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MOVEMENT OF BANK CIRCULATION.

This last year the increase in the paid-up capital of the Canadian banks has been so considerable as to outpace, for the time at any rate, the growth of the note circulation. The margin of difference between the note circulation at its highest point and the amount of paid-up capital at the same date was larger by several millions than for some years back. Consequently there was not, this fall, the usual discussion as to whether or not there would be a sufficiency of the customary currency for moving the crops. The following table shows the important fluctuations in the general note issues, and the growth of the paid-up capital since the end of 1903.

	Capital Paid.	Note Circulation.	Note Margin.	Notes and Cheques other Banks.
1903.				
Dec.	\$78,563,000	\$62,539,000	\$16,024,000	\$21,686,000
1904.				
Jan.	78,625,000	56,973,000	21,652,000	14,280,000
Aug.	79,458,000	60,227,000	19,231,000	16,847,000
Sept.	79,642,000	63,795,000	15,847,000	18,725,000
Oct.	79,747,000	72,226,000	7,521,000	25,357,000
Nov.	79,851,000	69,426,000	10,425,000	23,986,000
Dec.	80,955,000	64,507,000	15,548,000	23,784,000
1905.				
Jan.	80,378,000	58,021,000	22,357,000	21,067,000
Aug.	83,017,000	62,497,000	20,520,000	20,697,000
Sept.	83,416,000	69,831,000	13,585,000	21,641,000
Oct.	83,864,000	76,890,000	6,974,000	27,578,000
Nov.	84,542,000	72,592,000	11,950,000	25,325,000
Dec.	85,294,000	69,981,000	15,313,000	28,345,000
1906.				
Jan.	85,802,000	60,986,000	24,816,000	23,044,000
Aug.	92,993,000	70,108,000	22,885,000	24,795,000
Sept.	93,656,000	77,209,000	16,447,000	25,614,000
Oct.	94,343,000	83,718,000	10,625,000	32,036,000
Nov.	94,665,000	80,502,000	14,163,000	31,972,000

In every year the important movements of the note circulation are: the movement of expansion beginning in August and continuing to the end of October, and the movement of contraction beginning in November and continuing till some time in January. There is a minor movement in the spring, largely due to lumbering operations.

Taking the circulation column first; the table shows that in 1904 there was a rise, from January to October of \$15,253,000, in 1905, a rise of \$18,-

\$860,000, and in 1906, a rise of \$22,732,000. The expansion in 1905 exceeded that of 1904 by over 23 p.c.; while 1906 exceeded 1905 by over 20 p.c. In capital paid up the growth in 1904 from January to October was \$11,122,000; in October, 1905, it had grown by another \$4,177,000; and in October, 1906, by a further \$10,479,000. Of this increase in 1906, \$2,332,000 was contributed by the Sovereign Bank, \$2,040,000 by new banks not in business in October, 1905; \$1,268,000 by the Traders Bank, and other sums ranging from about \$800,000 down to \$400,000 by the Royal, Imperial, Nova Scotia, Toronto, Standard, and Eastern Townships. The nominal effect of the withdrawal of the Ontario Bank will be to cut down the October, 1906, margin by about \$400,000 since that bank showed paid-up capital of \$1,500,000 and a circulation of \$1,102,000. As the other banks will have to supply notes to replace the \$1,102,000 also, the real diminution will be about \$1,500,000. The column "notes and cheques other banks" has been included in the table because it has an important bearing on the matter of the circulation. A glance at the figures shows that, each year in the month of October when the circulation record is at its maximum and when, consequently, the margin is at its minimum, there is a remarkable expansion in notes and cheques held. In normal seasons this item represents the total of the amounts of other banks' notes and cheques received over the counter for one day in cities and places where daily exchanges are effected, and for several days in branches at small places where clearances are not completely made except perhaps weekly. In other words the bulk of the funds composing the total might be styled "exchanges for clearing house." But during October another element enters into the case. Quite a number of the banks, whose circulations press closely upon the authorized limits all through the year then wish to provide themselves with an extra supply of currency to satisfy the extraordinary requirements of their customers at crop moving time. The usual manner in which this is done is to make arrangement with other banks which are authorized to issue a larger quantity of notes than their own business will call for, for a constant supply of notes through the grain season; and in addition the banks that need currency also frequently make use of the expedient of stopping their redemption machinery, or at least that part of it which consists in presenting the notes of other banks for redemption. These notes are collected as usual, at all the branches, but the offices are instructed to hold them in their safes and to pay them out in the ordinary course of business. From the two causes combined results a considerable part of the heavy gain of six or seven millions in holdings of notes and cheques of other banks on 31st October each year. And the