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## THE GENERAL FINANCIAL SITUATION

Adequate reasons why, for the marked rise in New York Funds on this market during recent weeks, are to be found in plenty in the figures of Canadian foreign trade for the months of April and May, which are now available. In brief, the tale of these figures is as follows:—In the two months named this year our exports were \$130,699,000; our imports, \$211,738,000; that is to say imports exceeded exports by some \$81,000,000. In the corresponding two months of 1919, on the contrary exports totalled \$156,747,000 and imports, \$125,600,000; exports exceeded imports by \$31,000,000. The change from the 1919 figures to those of this year is a decidedly unwelcome one, and is calculated to cause considerable anxious thought regarding the immediate future in Canada on the part of bankers and other conservative business men, who are not merely contented to take things as they are for the moment. The ominous fact about these figures is not the decline in exports, which is serious enough in itself, but the immense increase in imports, which certainly is not wholly, or even in fair proportion accounted for, by the rise in prices over last year of many imported goods. When New York Funds first went to a heavy premium in Montreal last fall, it was thought in some quarters that this premium would serve as a considerable handicap upon purchases of imported goods, and that its effect ultimately would be to cut down imports. That opinion, or rather hope, is now shown to have been entirely fallacious and ill-grounded. In spite of the additional cost of goods caused by the premium upon Canadian funds, the present figures indicate that Canadians have gone on purchasing as freely as ever in fact, apparently more freely than before.

In this connection, we are disposed to think that a great deal of harm has been done, by the talk which has been indulged in from time to time during the last two or three years, often by people who should know better, about Canada having changed her position from a debtor to a creditor nation. It is in fact extremely doubtful, to put the case quite mildly, if at any time during the war years, even when the war export trade was at

its height, Canada really occupied the position of a creditor nation. Any surplus in our "visible" exports over "visible" imports was always offset and more than offset by our "invisible" imports—freights, insurance premiums, other payments for services rendered by outsiders, and chiefly by our annual interest payments on capital borrowed from abroad. These payments can hardly be less than \$200,000,000, annually, and in spite of the buying back from British holders of Canadian securities, which has taken place during recent years, there is no reason to suppose that the annual aggregate has been reduced to any appreciable extent. It is the existence of these "invisible" drains upon our resources which makes the present position of our "visible" trade so disconcerting, coupled as it is with the fact that under present conditions, the remedy for adverse trade balances which was freely used prior to the war, that of borrowing in Great Britain and the United States is not available. Post-bellum adjustment has not yet advanced to the stage when London can freely advance new funds to Canada, although the indications are that that stage is being approached, owing to the steady recovery of sterling exchange, and while the premium on New York Funds makes the purchase of Canadian securities especially attractive to United States investors, investment funds are at present by no means plentiful in the United States, and there are any number of domestic bargains available for them. The time when Canada will be able to resume free borrowing abroad is not, perhaps comparatively speaking, very far off. But meantime the trend of affairs indicated in the figures with which this article began is a decidedly unhealthy one and may possibly cause some trouble here before new and ameliorating influences come into effective play.

One interesting feature of our export trade is the prominence in it of the pulp and paper industry. For the month of May, exports of wood, paper, etc., actually stood at the head of the list of our classified exports, reaching a figure of \$21,573,530 as compared with \$21,369,676 for agricultural products. Re-capitalisation of the various pulp and paper undertakings is proceeding. The Brompton