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Currency Contraction is Practically Ended

CIRCULATION *Actively in use for Financing Daily Business,
being used as a Gauge, Indicates Improvement—Substantial
Betterment of Trade Anticipated—Features of the Outlook.*

By H. M. P. ECKARDT.

THE statistics of bank clearings, railway earnings and immigration have latterly provided rather depressing reading matter for those who have been anxiously watching the horizon for signs of better times.

Bank clearings are running at about five-sixths of the volume attained in the corresponding months of 1914. Throughout May the gross earnings of the Canadian Pacific were barely three-quarters of the earnings in May, 1914, and the Canadian Northern also shows a heavy falling off. With respect to immigration, the movement of laborers and others from Europe has almost entirely ceased,—the only settlers are the American farmers from the western states. Probably the high prices for wheat and other farm products will have a tendency to make our western farm lands look more attractive to prospective settlers, and we may see an improvement in regard to immigration before long.

In spite of these unfavorable symptoms, there is one barometer, which is perhaps as accurate as any of the others, and this is pointing to improvement. This is the circulating medium required to carry on the trade of the country.

It is obvious that if we take the amount of cash held by the public, as distinct from that held in the vaults of the banks and of the public treasury, we get a very accurate idea of the volume of trade.

The amount of Dominion notes outstanding or in circulation, taken by itself, does not reflect trade conditions accurately because the government notes are put out and kept out for special purposes. Thus, last fall there was a large increase—nearly \$50,000,000—but most of it simply went into the possession of the banks and was held by them; so the phenomenon did not reflect increase of trade. In the same way the banks sometimes allow their holdings of notes of other banks to accumulate so as to have a reserve for counter purposes; and such accumulation would have the effect of increasing the totals of the bank note circulation as appearing in the monthly statements; but it would not necessarily indicate that the volume of trade had increased.

However, if we take the government notes outstanding, less those held by the banks, and the total of bank note circulation, less the bank notes held by banks other

than the issuers thereof, we get almost exactly the amount of currency actively in use for the purpose of financing the day-to-day transactions of the public.

In 1911, 1912 and 1913 each succeeding month showed an increase in the volume of currency outstanding.

In 1911, for example, the percentage of increase began in January at 4.2 and then increased progressively through the rest of the year. Thus, in December the currency actually at work in the hands of the public amounted to \$108,000,000, or \$15,720,000 more than in December, 1910—the percentage of increase being 15.8. In 1912, the increases over the 1911 figures were huge throughout the whole year—the heaviest being that shown for February, \$20,600,000, or 23.9 per cent. Taking the months of 1912, nine of them showed a percentage increase exceeding 10. In 1913, the upward movement continued, but it was clear that it was approaching the turning point. In January there was an increase of \$18,280,000, or 19 per cent.; in May and October the increase also exceeded 10 per cent.; but in February, July, August and December the increases shown were very small—less than 3 per cent.

On reaching 1914, we see that the tendency then was definitely downwards. The January figures were \$2,600,000, or 2.5 per cent. greater than January, 1913. The next six months showed a decrease—rising from .3 per cent. in February to as high as 7.4 per cent. in June.

In August, September and October—the three months immediately following the breaking out of war—the situation was abnormal. It will be remembered that in the month of August there was an unprecedented expansion in the bank note circulation, the rise being about \$20,000,000, far more than was ever seen in any single month previously. As this sudden jump occurred before the western wheat crop was ready for market, the plain inference is that the bank notes were withdrawn and hoarded, probably as a result of nervousness over the war. In September and October, 1914, also, this factor is traceable. At any rate, these three months show an increase in the volume of currency outstanding as compared with the same months of 1913; but in November and December all traces of alarm had passed away and the outstanding volume of currency could again be taken as accurately reflecting trade conditions. November showed