

CANADIAN BANKING STATISTICS ANALYZED

**Present Position Better Than That of Six Years Ago—
Cash Resources Nearly Doubled—Ratio of
Reserves is Higher**

On June 30, 1907, current loans in Canada of the chartered banks of the Dominion amounted to \$586,900,000 while public deposits in Canada were \$589,500,000. It is necessary here to specify "in Canada" because several Canadian banks have branches outside the Dominion where deposits are received and money loaned. Under the heading in the bank statement of current loans is carried the amount of money loaned for commercial purposes as against that on call on loans on stocks and bonds.

The Canadian banks report their condition monthly. On May 31st the rates of current loans to deposits in Canada was something over 90 per cent., showing that the banks were in a relatively stronger position than in the chaotic period of six years ago, opines the Wall Street Journal.

Current loans and deposits in Canada compare as follows over recent dates:—

	Current Loans.	Deposits.	Ratio.
May 31, 1913	\$898,958,000	\$ 994,915,000	90%
January 31, 1913	874,705,000	989,519,000	88%
December 31, 1912	881,331,000	1,012,418,000	87%
June 30, 1912	848,940,000	1,004,817,000	84%
June 30, 1907	586,930,000	589,459,000	99%

While such a comparison is not a complete assurance of the strength of the banking situation—because in the making of loans there is almost invariably a transfer of credit to the deposits account thus swelling deposits correspondingly—yet it shows that at the present time the banks are not so heavily committed in the way of loans as they were in the crisis of 1907.

Cash Resources Nearly Doubled.

A better survey, however, of the banking position may be obtained by calculating the ratio which the assets that may be quickly realized upon bear to current liabilities.

Cash resources consist of specie and Dominion notes. Taking as of interest the statements for May 31, 1913; December 31, 1912; June 30, 1912, and June 30, 1907, cash resources appear as follows:—

	May, 1913.	Dec., 1912.	June, 1912.	June, 1907.
	\$	\$	\$	\$
Specie	40,325,676	33,780,333	37,122,765	24,101,603
Dom. notes	93,109,636	94,584,484	93,048,039	45,554,182
Total cash resources	133,435,312	128,364,817	130,170,804	69,655,785

In the six years since June 30, 1907, cash resources, it may be noted, have almost doubled.

Another important item in the bank's quick assets is the excess of balances due to banks from agencies or other banks outside of Canada above the amounts due to outside agencies or other banks. These figures compare thus:— (000 omitted):

	May 1913.	Dec. 1912.	June 1912.	June 1907.
Balances due from				
United Kingdom	\$21,835	\$10,119	\$28,904	\$10,300
Other countries	27,826	23,435	34,887	14,771
Total	49,662	33,555	63,791	25,071
Balances due to:				
United Kingdom	9,205	8,312	6,429	12,210
Other countries	9,675	7,982	7,567	5,891
Total	18,881	16,294	13,997	18,101
Excess Balance	30,780	17,261	49,793	6,970

Large Supply on Call.

Canadian banks maintain at all times large amounts abroad on call, largely in New York. On May 31, the figures exceeded \$96,000,000 but even at that high level were considerably below the \$120,500,000 of June 30, 1912, and \$138,500,000 of December, 1909. These loans are quick assets of the first water being available for withdrawal when needed. Call loans on Canadian stocks and bonds can hardly be included in the category of assets which may be quickly realized upon except in normal times when they are really considered as call loans. But in periods of stress, call loans on Canadian securities are regarded rather by the banks as fixed loans. The Bank of Montreal has no call loans in Canada whatever.

So-called call loans in Canada are fairly steady now around \$70,000,000. To call these loans as they are called in the New York market would be disastrous to Canadian stock exchanges, which volume of business at best is not large enough to sustain the liquidation which would ensue. While it is essential that banks have a large supply of cash on hand at all times it is not to the advantage of a country's

business that an excessive amount be in the banks' vaults. But the banks' supplementary supplies must be quickly convertible into cash when needed and for this reason they maintain a large supply on call in New York. For an emergency no better market to liquidate in could be provided, as was amply demonstrated for Canadian bankers in 1907.

Current Loans Abroad.

Along with these foreign call loans must be set up the record of current loans abroad. These latter are distributed through the United States, Mexico, Cuba, the West Indies and elsewhere.

On the liabilities side of the account against these items must be set the figures of deposits received by Canadian banks abroad. These three items for the periods given in the above tables compare as follows:—

	Call Loans Abroad.	Current Loans Abroad.	Deposits Abroad.
May, 1913	\$ 96,151,209	\$37,691,786	\$97,935,216
Dec. 1912	105,052,101	40,990,126	87,050,132
June, 1912	120,569,812	34,254,658	82,067,093
June, 1907	55,298,873	23,388,259	59,176,306

The funds for current loans abroad are provided out of deposits received abroad. On May 31 of this year, deposits received by Canadian Banks abroad exceeded by \$60,000,000 the current loans abroad. As the foreign call loans aggregated over \$96,000,000, it is manifest that some \$36,000,000 of the amount loaned abroad on call is Canadian funds. But this does not imply any starving of Canadian business, as these foreign call loans are a secondary line of reserves for Canadian banks.

Circulation, Deposits, &c.

A fourth item in the list of assets, which may be quickly realized upon, is the holdings of railway and other bonds and stocks. In so far as these are held abroad, they may be rightly considered a quick asset, although where held in Canada their right to be considered as such may be somewhat open to question. The holdings of municipal bonds have been omitted as a quick asset, as under the present circumstances, at least, they hardly seem of that calibre.

Coming to current liabilities of the banks we find they consists of three items, namely circulation, deposits and balances due governments. The latter are divided into amounts due the Dominion Government and amounts due provincial governments.

Deposits consist of deposit payable on demand, deposits payable after notice or on a fixed day, both being "in Canada" items, and deposits received elsewhere than in Canada. These various items of deposits for the dates under consideration compare thus, (000 omitted):

Deposits payable:	May 1913.	Dec. 1912.	June 1912.	June 1907.
On demand	\$ 364,159	\$ 379,777	\$ 373,500	\$170,042
On notice	630,755	632,641	631,317	419,417
Abroad	97,935	87,050	82,067	59,176
Total	1,092,850	1,099,468	1,086,884	648,656

Among the assets of the Canadian banks is carried an item made up of "notes of and checks on other banks," which is strictly an inter-bank item. On this account in the table below this item is deducted from the liabilities.

Relation of Assets and Liabilities.

The relation of current assets to liabilities may then be compared as follows (000 omitted):—

	May 1913	Dec. 1912	June 1912	June 1907
Quick assets:				
Cash resources	\$133,435	\$128,364	\$130,170	\$ 69,655
Excess foreign balance	30,780	17,261	49,793	6,970
Call loans abroad	96,151	105,052	120,569	55,298
Ry. bonds and stocks	67,021	68,840	62,292	41,381
Total	327,388	320,418	362,826	173,306
Current liabilities:				
Circulation	\$ 102,997	\$ 110,048	\$ 102,011	\$ 75,510
Deposits	1,092,850	1,099,468	1,086,884	648,636
Bal. due govts.	39,750	39,612	37,288	15,641
Total	1,235,608	1,249,120	1,226,185	739,788
*Deduct	61,386	81,684	57,753	29,516
Total	1,174,221	1,167,445	1,168,432	710,271
Ratio (per cent.)	27.8	27.4	31.0	24.3

*Notes of checks and on other banks.

These tabulations do not indicate that the Canadian banks are as heavily extended as in 1907. The ratio of reserve to liabilities due to the public, as shown in the comparison of quick assets and current liabilities, is much higher at the present time than it was six years ago. As regards current loans in relations to deposits, although the banks are heavily loaned up, the ratio is some 9 per cent. better than in June, 1907.