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## TWELVE MONTHS' WAR BANKING.

The publication of the bank statement for the month of July enables some interesting comparisons to be made of the position of the banks as on the eve of the outbreak of the European conflagration and as at the time when the war had been running about a year. It is well known that when war broke out, the banks generally were in good shape to meet unforeseen developments. For nearly two years, since the start of the Balkan campaigns, which synchronised with the ending of the boom in Canada they had been exercising restraint in their affairs, with the result that even such a stupendous financial crisis as that which was precipitated in July, 1914, could be met with some confidence. By July 31, 1914, the banks had had several days' notice of the coming storm and had been able to take such additional precautions as were possible within a limited time. The figures show that at that date the banks held, against note circulation and deposits of all kinds, which then aggregated \$1,254,060,146, immediately available reserves of specie and Dominion note holdings, deposits in the Central Gold Reserve and to secure the note issues, net bank balances abroad and foreign call loans, amounting to \$308,016,080, a proportion of 24.6 per cent. These immediately available reserves were backed, of course, by substantial secondary reserves. A year later, at July 31, 1915, the banks' liabilities to the public particularised above amounted to \$1,268,869,923, and their reserves of immediately available assets to \$359,225,616, a proportion of 28.3 per cent. In other words, at the end of a year of war, while the banks' liabilities to the public were nearly 15 millions larger than at its outbreak, their immediately available assets had increased by over 41 millions.

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The advance in the banks' liabilities during the year of war is mainly due to the growth in notice deposits, in many quarters erroneously characterised as savings deposits. At July 31st, 1915, these deposits were over \$20,500,000 higher than they were at the outbreak of war, within about \$150,000

indeed of the record level of \$691,891,287 which they reached at the end of May last. The supposition encouraged by calling these deposits savings deposits is not justified by the facts. It would be in many respects an excellent sign if the growth in these deposits could be regarded as a measure of the thrift of the Canadian people. But savings deposits in the sense of thrift deposits probably account for only a small proportion of this increase. The advance is mainly due to increased balances kept on hand by many corporations, which have found it necessary or expedient thus to deal with their funds at the present time. The mortgage companies, for example, have found it necessary to keep larger cash balances at their bankers in order to meet a possibly greater demand than usual on the part of their debenture holders abroad for repayment of capital, the loan of which under ordinary circumstances, would probably be renewed without question. A further proportion of this increase in notice deposits would be represented by idle funds, either withheld from investment till the horizon clears or which under present circumstances cannot be employed in the customary channels. The foreign deposits of the banks also show a rise on the year of some \$3,000,000 from \$95,873,092 to \$98,762,226, but other classes of deposits are down, those of the Dominion Government by over \$650,000 from \$7,086,104 to \$6,418,042; those of the provinces by nearly eight millions, from \$38,217,213 to \$30,595,297, and demand deposits by nearly \$6,000,000 from \$346,854,051 to \$340,950,215.

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The main increase in the banks' immediately available reserves has come from the emergency issue of Dominion notes, the banks' holdings of which at July 31st last were over \$39,000,000 larger than a year previously—\$129,793,677 against \$90,616,856. It remains to be seen what steps will be taken by the Canadian Government sooner or later to reduce the aggregate issue of these notes, so that the amount of gold held in reserve against them

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