

duced to protect the situation in Canada. The efficiency of these is demonstrated by the fact that the business of the country has pursued its ordinary course, and we enjoy the distinction of requiring no recourse to a general moratorium. A limited moratorium applying to real estate payments is in force in the provinces of Manitoba, Saskatchewan and Alberta.

Having no misgivings regarding the final outcome of the war, we venture the prediction that its economic effect upon Canada will be beneficial, although the magnitude of the struggle is without precedent. Previous wars during the past half century (namely, the war of Prussia against Austria in 1866 and against France in 1870, the South African War and the Russo-Japanese War) were all followed by active and expanding trade; but in each case only two countries were engaged, as against the inclusion of nearly all Europe on the present occasion, and the scale of expenditure cannot be compared with that of to-day. If the present war be long continued, the European nations involved may become financially prostrated for many years. Even if the war is not long continued, the flow of capital from Great Britain to this country is not likely to be resumed for a considerable time, and new construction work will

therefore, be retarded. On the other hand, we reap distinct commercial advantages from our geographical position and remoteness from the scene of warfare, which permit us to prosecute our farming and manufacturing industries unmolested, in spite of our participation in the conflict. Britain is buying from us all the war supplies we can produce—many factories are working twenty-four hours a day—and we are securing for our crops and foodstuffs generally, the highest prices in our experience.

The importance of increasing our productive powers is obvious. Only by so doing and by the exercise of rigid economy can we dispense temporarily with the aid of foreign capital. In the interval we must pay the formidable annual interest charge of approximately \$140,000,000 on our foreign obligations. We cannot continue to add this amount to our indebtedness, and the only way we can meet it is by increasing exports and reducing imports to the barest necessities, in order to convert the customary adverse trade balance into a favorable one. As it is, we shall probably find that we have borrowed more than we can comfortably carry, especially as much of the money expended is yet unproductively employed. I believe, therefore, that a pause in our borrowings will not prove an unmixed evil.

GENERAL MANAGER'S ADDRESS.

Mr. E. L. Pease, Vice-President and General Manager, in seconding the adoption of the Report, said:—

Our President has referred to the policy adopted by your Directors on the sudden announcement of the Great European War, namely, to further strengthen the ready resources of the Bank. The financial statement submitted to-day reflects this policy. Cash reserves, which stand at \$39,688,000—equal to 25.72 p.c. of our total liabilities to the public—show an increase of approximately \$5,000,000. This was accomplished without hardship to our borrowing clients, by the curtailment of international operations. Our liquid assets amount to 46.17 p.c. of our total liabilities to the public. Profits, which decreased from 18.5 p.c. to 16.3 p.c., permitted the payment of the usual dividend of 12 p.c., the writing down of Bank Premises by the sum of \$250,000, the transferring of \$100,000 to the Officers' Pension Fund, and the contribution of \$50,000 to the Canadian

Patriotic Fund. Deposits show a decrease of \$2,126,000, but in reality we have gained approximately \$5,000,000 in commercial deposits, inasmuch as we repaid during the year the deposit of the Alberta & Great Waterways Railway, amounting to \$7,000,000. Commercial loans decreased \$2,500,000. Bank Premises stand at \$5,861,000. Conditions have been unfavorable for the sale of the Traders' Bank Building in Toronto, on the disposal of which the account will show a large reduction. The sum of \$500,000 has been appropriated from Profit and Loss to write down the value of investments, which now stand at less than the market values of July 30th last. All classes of investments have been affected by the general decline. We may hope for a rapid recovery when general conditions improve.

The trend of Canadian commerce for the past year is revealed by the following statistics:—

	1913.	1914.		
Field Crops (Dec. 31)	\$ 553,000,000	\$ 639,000,000	Increase	\$ 86,000,000
Railroad Earnings (June 30)	256,700,000	241,300,000	Decrease	15,400,000
Bank Clearings (Dec. 31)	9,260,163,000	8,073,461,000	Decrease	1,186,702,000
Note Circulation (Nov. 30)	119,497,000	114,777,000	Decrease	4,730,000
Public Deposits in Chartered Banks, Post Office Savings Bank, etc. (Nov. 30)	1,205,430,000	1,212,289,000	Increase	4,730,000
Chartered Banks—Current Loans (Nov. 30)	921,700,000	881,941,000	Decrease	39,759,000
Total Exports (Dec. 31)	474,413,000	454,006,000	Decrease	20,407,000
Total Imports (Dec. 31)	673,240,000	612,729,000	Decrease	60,511,000
Customs Receipts (Dec. 31)	113,881,000	76,819,000	Decrease	37,062,000
	(12 mos.)	(11 mos.)		

It will be observed that decreases were general, whereas during the five preceding years increases were the rule. The latter were years of rapid and much artificial development, attended, as always, by speculation, inflation and extravagance. It is providential that the inevitable reaction set in a considerable time before the outbreak of hostilities. If the war had caught us in the throes of a boom, it would have been a sad day for Canada. As a result of the drastic liquidation which has taken place, a spirit of caution and conservatism now prevails, and our economic condition is infinitely sounder than it has been for many years. Fortunately so, because we were confronted in August last by an unprecedented situation, being suddenly thrown upon our own resources by the stoppage of the flow of foreign capital. Until this flow is resumed it is evident that we must live within ourselves. The problem is, can we do so? I think it is possible. Some revision of preconceived plans will be unavoidable. Our progress may be less rapid and retrenchment will be necessary, but the manner in which the country has faced the situation during the first five months of the war is a fair augury for the future. Imports in this period decreased \$82,247,000, compared with the same months of the previous year, but exports decreased only \$27,847,000, leaving a balance of \$49,258,000 in our favor. This achievement is remarkable considering that our imports have invariably exceeded our exports for many years past, the advance balance for the fiscal year 1910 being \$71,002,000; for 1911, \$161,745,000; for 1912 \$213,732,000; for 1913, \$292,932,000; and for the first seven months of 1914, \$96,218,000. The statement shows how quickly we have adjusted ourselves to the new conditions.

An economic question of vital concern to the country is that of immigration. For the first seven months of 1913 British immigrants entering Canada numbered 121,781, those from the United States 79,251, and from other countries 118,223—total, 319,255. For the corresponding period of 1914 the numbers were 40,617, 51,920 and 47,412 respectively, making a total of 139,949. During the four months following the outbreak of war in August last, we received from Britain 8,614, from the United States 14,689, and from other countries 2,671—a total of 25,974.

Of the large number of reservists who have left the country in the last few months we have no particulars.

Emigration from the United States to Canada will doubtless continue on a very large scale, but will be completely cut off from Europe during the war, and probably for some time afterwards, as a great shortage of labor in Europe will result from the consequent devastation.

In Mr. E. R. Wood's review of the bond market in Canada in 1914, the total Canadian bond issues are placed at \$256,086,000, compared with \$341,000,000 in 1913. Of this amount Government issues represented \$85,415,000, municipal issues \$83,498,000, railway issues \$64,406,000, public utility issues \$6,486,000, and miscellaneous \$16,281,000. Great Britain absorbed 68.98 per cent., Canada 19.7 per cent., and the United States 11.38 per cent.

The following is a brief statement of general conditions in the various districts in which the bank is operating.

BRITISH COLUMBIA.

For about ten years previous to 1914 British Columbia experienced almost continuous prosperity, escaping even