

WHAT THE BANK CLEARINGS SHOW IN RECENT YEARS

First Decreases Since 1908 Were Recorded in May and June Last—Effect of Commodity Prices upon the Volume of Clearings.

	1908	1909	1910	1911	1912	1913
January . . .	\$335,934,122	\$381,119,715	\$488,285,937	\$533,959,071	\$684,955,507	\$804,364,150
February . . .	271,052,288	330,852,488	408,048,038	478,421,473	614,811,814	674,902,683
March	297,754,089	376,292,874	474,210,419	577,152,882	655,408,800	674,454,081
April	308,020,547	383,871,156	490,102,778	555,688,075	714,719,250	756,678,736
May	320,988,539	402,674,637	476,244,141	543,285,907	819,529,634	800,535,942
June	323,508,501	433,864,458	499,153,006	604,918,420	769,519,212	740,903,486
	\$1,857,258,086	\$2,308,674,328	\$2,836,044,319	\$3,293,426,428	\$4,258,944,217	\$4,451,839,078

The bank clearings of Canada since 1908 have shown a steady increase. The first decline in the volume of clearings was noted in May and June last. Compared with the same months of 1912, the May clearings decreased \$19,000,000, and the June clearings about \$29,000,000. *The Monetary Times* has compiled some interesting tables of the Clearing House statistics for several years back. These figures undoubtedly are one of our chief business barometers and the fluctuations since 1908 are of interest. Here are the total clearings for each year and the first six months of 1913:—

Year.	Total Clearings.
1908	\$4,142,233,370
1909	5,203,269,249
1910	6,114,039,804
1911	7,391,368,207
1912	9,143,196,764
1913 (½ year)	4,451,839,078

Rapid Growth of Clearings.

The remarkable growth of business in the past five years is vividly indicated in the one fact that the current half year's bank clearings are greater than the entire year's clearings in 1908 by no less than \$300,000,000. The total clearings of 1912 were more than double those of 1908.

The table at the head of this page shows the bank clearings for the first six months of the past six years. Gradually the volume of business has increased. In 1908, the monthly totals were in the two hundred million class. The following year they had graduated to the three hundred million, then to the four and so on until in 1912, a monthly total (May) had reached \$800,000,000. The figures in the table at the head of the page may be summarized as follows:—

Half-year.	Total Bank Clearings.
1908	\$1,857,258,086
1909	2,308,674,328
1910	2,836,044,319
1911	3,293,426,428
1912	4,258,944,217
1913	4,451,839,078

The showing for the half year just past, therefore, is about \$200,000,000 better than for the first six months of 1911.

Figures of Separate Localities.

As has been pointed out by Professor Conway, of the University of Pennsylvania, in the study of bank clearings as an index of business and financial conditions, two important things must constantly be kept in mind. The first is that the real benefit from a study of clearings is to be derived not from the use of the figures for the country as a whole, but from the figures from separate localities. The second is that due allowance must always be made for the level of commodity prices—a high level of commodity prices tending to increase the volume of bank clearings and to make the volume of business being transacted appear larger than it actually is.

A record of bank clearings that did not divide the country into sections is of little use as an index of conditions. Not infrequently it happens that extraordinary activity in one part of the country operates to swell the total and give an entirely wrong appearance to the figures as a whole.

What is necessary, therefore, in the study of clearings, is to examine the figures by groups, making due allowance for any particular activity or dullness which may be known to prevail in any section of the country. Thus in gauging the amount and commercial business being done, exclusion of the figures of the main speculative centers is advisable.

With this fact in mind, we may examine briefly the clearing house records by provinces. A table on the following page gives this every year since 1908 and for the past half year.

If Ontario's bank clearings during the second half of 1913 make as good a record as during the first half, the total for the year will be about as large as that of 1912. The prospects are, that the clearings both of Ontario and Quebec provinces for 1913, will equal and probably exceed slightly the total for 1912. Manitoba's clearings for the past six months were about half the former year's aggregate. The same applies to British Columbia. The clearings of Saskatchewan and Alberta may show a slight decrease from those of 1912 when the figures of 1913 are complete, although they have made a good showing to June.

Montreal, Toronto, Winnipeg and Vancouver.

The records of the four largest clearing houses are also of interest. For each half year since 1908, they are as follows:—

First half year.	Montreal. \$	Toronto. \$	Winnipeg. \$	Vancouver. \$
1908	669,532,021	520,635,652	252,098,645	82,468,596
1909	834,881,724	678,848,157	302,414,200	116,821,265
1910	994,879,543	759,292,096	393,265,047	204,565,566
1911	1,121,622,726	886,099,768	483,911,652	252,987,096
1912	1,308,341,481	1,050,259,046	691,535,231	305,710,244
1913	1,395,741,933	1,081,151,975	720,336,257	308,825,438

These four clearing houses show a consistent increase in total clearings for the first half year. Montreal and Toronto clearings have doubled since 1908, Winnipeg's have nearly trebled and Vancouver's have almost quadrupled. All these important points show greater clearings for the past half year as compared with 1912.

Effect of Commodity Prices.

As stated above the second important thing to be borne in mind in connection with bank clearings, is that the level of commodity prices has a strong influence on the volume of bank clearings. The great bulk of commodities are carried on bank-money and when the price-level of these commodities is high, a greater amount of money is needed to "carry" them than when the price is low. Payment for a hundred bales of cotton at fourteen cents per pound, for example, would require the drawing of a larger cheque than if the price were twelve cents per pound, and would result in a corresponding increase in clearings. Yet, not any greater volume of business would have been done. It is most important, therefore, in the study of bank clearings, to note what is the course of commodity prices. Not infrequently it happens that a very high level of prices results in such an increase in clearings as to make it appear that business is extraordinarily active when such is not the case.

High as was the general level reached in 1911 by wholesale prices in Canada—the highest probably within the present generation—a still further and pronounced advance took place during 1912. Taking the 287 representative articles included in the record of the Department of Labor, the rise in 1912 over 1911 amounted to 6.5 per cent. In the terms of the department's index number, which is based on weekly or monthly quotations for 272 commodities selected over the entire field of production and consumption, a level indicated by 127.4 in 1911 had risen to 134.4 in 1912, a gain of seven points—the numbers being percentages of the average prices prevailing during the decade 1890-1899, the period adopted by the department as the standard of comparison throughout its investigation. These figures probably minimize to a degree the practical bearing of the increase on cost of living,