

Business Conditions in Canada During 1911.

Addresses of the President and General Manager
of the

Canadian Bank of Commerce

At the Shareholders' Meeting.

GENERAL MANAGER'S ADDRESS.

The General Manager then said:
In presenting you with our report for the year just closed, it is gratifying to know that our predictions regarding the probable course of our business, when last we had the honor of addressing you, have been fully confirmed, and we have great pleasure in submitting a statement which we feel sure will be regarded as more than usually satisfactory.

The record of the year is remarkable for the evidence it affords of a steady and continued prosperity, and notwithstanding the large increase of our resources, we have been able to make a profitable use of the funds committed to our care with a reasonable assurance of safety.

The average paid-up capital during the year was \$10,591,405, and the net profits were \$2,305,409.42, the latter item showing an increase of \$467,344.38, as compared with our last report, and amounting to 21.76 per cent. on the capital employed. It is proper to remark that this satisfactory showing was the result of our operations after the usual very careful revaluation of our entire assets, ample provision having been made for bad and doubtful debts.

In our report for the year ending 30th November, 1909, it was recorded that we had recovered \$300,000 from the realization of assets in connection with which appropriations had previously been made. We direct your attention to the announcement in this year's report that \$500,000 has been similarly recovered. We believe you have always given us credit for being conservative and careful in the administration of your affairs, and the policy of making ample provision for doubtful assets might well, over a series of years, result in important recoveries. The recoveries now referred to, however, come mainly from two sources. During the entire administration of our business in the Yukon Territory carried on at the Dawson branch and begun in 1898, because of the dangers and difficulties surrounding the venture in this new field, we held in reserve the whole of the profits made at this branch, awaiting the outcome of the business in that district. Secondly, in purchasing the assets of the Bank of British Columbia in 1900, we found a considerable quantity of real estate, in valuing which we made large appropriations as compared with the figures at which such assets stood in the books of the selling bank. There has been, as you know, a very large increase in the value of real estate in British Columbia, owing to the extraordinary development of that Province, and through sales of such real estate and through the liquidation of most of the important assets in the Yukon Territory, we are warranted in transferring to the ordinary profits so much of these reserves as are represented by the two amounts referred to.

We recommend the payment of dividends at the rate of ten per cent. per annum, and in this connection \$1,057,218.59 has been disbursed. Our programme for the erection of suitable bank premises, particularly in the West, and the necessity for increasing our equipment of this character throughout the country, make it imperative to continue the appropriation of large sums for this purpose. We are hopeful that with the completion of the Winnipeg office extraordinary expenditures may be curtailed, but we must keep pace with the requirements of a growing business, and our commitments, while relatively moderate, are considerable in the aggregate. We have written off Bank Premises \$400,000, and have added \$866,-

092.61 to the account, which now stands at \$3,142,487.82, representing about 45 per cent. of the value of our properties. The resolution passed at the last annual meeting authorized the contribution of a sum not exceeding \$100 per annum per member of the Pension Fund, and we have appropriated \$55,000 for this purpose. We are pleased to report that after making these appropriations \$1,400,000 has been transferred to Rest Account, in addition to \$1,357,820 received as premium on new stock.

It is interesting to note the course of the Bank's circulation during the period under review. Our last report showed \$10,222,953 outstanding; during the succeeding months there were important fluctuations, the highest and lowest points touched in July being \$10,016,000 and \$8,289,418, respectively. The early crop movement gave an impetus to business, and our available margin of circulation was quickly absorbed. The total amount outstanding in September was \$10,842,000, and but for the issue of new stock we should have had difficulty in keeping within the limits of the law, and, as it was, we had unusual difficulty in meeting the demands on us for currency. In October we exceeded the amount authorized under ordinary conditions, and had recourse to the provisions of the Bank Act amendment of 1908. At the close of November we reported notes in circulation amounting to \$12,004,649, this being \$307,374 more than we were allowed to issue except under the emergency provisions. There is a real necessity for a large increase of the amount of circulation, and it does not seem unreasonable that the period for emergency issues should be extended to include the months of September and February. In connection with the suggestion, it should be noted that because of the great development of business, it is altogether likely that we shall in the near future experience a currency stringency in the spring and summer months. This matter should have very serious consideration, and immediate action should be taken to guard against the possibility of such an occurrence. The augmentation of capital by the banks is, of course, the first remedy to be applied, but this is of necessity a slow process, and would scarcely keep pace with requirements. We venture to hope that during the discussion of the Bank Act means will be found to enable any Canadian bank possessed of sufficient resources to be able always to pay out its own notes across the counter without resorting to other forms of currency.

During the year our deposits were increased by \$19,131,480, showing a handsome growth, although we received under this head large amounts which are held temporarily, and will be withdrawn in the near future. Our branches in the West contributed a handsome addition to our deposit account. On the other side of the balance sheet, current loans and discounts show an increase of \$19,757,171, as compared with last year's report, and our investments in Government bonds, municipal and other securities were increased by \$2,616,826. Cash resources increased \$8,390,979.

In view of the wide franchise we enjoy, we recognize the duty and responsibility upon us to aid in the development of the country, and we have endeavored to keep abreast of its rapidly-growing needs. We are confident that the work of establishing branches has been undertaken with great care and a conscientious regard for every interest involved. It is gratifying to know that our labors have not been in vain. The distribution of the branches at the close of the year was as follows:

Ontario.....	66
Quebec.....	3
New Scotia.....	13
New Brunswick.....	1
Prince Edward Island.....	5
Manitoba.....	21
Saskatchewan.....	52
Alberta.....	40
British Columbia.....	33
North-West Territories and Yukon.....	8
Total branches in Canada.....	237
England.....	1
Mexico.....	1
United States.....	4
Total number of branches.....	243

The management of so large a number of branch banks brings up the question of our staff, which now numbers over two thousand, and you will readily understand that this is a difficult problem. We have not overlooked the importance of a strict supervision of our branches, and have endeavored to devise a system which will ensure a freedom of action and quick response to the demands of customers, and at the same time keep in control managers who lack experience and judgment. We sometimes fear lest we should fail in our appreciation of the claims of our large staff, particularly in these latter days of profitable employment in other occupations when promotion in banking appears slow. In our service, we often ask officers to perform onerous duties under trying circumstances, but our experience almost invariably is that they meet the emergency with commendable efficiency and loyalty.

We look into the future from the vantage ground of a successful year's business, and we have reason to hope for a continuance of prosperity so far as Canada is concerned, and as a bank we shall expect to share in the general good. The steady and persistent demand for money for legitimate purposes should keep our funds fully employed for some time to come. There will doubtless, as usual, be adverse influences at work, but at the moment there is no apparent cause for a feeling of apprehension. The noticeable improvement in trade conditions in the United States encourages us to think that our neighbors will emerge from a period of depression not unusual on the eve of a Presidential election. We shall probably see easier conditions in Great Britain after the year's accounts have been settled. This is important and desirable when we consider the large amounts of Canadian securities awaiting a favorable market.

We look forward confidently to the duties and responsibilities of the coming year, and trust you will not be disappointed with our efforts to render you good service.

PRESIDENT'S MESSAGE, IN PART.

The President then spoke as follows:
The progress of the Bank during the past year has been so gratifying, and the subjects to which the General Manager has been asking your attention are so important, that I feel less confidence than usual in taking up your time merely to review some of those features of the prosperity of the country, with most of which you are already familiar. As you all know, the year has been a momentous one for Canada, in directions which cannot be discussed here, but on the purely business side, it has demonstrated in an unusual degree the fact that the general progress of such a large area as Canada is likely to be accompanied by untoward as well as fortunate events.

The totals of our imports and exports for the fiscal year of the Dominion, ending March, 1911, are again record figures. Our imports were \$472,194,000, and our exports \$297,196,000, the balance against us being the large sum of \$174,998,000, not far from the balances of any two previous years put together. The total trade was \$769,390,000, against \$693,161,000 a year ago. The significant fact, however, is that while our imports increased \$80,380,000, our exports declined \$4,162,000. This is, of course, principally due to the free imports in anticipation of the present large cereal crop; to the increase in railroad construction, and public and private building; and to larger immigration, the value of such settlers' effects as are declared appearing as imports. It is also

partly due to somewhat larger imports of gold bullion and silver. For the first six months, ending September, 1911, of the current fiscal year, the figures are even more striking, the imports being \$266,187,000, and the exports \$141,865,000, the balance against us for the six months being \$124,322,000, as against \$94,404,000 for the corresponding period in 1910. The imports for the half-year in 1911 include, however, an increase of about \$7,500,000 in gold coin. An examination of the items of imports and exports in the trade returns will suggest many explanations for the respective increases and decreases, but the fact remains that we must enlarge the volume of products we have to export, and either lessen our imports by curtailment of expenditure, or by manufacturing at home many of the articles we buy abroad, especially from the United States. Our trade with that country, always one-sided, is growing more so. During the fiscal year ending March, 1911, we bought from them \$293,403,000, and sold them \$119,203,000, leaving a balance in their favor to be paid in cash of \$174,200,000, over \$50,000,000 more than in any previous year. In 1901, our total trade with them was \$191,689,000, and in ten years it has grown to \$412,606,000, or an increase of 115 per cent. The part we have to pay in cash has, however, grown from \$46,924,000 to \$174,200,000, an increase of 271 per cent. Our trade with Great Britain makes the worst showing for many years. The imports have grown to \$110,390,000, while the exports have fallen to \$137,158,000, leaving a balance in our favor of only \$26,768,000, a much smaller sum than in any of the last ten years. In spite of the decrease, our exports are still the largest for any year except the previous one, but the volume of imports is much greater than ever before. It is useless to repeat arguments often advanced in other years. Few nations have such an alluring future, and few can afford to mortgage their future to such an extent, but our power to do so depends upon our credit, and there are those in England who are asking whether we are not borrowing too much. There is, of course, one great reason why we must go more and more largely into debt for many years to come. At present we are preparing for the settlement of about 400,000 immigrants in one year. This is an addition of five per cent. to our population, or the same as if 4,500,000 new people entered the United States in one year. To provide everything for these people, from transportation to housing, is a huge task, quite large enough to account for more than the difference between our imports and exports. Not only must the improvements necessary to create many new farming districts be made, but new towns, and great additions and improvements to older ones are required, indeed, betterments of all kinds throughout the community. More important than all, two new transcontinental railway systems must be completed, and many branch lines added to our three great systems. There is, therefore, little cause for wonder that we need so much new money every year. The import returns show settlers' effects at only \$14,000,000, doubtless far below the actual value, but the main part of the settlers' property consists of money. The estimated wealth of the new settlers for 1911, based on the lowest experience of several years, is about \$160,000,000.

The revenue and expenditures of the Federal Government show plainly the growth of the country as a whole. Apparently the ordinary revenue for the year ending 31st March, 1912, will be between \$130,000,000 and \$140,000,000, as compared with \$117,780,000 in 1911, and with \$86,000,000 in 1896, only 15 years ago. Thus far the new capital expenditure, estimated at about \$46,000,000 for the year, has been met out of revenue.

The clearing house returns of twenty cities for 1911 were \$7,336,866,000, against \$6,153,701,000 for seventeen cities in 1910, a gain of 19 per cent.; the gain between 1909 and 1910 being 18 per cent.

The building permits of the chief cities again illustrate the rate of growth in Canada.