

THE FINANCIAL SITUATION.

The present financial situation presents a striking contrast to that existing in the harvesting season of last year. As the demand customary in the fall began to develop in 1902, the banks began to realize that they were being pressed for supplies of currency, which threatened the exhaustion of their legal capacity to issue notes. As compared with previous years, the circulation movement showed as follows:

Years.	Oct. 1.	June 1.	Increase from June 1 to Oct. 1.
	\$	\$	\$
1902.....	60,085,801	50,754,716	9,331,085
1901.....	56,027,407	46,148,234	9,879,173
1900.....	50,387,070	42,856,762	7,530,308
1899.....	46,682,028	37,012,914	9,669,114
1898.....	40,071,143	36,291,760	3,779,383
Total increase 1902 over 1898	20,014,658	14,462,956

Between 1898 and 1902 the increase of paid-up bank capital had been only \$8,781,200, against an increase in the circulation in same period of \$20,014,658. It was manifest, therefore, that the margin between circulation and its legal limit, which is the amount of the paid-up capital, was being so materially reduced as to call for more capital being paid up. Before this could be done, the demand for currency went on so urgently as to cause considerable anxiety to bankers, and no little trouble to provide what the demand called for. Hence, last fall there was a tightness of money caused to a large extent by what may be termed an artificial scarcity of currency; artificial, because that scarcity might very readily have been obviated by relaxing the hard and fast limits put upon the power of the banks to issue notes, which could be done without in the slightest degree weakening their security. The situation led to a number of banks enlarging their paid-up capital, by which their position this year was, as regards circulation, materially easier as the following comparisons show:—

Years.	Oct. 1.	Margin for increase in circulation.	Increased margin Oct. 1, 1903.
	\$	\$	\$
1903.....	63,741,270	14,315,920	4,197,370
1902.....	60,965,800	10,118,550

Although the amount of notes issued was, \$2,775,470 more this year than on same date 1902, the margin for further increase was \$4,197,370 greater than a year ago. There is, therefore, no reason for the banks indulging in any such anxiety in regard to the currency this season, as gave them trouble in 1902. The currency supply is no longer an element tending to create tightness of money.

The general question, however, as to the supply of money in relation to loans, bears a different aspect; as the following figures manifest, and which include the deposits and loans "in Canada" and "outside Canada":—

	1903. Oct. 1.	1902. Oct. 1.	Increase or Decrease in year.
	\$	\$	\$
RESOURCES.			
Circulation.....	63,741,270	60,965,800	Inc. 2,775,470
Deposits in Canada..	391,733,524	359,814,490	Inc. 31,969,034
“ outside Canada.	35,391,668	38,041,688	Dec. 2,650,020
Total resources .	4 0,916,462	458,821,978	Inc. 32,094,484
LOANS.			
Current loans and discounts in Canada..	373,633,072	303,518,223	Inc. 70,114,849
Current loans and discounts outside Canada.....	24,118,210	35,872,043	Dec. 11,753,833
Call and short loans in Canada.....	41,650,056	52,139,367	Dec. 10,489,311
Call and short loans outside Canada....	36,538,040	49,853,547	Dec. 13,315,507
Total loans.....	475,939,368	441,383,180	Inc. 34,556,188

These figures reveal movements to have been going on in the banking sphere which few have realized. An increase in one year of 70 millions in current loans and discounts is a most remarkable circumstance, the addition to these loans being 23.1 per cent., while the increase from 1898 to 1902 was only 81 millions; or, 36 per cent. in 4 years. In 1902 the tide of business revival was thought to have reached its maximum height, yet, since the fall of last year, the largest increase ever made by the banks in one year to their mercantile loans occurred.

In the same period, that is, the months between the early part of the fall of 1902 and of 1903, the foreign business of Canada expanded to an extent beyond precedent. The exports between end of August, 1902, and end of August, 1903, amounted to 218 millions, a sum which exceeds the exports from end of August, 1901, to end of August, 1902, by 18 millions. The imports between end of August, 1901, and end of August, 1902, amounted to \$202,740,000, and between end of August, 1902, and end of August 1903, to \$243,750,000, the increase in imports being \$41,016,000. The foreign trade of Canada, therefore, since the fall of 1902, has increased to the extent of close upon 60 millions of dollars.

The changes in the loans resulted in a net increase of \$34,556,188, the call loans and outside current loans being reduced \$35,558,651, and the discounts "in Canada" increased \$70,114,849.

These extensive changes inevitably caused considerable inconvenience in the stock market; but, so far from affording any cause for such distrust and lack of confidence as has recently so disturbing an element, the movement in bank loans above detailed, was so manifestly the outcome of prosperous trade conditions as to be the basis of enlarged and deeper confidence in our industrial and transportation securities.

How general has been the increase in the traffic earnings of railways, appears from the following data: The increase this year in earnings of G.T.R. to Sept. 30. \$3,876,101

"	"	Canadian Pacific..	5,397,000
"	"	Montreal Street...	127,612
"	"	Toronto Street....	258,286
"	"	Twin City.....	354,120
"	"	Halifax Tram R'y and Lighting re- ceipts.....	13,725