

FINANCIAL REVIEW:

The January Bank Statement, which we published last week, is perhaps rather more interesting than usual. In the first place, notes to the extent of \$9,000,000 have been redeemed during the month, and the total bank circulation now stands at \$60,986,000, which will almost certainly be the lowest point reached during the season. The reduction during the month has been 12.8 per cent., which is considerably greater than usual. The reduction for the month in January, 1905, was \$6,486,000, about 10 per cent., and in January, 1904, \$5,566,000, a trifle under 9 per cent. In November and December, however, notes did not return from circulation quite as rapidly as usual, and the percentage of reduction between 31st October,—the date of the highest level,—and 31st January, when the lowest level for the year is reached, shows little change.

For the last three years the figures have been:—

	October.	January.	Percentage of Reduction.
1903-4	\$70,480,000	\$56,973,000	19.1
1904-5	72,216,000	58,021,000	19.6
1905-6	76,890,000	60,986,000	20.7

February should show a slight increase in notes in circulation. Whether the present abnormally mild winter, with the absence of snow, will affect the well established order remains to be seen.

Public deposits in Canada have grown during the month by \$8,995,000, a marked contrast to January last year, when there was a reduction of \$2,179,000. About \$3,460,000 of the increase is caused by the deposits of the Home Bank of Canada being included for the first time. The balance is chiefly in the figures of three or four of the larger banks.

For the last five years public deposits in Canada have been:—

	January, 1902	Increase over previous year.
1902	\$332,856,000	10 per cent.
1903	366,784,000	9 "
1904	394,572,000	7 "
1905	451,233,000	12 "
1906	521,222,000	13 "

Deposits outside Canada increased during the month by \$3,128,000, almost the whole of this increase being in the figures of the Bank of Montreal. Total liabilities are \$668,000,000, an increase during January of \$5,840,000.

Important increases are:—

Home Bank of Canada (new)	\$3,521,000
Bank of Montreal	1,353,000
Merchants Bank of Canada	2,177,000
Canadian Bank of Commerce	1,104,000
Bank of Ottawa	1,458,000
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	\$9,613,000

Banks which show considerable decreases are:—

Dominion Bank	\$1,650,000
Imperial Bank of Canada	1,253,000
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	\$2,903,000

Other banks show unimportant decreases sufficient to reduce the net increase to the figures given above. During the year total liabilities have grown by a little over \$90,000,000.

Total cash held is \$57,510,000, being 8.6 per cent. on the total liabilities to the public. Last year the

percentage was 9.6, while in January, 1904, it was 9.1 per cent. The expansion in business during the last twelve months has no doubt used up any loose cash the banks held; but a reduction of 10 per cent. in the cash reserve is not a favorable result of a large year's business.

The ten banks showing the highest percentages are:—

Northern Bank	13.77 per cent.
Imperial Bank of Canada	13.5 "
Bank of Ottawa	12.73 "
Bank of Nova Scotia	12.08 "
Royal Bank of Canada	10.59 "
Union Bank of Halifax	10.19 "
Metropolitan Bank	9.77 "
Traders Bank of Canada	9.2 "
Canadian Bank of Commerce	9.16 "
Dominion Bank	9.13 "

The ten showing the lowest percentage are:—

La Banque d'Hochelaga	6.2 per cent.
Bank of British North America	6.08 "
Standard Bank of Canada	6.05 "
St. Stephen's Bank	5.87 "
Sovereign Bank of Canada	5.05 "
Ontario Bank	4.54 "
La Banque de St. Jean	2.34 "
La Banque de St. Hyacinthe	1.99 "
Western Bank of Canada	1.51 "
Provincial Bank of Canada	1.07 "

It must, of course, be understood that these figures refer only to the actual cash held, and do not tell the whole tale with regard to a bank's readiness to meet sudden demands on it. In many cases the larger banks have large amounts due them in London and New York, either in the form of balances with their agents, or call loans which are strictly on call. The Bank of Montreal, for instance, has \$4,894,000 in balances due from agents, and \$35,959,000 in call loans outside Canada. The Canadian Bank of Commerce has \$4,605,000 due from agents, and \$8,673,000 in foreign call loans. In addition, each of these banks carries several million dollars in securities.

The smaller banks frequently carry their real reserves in the shape of balances with other Canadian banks, the Western Bank of Canada, for instance, showing no less than \$1,286,000 on deposit with other banks in Canada, while the Provincial Bank of Canada has \$138,000 on deposit, and in addition has \$1,200,000 in securities, and \$1,113,000 in Canadian call loans. But a sufficient supply of actual cash is one of the first requisites of careful banking, and each bank should either carry a sufficient supply for itself, or should definitely arrange with another bank to perform this duty on its behalf. The bank with which the Western Bank of Canada keeps its balances should, and doubtless does, hold sufficient cash not only for its own needs, but also for the needs of the Western Bank.

Balances due from the United Kingdom have fallen off by about \$2,000,000, the balances due to the Bank of Montreal being reduced by \$3,622,000, while those due to the Canadian Bank of Commerce increased by \$2,950,000. Balances due from foreign banks or agencies increased by \$3,559,000.

Call loans in Canada on bonds and stocks rose from \$49,704,000 in December, to \$54,241,000 in January, while call loans outside Canada increased from \$61,010,000 to \$68,432,000, a total increase in these two items of \$11,959,000. In January last year total