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THE GENERAL FINANCIAL SITUATION.

The Dominion Government's revenue continues to run well ahead of last year's records. In August the total amount collected was \$26,395,000, as against \$22,580,000 in August, 1917; and in July this year the revenue was \$24,883,000, as compared with \$19,882,000 in the same month of 1917. Total revenue for the five months ending August 31, 1918, was \$118,350,000, as against \$105,785,000 for the same period of the preceding year—the increase being \$12,500,000, or nearly 12 per cent. Ordinarily, when the public revenue shows an increase, one looks to the customs collections for the explanation; but on the present occasion the customs revenue shows a decrease instead of a gain. The total customs revenue for the five months was \$67,791,000, while the same five months of 1917 accounted for \$69,039,000. This year's figures are \$1,200,000 less than those of 1917. The loss is explained by the falling off in imports. During the five months our imports of dutiable goods amounted to \$229,612,000, as against \$255,437,000 a year ago. Imposition of special duties on certain items of imports apparently has not sufficed to offset the decline in the volume of trade—probably these special war taxes helped to bring about the shrinkage of imports. This, however, was foreseen when the taxation was put on. Also, when, a few months ago the importation of certain non-essentials was prohibited, the Minister of Finance explained that while the Government's action would probably result in decreased customs revenue, it should have a tendency to relieve the foreign exchange difficulties.

The increase of national revenue is found under two of the headings—"Public works, including railways and canals," and "Miscellaneous." Revenue from public works shows an increase of \$2,500,000—perhaps this would be largely due to increase of railway receipts arising out of the higher rates; and the revenue from miscellaneous sources increased \$10,000,000—the total rising from \$6,803,000 to \$16,877,000. The latter increase is attributable to the special war taxes. When the income tax is collected, a further increase will likely be in evidence. A recent statement at Ottawa indicated that the Finance Department expects to receive from \$10,000,000 to \$15,000,000 in connection with the tax on 1917 incomes. This will probably figure in the Department's statements within the next few months.

Both classes of expenditure are running ahead of the 1917 records. Taking the five month period to August 31, the 1918 expenditure on account of consolidated fund, in other words the current expense stands at \$51,981,000, while the 1917 outlay was \$40,968,000; and the 1918 expenditure on capital account, including war, was \$70,076,000, as against \$56,645,000 in 1917. The increase in the two items combined is almost \$25,000,000: War outlay accounts for \$63,580,000, as compared with \$51,427,000 in 1917. In connection with the war outlay it is to be remembered that there would be numerous outstanding items—the real outlay would be considerably in excess of the amount shown in the Department's books.

All told, the revenue for five months, \$118,350,000, falls just a little short of meeting the outlay on consolidated fund plus the war outlay—the two latter items amounting to \$122,058,000, according to entries passed through the books. Actually the deficiency would be considerably more than this. Also the Finance Minister is required to find, every month, the funds for granting credits to Great Britain for purchases of supplies in Canada—hence the necessity for temporary loans from the Canadian banks, when the proceeds of the first Victory Loan were exhausted. There are no outward signs of special disturbance to the money markets here as a result of the monthly credits which the banks have been placing at the disposal of the Minister. They presumably have already provided the July, August and September instalments. This would apparently leave only the October instalment to be met, unless the banks are to provide a November instalment also. The new Victory Loan is to be offered in November; and if the initial payment in connection with the subscriptions falls due on December 1, the banks would probably receive considerable sums for credit of the Minister's account, during the subscription period. It is conceivable that the receipts might obviate the necessity of granting a temporary loan to the Government in November; or if not, they may serve to cut down the amount required. If the subscriptions equal those of the last loan, the initial payment, at 10 per cent., would bring in approximately \$40,000,000.

The business community is now discussing with considerable interest, the gradual increase in the volume of American war contracts entrusted to Canadian companies. It appears that the earlier contracts placed here were filled in such a manner

(Continued on page 1005).