

amount imported during the year no correct estimate can be made, but the best informed bankers consider that the banks lost at least a million of dollars in circulation in consequence. The extraordinary advance in gold during the present month has created a still greater difference between its value and that of silver,—the latter not being so convenient for hoarding or remitting, the difference in value now being eight per cent. This may induce fresh importations here, but there is so much reluctance to accept silver in any transaction, and such difficulty experienced in forcing it into circulation, that the amount in the country cannot be readily increased.

It will be thus seen that in direct consequence of the American troubles our bank circulation was reduced from two to two and a half millions of dollars,—leaving two and a half to three millions reduction, attributable to and affecting Canadian trade.

The profits which the banks have usually derived from the business in Exchange between the United States and this country have been largely decreased during the year. Gradually the commerce between the two countries—once the most important department of our trade—has almost ceased. We no longer buy in New York the great bulk of our groceries, a fair share of our hardware, and lighter dry goods, nor do we ship hence either wheat, flour, pork, or lumber. The dreadful condition which the finances of that country have reached, the rapidly enhancing values, and the constant fluctuations in the markets, prevent us from continuing our business with them. The commercial relations that exist now are of a comparatively trivial character. Where drafts on New York to the extent of thousands of dollars were sold this time two years ago, we do not now sell hundreds. The consequence is a large diminution in the profits to the banks, this year, however, somewhat covered by the constant advance in gold, of which they have been holders, and frequent opportunities of buying exchange at rates that yielded good returns. These opportunities are daily lessening, and the cessation of demand for drafts must necessarily extinguish all profit from this source, until financial matters assume their normal state on the other side of the lake, the prospects for which are unhappily not very bright.

It must not be understood, however, that because our trade with the United States has been thus affected, our commerce has suffered in a like degree. On the contrary, it is just possible that the result may turn out to be greatly advantageous to the country generally and the banks especially. The substitution of European for American markets, to which to send our products, and in which to secure our goods, will in all probability enable us to realize better prices and to buy cheaper than before, while the increase of commercial relations with the mother country cannot fail of doing us good, in attracting capital and emigration to our shores. To the banks the advantages will be the employment by merchants of a greater amount of capital in

their business than ever before, and making that capital yield a better profit than if employed in an exclusively internal commerce; so that what may have been lost during the past year by the decline in the trade with the neighbouring nation, may be now made up by the operations of succeeding years.

But notwithstanding the disadvantage under which the banks have laboured during the year, they have made a very fair profit on the capital actively employed. They have lost comparatively little. Not only have there been fewer failures, but not an inconsiderable portion of assets locked up in former years has been realized. Our bankers have been learning by the experience of the past five years to discriminate between the character of the business offered them, avoiding that which calls for large accommodation, and taking a long time to realize, though with a large profit, preferring to cultivate that active trade which, though yielding comparatively small returns, is easily handled and readily realized upon.

We present herewith our usually complete tables, exhibiting the bank movement every month for the past and previous years. Though a comparison may show an important decline in some of the leading features of the returns, an inspection of the figures cannot but be satisfactory as to the strength of the banks and their claims upon the confidence of the community. It will be seen that, while the circulation has declined \$3,924,249, the specie is only less by \$865,562; so that notwithstanding a constant drain on the banks for specie throughout the year, they now hold more gold in proportion to their circulation than ever before. The gain in this respect will be best seen in the statement that they have not now in circulation one dollar and a-half for every dollar of gold, while in 1856 they had five and a-half dollars in circulation for every dollar of gold. Another marked increase which does not appear in the following tables, is that found in the Government securities which are held, amounting on December 1st to \$4,602,028 compared with \$3,512,939 in the year previous. This increase is of course attributable to the recent purchase of the Government debentures issued by the Finance Minister; and as the banks have still a great deal more capital than they well know what to do with, there seems no reason why a still larger investment in this direction may not be made. The deposits, which it will be seen have grown with every month for the past four years, show a fair increase, having reached twenty millions in November, but having slightly dropped in the last month, possibly in consequence of the investment in Provincial Debentures. The discounts show a considerable decrease on the year, attributable to the restricted trade. It is to be regretted that, for the sake of comparison, the returns are incomplete till June of 1859, the Bank of British North America and the Gore Bank having only then commenced to furnish statements.