

The Chronicle

Banking, Insurance and Finance

ESTABLISHED 1881. PUBLISHED EVERY FRIDAY
F. WILSON-SMITH, *Proprietor and Managing Editor.*

Office:

406-408 LAKE OF THE WOODS BUILDING,
10 ST. JOHN STREET, MONTREAL.
Annual Subscription, \$3.00 Single Copy, 10 cents.

MONTREAL, FRIDAY, SEPTEMBER 26th, 1919

GENERAL FINANCIAL SITUATION.

(Continued from front page)

601,782 to \$1,011,785,424. At the same time, circulation increased by no less than \$15,554,974, in a month when the seasonal expansion of currency due to harvesting operations is only in the preliminary stage. This expansion, there is no doubt, is largely a result of holiday expenditures. Holiday travel has this year reached a maximum, and there is no doubt that an immense amount of additional currency has been called for as a result of heavy expenditures on this account by temporarily prosperous folk.

In connection with current loans, it is to be borne in mind that in many lines of staple production, manufacturing and distribution are now being carried on upon an entirely different basis than that existing prior to the war, as a result of the difficulty in obtaining raw materials. In the old days, a manufacturer would frequently very willingly take orders for an output considerably in excess of the raw material for which he had immediately contracted, relying, as he could well rely, on getting additional raw material at the time and in the quantities that he needed, and on terms showing no great variation from those current. Under present circumstances, that course of action is, however, no longer possible. A shoe manufacturer, for instance, in these days, lays hold (with considerable difficulty) on sufficient leather for, say, 50,000 pairs of shoes. His salesmen go out under instructions to return home when they have got orders for those 50,000 pairs; the manufacturer cannot afford to take the risk of contracting to supply, say, 60,000 pairs, and then not be able to secure the leather, or only be able to secure it at an enhanced figure which would mean doing business at a heavy loss. Thus, as a result of the shortage and high price of leather, production is limited, and the price of shoes to the consumer, is forced up. The same condition of things applies in other lines of business, and will undoubtedly continue, until there is some easing up in the supply of essential raw materials, since manufacturers can hardly be expected to run risks which might easily result in heavy loss.

The heavy holiday travel to which reference has been made above is reflected in C.P.R.'s showing of net earnings for the month of August. These amounted to \$3,773,167, an increase of \$569,536 or 17-75 per cent. over the total reported for the same month a year ago. Gross earnings during the month were \$15,283,653, compared with \$13,109,753, operating expenses thus taking practically 75 per cent. of the increased takings. It is, however, to be noted that these operating expenses were for the month of August about one per cent. lower than in the corresponding month of last year, and while one swallow does not make a summer, the fact affords some ground for belief that the peak in operating expenses has been about reached.

It is noteworthy also in this connection that some of the large gold-bearing mines in Northern Ontario have lately been showing a decreased ratio of operating expenses, in a proportion, which if not particularly substantial, is yet sufficient to constitute a real factor in the 'mines' showing of profits. Decreases in the prices of chemicals and other materials used in production are the main causes of this decrease, which has already been sufficient to stimulate the recommencement of active operations by several mines, which had shut down owing to the high cost of production, with a fixed price for the product, having made operations unprofitable.

While no doubt, the favorable outlook for several of the leading Canadian industries, notably milling and paper, justifies the increases in value which the local stock exchanges have lately been putting upon the stocks of the companies, engaged in them, it is difficult to see, how the recent rises in some other low-priced industrial common stocks can be justified by any possibilities of the companies' earnings in the not too far distant future. To be quite frank, it looks as if manipulation, and not an intelligent anticipation of events had something to do with sundry of these advances, and while it is possible, that these advances will be continued for some little time, it is well to remember that the only real sustaining power for the price of any stock over a prolonged period is earning power and dividend return, and that a low-priced non-dividend paying stock bought at an inflated level, may easily prove to be a very expensive and worrying luxury.

FOREIGN TRADE OF GREAT BRITAIN.

The foreign trade of Great Britain is still growing. The export figures for August are the highest on record, and the imports for the month were only exceeded in July. According to the monthly statement of the Board of Trade imports totalled £148,831,141 and exports £74,773,237. Exports consisted mainly of manufactured products.