

The Chronicle

Banking, Insurance and Finance

ESTABLISHED 1881. PUBLISHED EVERY FRIDAY.

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GUARDIAN BUILDING, MONTREAL.

Annual Subscription, \$2.00. Single Copy, 10 cents.

MONTREAL, FRIDAY, JUNE 7, 1907.

THE FINANCIAL OUTLOOK.

A month ago, in THE CHRONICLE, attention was first directed to the fact that since last September the Canadian banks had drawn home a very large part of their investments abroad for use in the Dominion. As the article in question was widely noticed and as one gratifying feature of the April bank statement was a substantial increase in the foreign bank balances due to Canada, it will not be out of place to examine in detail a few of the changes shown in the April statement so as to find out how the improvement was effected and to see whether the movement homewards of our banks' resources still continues.

Comparing first the balances due to and due by outside banks at the ends of April and March the following result is obtained:

	1907.	
	31 Mch.	30 April.
United Kingdom.		
Due to banks in United Kingdom ..	\$13,460,111	\$13,826,507
" by " " " ..	2,433,654	6,344,209
Net amount due to U. K.	\$11,026,457	\$7,482,298
Elsewhere.		
Due by banks elsewhere ..	\$15,039,232	\$17,789,601
Due to " " ..	2,963,304	4,422,944
Net amount due by banks elsewhere ..	\$12,075,928	\$13,366,657
Summary.		
Net due by elsewhere ..	\$12,075,928	\$13,366,657
Net due to U. K.	11,026,457	7,482,298
Net foreign balances ..	\$1,049,471	\$5,884,359

It should be observed that the "balances due to banks elsewhere" are not, strictly speaking, overdrafts owing by our banks. Without a doubt a considerable part of them consist of deposits made in the central branches of our banks by American banks in the border cities.

A glance at the above figures shows that the overdrafts in London did not decrease during April. On the contrary a slight increase, some \$366,000, is shown. The improvement in the old country situation is due to the increase of nearly \$4,000,000 in the balances due by United Kingdom

banks. For that increase and for the increase of over \$2,500,000 shown in the balances due by banks elsewhere one institution, the Bank of Montreal, is chiefly responsible as the following figures show:

Bank of Montreal.	31 Mch.	30 Apr.
Due by banks in U. K.	\$877,375	\$4,215,105
" to " " " ..	nil	nil
Net due by U. K.	\$877,375	\$4,215,105
Due by banks elsewhere ..	\$2,483,833	\$4,836,264
" to " " " ..	nil	nil
Net due by banks elsewhere ..	\$2,483,833	\$4,836,264

Taking the general statement it is seen that the banks changed their condition as follows:

Specie and legals increased ..	\$2,600,000
Notes and cheques other banks increased ..	1,700,000
Foreign bank balances increased ..	4,800,000
Current loans Canada increased ..	7,100,000
	\$16,200,000
Note circulation decreased ..	3,500,000
	\$19,700,000

The necessary funds were found as follows:

New capital and additions to rest ..	\$ 400,000
New deposits received ..	9,400,000
Call loans, Canada decreased ..	2,300,000
Call loans, elsewhere decreased ..	2,900,000
Current loans, elsewhere decreased ..	4,400,000
Securities decreased ..	600,000
	\$20,000,000

Proceeding to the matter of the net investment abroad the change in that is shown in the next table:

	31 March.	30 April.
Assets abroad.		
Net foreign bank balances ..	\$ 1,049,471	\$ 5,884,359
Call loans elsewhere ..	51,340,792	48,430,477
Current loans elsewhere ..	33,305,188	28,933,174
	\$85,695,451	\$83,248,010
Less Deposits elsewhere ..	63,133,226	64,830,757
Net investment abroad ..	\$22,562,225	\$18,417,253

Thus it is apparent that the process of drawing home our banking capital was going on through the month of April. Though the banks did, to be sure, replenish their bank balances in London and New York to a certain extent, they did so by liquidating other kinds of foreign investments, notably the call and current loans.

Under these circumstances it is hardly surprising that money market conditions should show little or no improvement in April. The signs of a coming relaxation could be expected more reasonably in May. Another point to be remembered is that as a considerable portion of the overdrafts in London were undertaken because of the large produce shipments about to be forwarded to Europe upon the opening of the navigation season at Montreal Port, so there could not very well have been shown a reduction in the obligations due by our banks to London banks until the stuff started to go freely out; and that did not happen, as everybody knows, till well on in May.