

CAPITAL AFTER THE WAR

Record of Canadian Borrowings — Domestic Loan a Satisfactory Sign

An interesting study is being made by Mr. Francis W. Hirst as to the supply of capital to the British Empire after the war. In the second article, which appears in his paper, the London Economist, Mr. Hirst discusses Canadian borrowings. The annual overflow of British capital and savings into new London issues, he points out, rose from £81,000,000 in 1892 to an average of nearly £200,000,000 in the three years before the war. Of the £200,000,000 over one-third went to the British overseas dominions. Mr. Hirst gives a set of figures, compiled early in 1911, to indicate the total capital actually absorbed in that way by the British Empire.

These figures were derived from an analysis of the stock exchange list for December 28, 1910. This, the official list of the London Stock Exchange, shows the capital invested in practically every important colonial issue that has been offered in London, and although the totals thus obtained do not reach anything like the actual totals of British investments in the colonies and Empire, they may be taken as a pretty accurate measurement of the relative importance of the various parts of the Empire to the home investor.

For the purposes of this analysis, the whole of the colonial investments in the official list were divided into five groups, which in order of financial priority were, at the end of 1910, Canada, India, Australasia, South Africa, and Other Possessions. The figures were gathered by examining each classification of the official list, and grouping the various government, municipal and industrial quoted securities. All investment trusts were excluded, to avoid duplication. The list used was that dated December 28, 1910, and the following are the totals:—

Canadian Dominion	£ 365,368,800
India and Ceylon	350,758,200
Australasia	327,000,600
South Africa	256,603,200
Other British Possessions	102,827,800
Total	£1,402,558,600

These figures include only the capital quoted in the official list, except for mines and rubber. A large amount of British capital has been sunk in mining enterprise and rubber plantation in the various colonies, of which only a very small fraction has an official quotation. To obviate the omission of this important sum, all the colonial mining capital (of which particulars are given in "Mathieson's Mining Handbook" and "Mathieson's Rubber Facts and Figures") were substituted for the official list figures; but otherwise no adjustment of the London Stock Exchange totals was attempted.

To obtain complete figures of our colonial investments, it would be necessary to add (1) capital invested in private business and real estate—often through the medium of insurance and trust companies; (2) the capital of all companies issued in London which have no official quotation; (3) the unquoted portion of the capital of companies which have only a part of their capital officially quoted; (4) to deduct that portion, if any, of the capital of all officially quoted companies which has been subscribed by colonial and foreign investors. The last item must be very small.

We may now proceed to examine the capital in each of the five groups by separating each total according to the nature of the securities in which it is invested:—

Canadian Dominion.

Paid-up capital.

Government bonds (guaranteed by Imperial government)	£ 1,700,000
Government stocks and bonds	71,012,600
Municipal stocks	17,806,800
Railways	233,322,800
Iron, coal and steel	13,704,800
Electric lighting and power	10,575,000
Commercial industrial	5,878,400
Tramways	5,167,700
Financial land and investment	3,300,700
Banks	2,000,000
Total	£365,368,800

The surprising feature here is the comparatively small amount of the government stocks and the enormous sum put into the railways. Canada's great trunk lines have been financed principally from Great Britain, and the money subscribed for their building far exceeds the amount raised for any other purpose, and makes up nearly two-thirds of the above total. It should be remembered that Canada borrowed heavily in London between 1910 and the outbreak of the war. There was, in fact, quite a rush of Canadian government, provincial and municipal issues at one time, and the rate of interest offered was fairly high for a pre-war period. But a satisfactory sign recently has been the success of the Canadian internal loan for the purpose of assisting the financing of the war debt of the Dominion. I can best illustrate the rush of British capital to Canada by a table showing Canadian borrowings in London between 1911 and June 13, 1914. It is a rather interesting record:—

Canadian Borrowings in London.

Description.	Year 1911.	Year 1912.	Year 1913.	Jan. 1 to June 13, '14.
Government	nil	nil	£ 5,150,000	£ 9,850,000
Provinces	£ 505,000	£ 970,000	2,726,600	3,349,500
Municipalities	4,151,900	5,285,600	13,611,800	5,538,100
Railways	19,608,200	20,346,600	11,431,000	14,697,600
Other purposes	16,949,600	11,381,000	11,199,600	3,638,100
Totals ..	£41,214,700	£46,983,200	£44,119,000	£37,073,300

It will be noted that Canada was borrowing at a rapid rate in the first half of 1914, when the great tragedy of war broke over Europe, thus bringing this borrowing to a sudden stop, as all British capital was at once placed under Treasury control for the prosecution of the war. But after allowing for the fact that some Canadian securities held here have been sold since the war to the United States, and that some capital lent for Canadian industrials has been lost, it is still true that Canada's indebtedness to Great Britain has materially increased since 1910. Here I may add a table showing a few Canadian government, provincial and municipal stocks, with the fall that has taken place as compared with the pre-war level and the yields at the end of April:—

Description	Present Amount	Maturing	Price July 27, 1914	Price end April, 1916	Fall	Yield at end of April, 1916
Government & provincial.	£					£
Canadian 3% %						
Inscribed ..	28,162,776	1930-50	88	73 1/4	14 3/4	5 6 6
Canadian 4% %						
Stock	19,300,000	1940-60	98	79 3/4	18 3/4	5 3 9
Alberta 4% %						
Reg. Stock ..	1,000,000	1943	96	80	16	6 0 9
British Columbia 4% %						
Stock	1,500,000	1941	99	84	15	5 14 9
Quebec 4% %						
Reg. Stock ..	1,220,817	1954	100	85 3/4	14 3/4	5 8 9
Saskatchewan 4% Reg. Stock	1,123,392	1951	88	73	15	5 18 9
Municipalities.						
Calgary 4% %	1,920,900	1930-42	91	80 3/4	10 3/4	5 19 0
Edmonton 5% %	1,068,000	1923-33	101	88x	13	6 3 6
Montreal 4% %	5,868,900	1951-3	101	86x	15	5 7 6
Toronto 4% %	2,303,400	1944-8	90	77 1/2	12 1/2	5 11 6
Winnipeg 4% %	2,590,000	1943-63	97	84 1/2	12 1/2	5 9 0

The yields shown above illustrate the effect of war upon credit and rates of interest.

Of course, the amount of British capital, whether raised publicly or privately, employed in Canada must far exceed the Stock Exchange investments. In addition to the securities officially quoted, there is an immense number of unquoted stocks of various investment, land, and mining companies, and also the money which has been lent on mortgage by English financial institutions. Next to railways, electric light and power and iron companies have drawn most freely on British capital, but the amount of Canadian industrials dealt in here has been rather small. The great Canadian trusts and combinations have been financed very largely by New York.

The F. F. Dalley Company, Hamilton, has recently purchased nine acres of land on Burlington Street, and work will shortly commence on the company's new factory.