	355.63	8.01	7
E. T'w'p, '92	1,487,582	42.13	49.69	34.10	132.86	166.96	7.72	7
" '93	1,499,815	43.33	53.48	33.21	150.70	183.91	9.04	7
" '94	1,499,905	45.33	48.20	29.46	156.62	186.08	8.73	7
Hamilton, '92	1,250,000	52	74.24	80.37	294.84	375.21	10.94	8
" '93	1,250,000	52	77.11	91.14	312.22	403.36	7.53	8
" '94	1,250,000	54	68.34	91.20	328.27	419.47	10.02	8
Du Pe'ple, '92	1,200,000	40	61.23	97.34	236.15	333.49	8.25	6
" '93	1,200,000	45.83	62.70	128.11	318.78	446.89	12.93	6
" '94	1,200,000	50	67.82	128.64	364.16	492.80	9.07	6
Hoch'l'ga, '92	710,100	28.16	74.09	89.15	207.08	296.23	10.06	6
" '93	710,100	32.38	82.49	98.16	355.30	453.46	11.85	7
" '94	710,100	38.02	83.85	90.04	364.68	454.72	13.11	7
J. Cartier, '92	500,000	35	81.76	130.36	301.69	432.05	11.25	7
" '93	500,000	43	78.05	141.11	353.97	495.08	17.86	7
" '94	500,000	45	75.96	123.33	448.06	571.39	9.73	7

* "Payable on demand."

† Molson's report is dated 30th September, 1893. On May 31, 1894, Circulation was 66.97, Deposits, 437.26.

‡ Including assets realized after having been written off.

The general feeling in financial circles, both in Great Britain and the United States, is one of extreme distrust. In Great Britain it is estimated that no less than 250 million pounds sterling is lying idle, deposited in banks at a nominal rate of interest. In the United States over 200 National banks closed their doors in 1893, or including State and private banks, savings banks, and loan societies, over 600, and the drain of gold still continues. Heavy losses have been made from the fall in prices of stocks, strikes, closed factories, and diminished railway receipts, in some of which Canadian speculators are said to have suffered. These must react to a certain extent on Canada. They did in 1857 and in 1873, as we all know. With us, however, there are mitigating circumstances, which so far have saved Canada from anything like panic. Our banking system is far sounder, and our commercial men more prudent.

In Ontario a fair average crop of grain, an extraordinary crop of hay, worth about forty million dollars, a fruit crop worth fifteen to twenty million, and an increasing export of cheese and hog products, have helped the farmers materially, and justify the statement of Mr. Cox, President of the Bank of Commerce, that "a good deal has been said, sometimes, I fear, for political purposes, about the embarrassed condition of our farmers, with their heavily mortgaged farms and low prices for farm products. That this is true with reference to a limited number of farmers in every community no person will attempt to deny; but we must not forget the infinitely larger number of prosperous and contented farmers with unencumbered and well-stocked farms, with good buildings, well-filled granaries, well-equipped implements, and steadily accumulating deposits in the savings bank." Quebec, too, had a splendid hay crop, and both there and in the Maritime Provinces, and in the North-West, the prospects for the coming crops are excellent, while cheese factories and creameries are rapidly increasing in number.

The Montreal Gazette shows that the reserves of cash in London banks are no larger than in Canadian banks; but it must be remembered that London joint stock banks (with the single exception of the Bank of England) have no note circulation to redeem; their deposits are no doubt very large in proportion to capital, but they keep on hand consols and India bonds, which can be converted into cash in a few minutes, and though the interest they bear is low, it is much higher than is now paid on deposits, and thus the business is very profitable. Canadian banks have no such resource.

The contention of Mr. Crawford, of Montreal, that reserves of over 50 per cent. "must either lead to extravagance, or must inevitably paralyze the energies of the best managers in the world," is untenable, and will not be endorsed by any sound banker. In Great Britain at least ten banks have a reserve of over 100 per cent., and many others from 50 to 100 per cent. The Bank of New Brunswick has 105 per cent., the Dominion Bank 100 per cent., and the Bank of Toronto 90 per cent. The amount of the reserve is always estimated in the price of the stock, and it probably earns more money for the shareholders in the bank than it would if distributed among them. It is not excessive reserves, but injudicious loans, that ruin banks.

In the lumber trade, the suicidal policy of allowing Americans to cut down our remaining pine forests for the sole benefit of United States' mill owners, workmen, and consumers, on payment of a small sum for rent and stumpage, unfortunately still continues. Canadian holders of limits and the Provincial Governments hold the key to the position, and need not fear any duties the United States Government may impose. Americans will not only pay these duties, but in the near future will pay almost any price the holders of limits may demand. In a national point of view, the best policy would be to let the trees stand, for the day is rapidly approaching when they will double and treble their value, and we shall have to look to British Columbia for lumber for home consumption. Already one cargo of sawn lumber has reached Montreal from Burrard Inlet, B.C., via Cape Horn!

In this Province of Quebec, municipal indebtedness is becoming a serious affair. In Quebec city finances there is a chronic deficit which, of course, yearly adds to its debt, and in Montreal the city fathers have incurred a very heavy debt, which must be stopped, or the city's credit will suffer. How different municipal affairs are managed in England! The affairs of the city of Bristol (about the same size as Montreal), are so well managed that its 3½% bonds are now selling at 117. But then none but leading citizens are sent to the council, and until men of high standing and character consent to serve in Canada no improvement need be expected.

The advocates of bi-metalism are pushing their panacea with considerable energy. Though Mr. Balfour and Mr. Gibbs, in England, favor it (no one suspects Mr. Chaplin to be either a statesman or a financier), Mr. Gladstone and Mr. Goschen, England's two greatest financiers, are both resolutely opposed to it, and there is no sign that the English people will ever consent to part with a single gold standard. The greatest financier in France, Leon Say, is understood to favor bi-metalism; but on the other hand, German bankers will have