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BORROWINGS: PAST AND FUTURE.

The record of our borrowings abroad during 1914 has two significant features. Our borrowings through issues of bonds are smaller by about a hundred million dollars than in 1913, and that decrease is due almost entirely to the falling off in emissions of corporation bonds. In regard to the total volume of our borrowings, we cannot be said to have done at all badly. An estimate by the *Toronto Globe* places the total of our borrowings abroad through bond issues last year at \$252,883,000 compared with \$351,408,629 in 1913. Government and municipal borrowings were actually in excess of those of 1913, being \$171,233,000 against \$168,828,475, but corporation bonds are down from \$182,580,154 in 1913 to \$81,650,000 last year. Considering the unprecedented conditions of the year, and the fact that for four or five months practically no business of the kind was transacted, it is almost surprising that the figures should be so large. They show that in the early months of the year before the war-cloud broke and under conditions which were even then not over-favorable for extensive borrowing operations, our high-grade borrowers were successful in securing a very large amount of funds, not only in the aggregate but also proportionately to the whole of the demands then being made for new capital.

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Last year London continued to be the chief source of our supply of new capital. About two-thirds of the \$252,000,000 of Canadian bonds issued last year were absorbed in Great Britain, and this large proportion of \$167,000,000 was taken in seven months, for, since the outbreak of war, practically no sales of Canadian bonds have been made in the London market. The United States market and Canadian investors themselves have absorbed the remaining one-third of our last year's issues of bonds, \$85,000,000. The United States was a liberal buyer of Canadian securities during the early months of the year and quite lately has come back to this market for further large purchases, notably the Montreal 5 per cent. 3-year bond issue for \$6,900,000, which was arranged

right at the close of the year. Whether United States investors will continue to absorb large amounts of our high-grade securities remains to be seen. At all events, United States financiers have had the hint given them that if the volume of Canadian imports from south of the boundary line is to be maintained at a high level, we must be provided with the wherewithal to pay for them by United States investors.

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There need be little cause for concern in regard to the future of our borrowings. The inauguration of a period of strict economy both in private and in public expenditure—not before it was badly wanted—will have the effect of reducing our demands for new capital. Municipalities will no longer be badgered by real estate speculators to build cement sidewalks miles out into the open country; railway executives will probably be less eager to build competitive lines. Again, the elimination of all forms of speculative activity, together with the natural swing of the pendulum towards conservatism in investment, will make available for investment in securities of a good class large amounts of funds which were formerly employed elsewhere. On the other hand, there is no doubt that the war financing by the various governments will compete to a certain extent with our highest-grade offerings, so that the terms offered by these will have to be attractive if they are to secure satisfactory flotation.

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In regard to the outlook generally for our borrowings in the future, apart from the especial difficulties which will have to be met by our high-grade borrowers, there is every reason to be optimistic. The necessity of the average British investor obtaining a larger income from his investments than he has hitherto been content with, together with the growth in Imperial sentiment and the movement that is likely to develop for the use of British money to build up the British Empire and not foreign countries, will mean a great deal for Canada in the future when finance is able to resume something approaching its normal activities.