

BRITISH COLUMBIA FINANCIAL TIMES

A Journal of Finance, Commerce, Insurance, Real Estate, Timber and Mining

Vol. VI. No. 24

VANCOUVER, DECEMBER 20, 1919

SINGLE COPY 10c
THE YEAR \$2.00

Exchange Situation in Relation to Canadian Trade

Discount of Canadian dollar in United States of serious disadvantage to trade—Reason for present conditions and probability of lasting for considerable period—Ultimate solution in balance of trade.

The depreciation of the Canadian dollar in terms of United States dollar, which to date of writing reached a maximum of 12%, is proving a disturbing influence to British Columbia and Canadian trade generally, and has renewed inquiries as to definite causes and excited some apprehension as to how far the depreciation will go.

It is indeed difficult to give the precise causes or a thorough-going explanation of the exchange situation and what may be said must rather be considered as an expression of opinion rather than a statement of fact. Viewed in its simplest form it is simply a question of supply and demand. Since there are more Canadian bills to be paid to the United States than there are United States bills to be paid to Canada, Canadian bills or other evidences of indebtedness in the United States become a glut on the exchange markets and filter through to commercial transactions. In order to induce the American exchange market or the American merchant to accept evidences of debt payable in Canada, a premium must be offered. The degree of this supply exceeding the demand is the degree of exchange which must be offered. In the present case the rate is so abnormal as to prove a severe handicap on Canadian merchants having to settle bills on points in the United States. We think we are safe in saying that there is absolutely no evidence of lack of confidence on the part of American merchants and in consequence it is purely mercantile and not national.

The exchange situation arises in purely domestic transactions both in Canada and the United States. For instance there has been an exchange market obtaining between Montreal and Toronto and of smaller proportions between other cities in Canada and in a similar way between New York and Chicago and other points in the United States. The amount of the exchange, however, in purely local transactions can never amount to more than the cost of express-

age and insurance in the shipment of currency from one domestic centre to another. In times of urgency the domestic rate has been sometimes advanced beyond this cost and we have seen cases of New York currency being at a discount of one dollar per \$1,000 in Chicago, when perhaps the cost of expressage did not exceed more than fifteen cents per \$1,000. The rate between Toronto and Montreal seldom exceeds twenty-five to forty cents per \$1,000, and in both of those centres it has given serious rise to a few exchange brokers in currency, but as between the smaller centres the banks do this business themselves. The situation, however, with regard to, say Montreal and New York, is complicated by reason of the fact that one currency is foreign to the other. While under normal conditions parity does exist, in times like the present, such as the strain on banking facilities, together with the fact that business conditions have not yet had time to reestablish themselves to peace conditions, international finance between Canada and the United States has not had an opportunity to respond immediately to mercantile demands.

Taking the trade of Canada for the twelve months ending October, 1919, we note that Canada imported \$902,000,000 of goods and exported \$1,252,000,000, leaving a balance of trade in favor of Canada of approximately \$250,000,000. This balance of trade under ordinary conditions would finance our financial indebtedness to the United States, Great Britain and other countries and may possibly attract gold. But during the same period we have imported from the United States \$714,000,000 of goods, and we have exported \$439,000,000, leaving a balance of trade against us as compared with the United States of \$275,000,000, which we must finance either by the sale of securities, the liquidation of American indebtedness to Canada and Canadian merchants or the shipment of gold. The situation is intensified by reason of the fact that during the same period we exported to the United Kingdom \$524,000,000 of goods, and imported from the United Kingdom \$81,000,000, leaving a credit balance of trade of \$443,000,000. Under normal conditions Britain's trade indebtedness to Canada would be settled through New York, but in large measure

EXCHANGE SITUATION IN RELATION TO CANADIAN TRADE.

"WATER-POWERS OF BRITISH COLUMBIA."

BRITISH COLUMBIA SALMON PACK, SEASON OF 1919.

SOME CANADIAN RECONSTRUCTION PROBLEMS.

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