

1871

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BRYCE, McMURRICH & CO.

Toronto, March 2, 1871.

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THE

Monetary and Commercial Times.

WITH WHICH HAS BEEN INCORPORATED

THE MONTREAL TRADE REVIEW.

TORONTO, CAN., FRIDAY, MARCH 10, 1871.

OVER-TRADING—A WORD OF WARNING.

A noticeable turn in the money market seems to have taken place very recently in the direction of greater stringency; some of the banks, at least, are disposed to limit their operations more closely within the line of customers' paper, showing little disposition to accommodate outside applications for discount. Reports that we have received from two or three towns in the western part of Ontario indicate that the change just noticed is likely to be generally felt. This is attributed, by some of our shrewdest business men, chiefly to an increased demand for accommodation from the importing trade, exceeding somewhat the anticipations alike of the banks and their customers. This increased demand is regarded as arising chiefly from a shortness of remittances by the country trade, rendering it necessary for wholesale houses to rely more upon the banks for the large amount of funds required at this particular season for the purchase of exchange, and for the payment of duties and freight. The demand from this latter source is now quite important.

The season, so far, is a rather peculiar one. Sleighing has disappeared sooner than was anticipated, and already the roads in many sections are in such a condition as to suspend the winter traffic, and seriously interfere with what may be described as the fag-end of the winter's trade. Added to this circumstance, the disappointing shortness of the

leading cereal crops has materially reduced the paying capacity of the country. It is estimated that nearly a million bushels of wheat will be required to feed those who, from being in former years sellers, will now be consumers, until next harvest; and hence there is a consequent inability to meet their engagements with store-keepers. This brings us at once to the manifest cause of the renewals which are now so commonly being asked.

On the 3rd June last, in advocating a policy of caution in reference to fall importations, we gave the following advice:—"The wholesale buyers are gone to make their selections in the British markets before the seed is fairly sprouted, and while the season's crop is yet a blank uncertainty. Still, on this crop, whatever it may be, depends the entire result. No other argument should be necessary to induce caution."

It has since been realized by some that these words were well-timed and worthy of consideration. The position of many of our traders is such, owing to the system of credit, that they can exist only under the most favorable conditions of trade; and there is an uneasy feeling noticeable under the present slight depression which should act as a warning of the dangers arising from over-trading that will certainly overtake us should we be unfortunately visited with a succession of unfavorable crops.

Under a little depression, not attended by other unfavorable circumstances, numerous failures have been reported during the first two months of the new year; and although some of them were not to be attributed to the causes above mentioned, in other cases they undoubtedly are. The real cause of these failures is to be found, however, in the fact that trade in most localities is being largely overdone—that there are generally half a dozen stores struggling along where not more than two or three could comfortably subsist.

The *Gazette* contains weekly a list of insolvents. Had we the facts and figures of all these failures grouped together for any considerable period they would convey an instructive lesson. We have kept a record of the principal failures occurring since January the first, and the loss to creditors resulting therefrom; and this only from one section of Ontario. We have altogether a list of twenty-seven, comprising seven general stores, five grocers, four dealers in boots and shoes, four dry goods firms, three lumber and wool merchants and four dealers in stoves and iron. The liabilities of these twenty-seven firms amount in the aggregate to over \$350,000. Of a large number of their estates a disposition has already been made, and the possible result of the others is already known. We

find there is a total loss to creditors of over \$150,000. These figures we know to be reliable; and they reveal the startling fact that one million five hundred thousand dollars of wholesale business has to be done, taking the profit at ten per cent., which is above the average, to yield sufficient margin to cover these losses. What they may amount to before the close of the year it is impossible to say; but we think these cited more than sufficiently prove the position we have formerly taken that the country has a certain paying capacity, and any attempt to force trade beyond that point must inevitably result in loss. We therefore see little reason for congratulation in the fact that the importations, especially of dry goods, are already very much in excess of those of last year; and in place of large expected profits to either wholesale or retail traders, we see rather a picture of embarrassment and difficulties. The trade of the country is already at its utmost tension, and any further expansion will be attended with loss to those directly concerned, and endanger every interest in the Dominion.

TRADE IN NEW BRUNSWICK.

A leading merchant of St. John sends us the following:

In common with other portions of the commercial world, trade in this city at the present season, is inactive and dull. In a great measure, however, this inactivity is apparent rather than actual; it is the wave receding to gather momentum for a forward movement—a higher reach. In the dry goods trade, the activity goes on, its locality is transferred—the buyers are in England, and other points of supply, arranging for the material for their spring and summer's work. In the great staple article of production—lumber—the greatest activity prevails, not here—but in the forests, where men and teams are working with every advantage of weather, in preparing to crowd the streams in spring with the raw material for manufacturing deals, scantling, boards, shooks, laths, palings, shingles, and other wood goods for the production of which our Province is noted, and for which there is every prospect of a large and remunerative demand. Indeed, during the past fall and winter, idleness even at the ports of shipment, has not been the rule. Box shooks for the West India trade have been in such request that the fall stock of logs for their manufacture, failing to meet the demand, logs have in considerable quantities, been brought to St. John by railroad, from a distance of forty to sixty miles, and here manufactured to go into vessels waiting for their cargoes. It is a peculiarity of this box-shook trade that the