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BRYCE, McMURRICH & CO.

Toronto, September 6, 1870.

32-ly

THE
Monetary and Commercial Times.

WITH WHICH HAS BEEN INCORPORATED

THE MONTREAL TRADE REVIEW.

TORONTO, CAN., FRIDAY, SEPT. 30, 1870.

**REVIEW OF THE AUDITOR'S BANK
STATEMENT FOR AUGUST.**

The monthly returns issued by the banks afford such valuable information upon the financial movements, condition, and prospects of the country, that we purpose placing them periodically on record here, with such comments as will enable our readers to understand their full import.

We would incidentally remark that if traders would as carefully watch their operations as the necessity for publishing these returns compels the banks to note theirs, it would highly conduce to increased prosperity and success. While it would be impracticable for many to ascertain with such precision what their exact position is month by month, as a stock of goods cannot be valued so readily as a banker's assets, yet there are very few who could not so arrange their books as to show approximately, at short intervals, what had been the result of their business up to each period without much labor. It cannot be too frequently urged, or too strongly impressed, especially upon our younger merchants, that it is a prime necessity to success, to so systematize the keeping of accounts that they will serve as a financial barometer, which almost he who runs may read, just as may be done with the returns we publish below:

*Liabilities of Ontario and Quebec Banks,
August, 1870.*

LIABILITIES.

Authorized capital.....	\$39,466,666
Paid-up capital.....	29,850,221
Circulation.....	\$15,009,690
Due to other banks.....	1,779,919
Deposits not bearing interest....	18,349,427
Deposits bearing interest.....	30,929,192

Total liabilities..... \$66,068,228

ASSETS.

Specie and Provincial notes.....	\$14,025,092
Due from other banks.....	12,155,202
	\$26,180,294
Notes of other banks.....	2,060,218
Notes discounted.....	64,444,076
Government securities.....	5,390,160
Landed and other property.....	1,645,702
Other debts.....	2,093,401

Total assets..... \$101,813,851

The most salient feature in the above statement is that of the discounts, which are nearly one and a half millions higher than they have ever been before. As might be expected, the circulation is also unprecedentedly high—fully one million over that of June this year, and little short of double the same period in 1869, at which period it was seven and a half millions. The amount of paper under discount last year at the same period was \$51,965,041—less than this year by \$12,480,000, or about 20 per cent. If, then, so much more has been advanced to the public, it may be asked—as only \$7,500,000 has been obtained by increase of circulation, whence has the remainder come? If we turn to last year's returns, we find that the means for affording this large accommodation has come from the deposits, which show a remarkable and gradual increase for some months past. In August, 1869, the banks held money at call not bearing interest, credit balances, in fact of current accounts, to the extent of \$14,616,040, and this year they hold of this class of funds, \$18,349,000. That is to say, the trading community had more available resources in the banks this August than last by 25 per cent, or \$3,700,000—a very significant and surprising indication of the growing strength of the mercantile classes. If, however, we turn to the same period, and compare the amounts held of deposits, more strictly falling under that head, that is, money left at interest, we find that the amount in 1869 was \$22,680,000, while this year it is \$30,930,000, an increase of \$8,250,000, or over 36 per cent. To clearly grasp the story told by these figures we may compare the country to a single trader, and we can at once see how prosperous the business of such an one would have been, which has not only found him 25 per cent. richer in capital or reserved assets,

but enabled him to lay by a sum equal to 36 per cent. of the whole amount of his accumulated savings for many years out of one years' operations. The increased life and activity of trade this year is very manifest in comparing the range of discounts from January to August in any previous year. Not unfrequently this item has been larger in January than in any of the summer months. In 1865 and 1868 the diminution amounted to several millions as between January and February and July and August; in 1867, August discounts were in excess of January by \$5,700,000; in 1869 by barely \$800,000, whereas this year the increase since the commencement has reached \$7,600,000, and bids fair to reach soon a much higher figure. We notice that these striking evidences of the growing financial power of the Dominion have excited considerable notice in the States, and a very ably conducted journal has recently urged upon Congress to take some steps for enabling American traders to participate in the prosperity of their Canadian neighbors by a re-arranged treaty of reciprocity.

One of the most striking points in our banking returns is the evidence of financial strength as exhibited in the proportion between liabilities and available assets. It is generally conceded that if a banker has about one-fourth of his liabilities in the shape of specie on hand, he is in a sufficiently strong position. The statement above given, however, shows a far larger proportion than that, viz:—\$26,000,000 of specie and bank balances against \$66,000,000 of liabilities. It is evident therefore, that with the large growth of liabilities, there is a cautious spirit at work which will prevent the growth of undue speculation.

Our daily contemporaries sometimes make singular mistakes in referring to banking matters. One of them in recently commenting on the last statement, sagely ascribed the present soundness of our banks to the wise legislation of the last session, and implied, in its remarks, that the present system of bank returns originated with it. The truth is that these returns have been regularly made by the banks for some twelve years back at least. And, more singular still, the Act of last Session is not yet in force.

Another of our dailies also gave a summary of the paid-up-capital of the banks from a blue-book just published, stating that the bank with the lowest capital in the Dominion is the Union Bank of Quebec. The statement was that this bank had a paid-up capital of \$85,000. Now the auditor's returns show this bank to have a paid-up-capital of \$1,200,000; and on referring to former returns we find that at no time whatever did it have so small a sum as \$35,000.