

Business Conditions in Toronto

(Staff Correspondence, Journal of Commerce)

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The Finance Minister in defending his administration before the House, and Senator Mason in applauding the recent policy of the Canadian bankers in the Senate, both gave utterance to a belief in an approaching improvement in Canadian affairs. This semi-official announcement that the worst is over delivered in both branches of Parliament had probably not as much real significance as the statements of general managers of banks to the annual meetings of shareholders recently, but they have exerted, nevertheless, a rather remarkable influence on sentiment throughout Ontario and the West. The business atmosphere was distinctly brighter in the third week of January than in the first, and the effect of it was seen in the circulation of investment funds. There was a very slight revival in residential real estate in some of the cities, a small improvement in clearings, and a new apparent disposition on the part of the public to buy outright small blocks of securities. It is a long time since there were as many five-share lots of different issues traded in as happened one or two days on the Toronto stock exchange this week. Even greater activity existed in the municipal bond market and one or two houses decided to quietly market small offerings of industrial issues. Their disposition not to proclaim their partial success indicated a desire to keep this field as long as possible to themselves, and also that the venture, in spite of all predictions of the collapse of the market for Canadians industrial securities, had not been entirely unprofitable.

These scattered signs of reviving activity, comforting as they may be, do not blind anyone to the fact that the recovery in business must be delayed for several months. There is no doubt that money is working very easy, and that by spring unemployed capital will be more plentiful than at any time for several years past, but this condition alone will not restore the impaired purchasing power of the country. It will require another crop to restore the balance, and one reason for the improvement in the security markets this week was the promise held out, by the larger acreage prepared for cultivation this year, that Canada's agricultural output in 1914 would at least equal that of the previous year. It is a well-held opinion that the resistance to bearish operations displayed by C. P. R., was due almost entirely to the increase in the acreage in the West, which is conservatively estimated at twelve per cent. The same condition has reacted unofficially upon other Canadian securities and it is today the outstanding constructive factor in the Canadian business situation.

The season of gatherings of proprietors of financial institutions is drawing to a close, and the fact has been demonstrated that whatever were the fortunes of ordinary commercial undertakings in 1913, the lending institutions had little cause for complaint. At the end of the previous year most bankers, recognizing that an unusually profitable era in banking might be drawing to a close, made extra provision for losses during 1913. The demand for banking accommodation during the year was so keen that loans could afford to be exceptionally cautiously made and the anticipated percentage of losses did not come near being realized. Probably this

year's developments will be more effective in disclosing the weak spots, and there is little doubt but that the inside reserves of the banks are amply prepared for anything that is likely to happen in this connection. In addition to enjoying an exceptionally profitable year the banks through causes which have been many times reiterated, were able to liquidate the loans at an unparalleled rate around the end of the year, and the accumulation of cash is beginning to be evident, especially since the reduction of the rate for short term loans in New York. Brokers and other borrowers of market money here are viewing the situation with much complacency as already there are a number of breaks in the six and a half per cent rate which has been uniform for some time, and although the six percent. rate itself is not general it is expected to become so until, as brokers hope, there is a further reduction of one-half per cent. Members of the exchange think that if a rate of six per cent could be offered customers there would be instantly an active and fairly widespread participation in the market for Canadian securities, a proceeding to which the banks themselves would not be averse if the boom elements of the last bull market were eliminated.

Among the banks the only institution which failed to present a report for the year was the Bank of Vancouver. The postponement of this annual meeting, already referred to, followed upon a scrutiny of its discounts and the decision that the most satisfactory outcome would be a friendly absorption. The present management of the Bank of Vancouver being in no way responsible for its condition, are making a brave effort to perpetuate its existence, but conditions are against it. The expense of maintaining a branch until profits justify its existence are larger and continue longer than most people, other than general managers appreciate, and with the reduction in capital to \$500,000 which was proposed in the plan to rehabilitate the Bank of Vancouver, the institution might be left without sufficient capital to adequately extend its business. If the business of the bank stands up under the present examination it is quite possible that the institution will disappear as a separate entity and that its staff will become part and parcel of the Royal Bank. Such a contingency would reduce the number of chartered banks in Canada to twenty-four, and would strengthen rather than otherwise, the general banking position. There is no doubt the distaste for the double liability will disappear as the failures of such institutions as the Sovereign, the Ontario, and the Farmer's Banks recede into history. Now, by the operation of the gold reserve the banks are able to provide themselves with sufficient note circulation without being under the necessity of increasing their capital, stock holders will be asked to take up less and less new stock, and the incentive to piling up capital will be removed. Again the bonuses which have been gradually added to the banking dividends are becoming fixtures as according to recent announcements, thus increasing the permanent return. Competition in the banking business is not likely to increase so that there is little doubt that these securities will come more into favor and that the general tendency of values during this year in this particular division at least will be upward.

The proceedings at the annual gatherings of shareholders of the different financial institutions, while highly edifying at the time, are being

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