

The Growth of the Banks Loan Fund

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Between February 28th, 1915, and February 29th, 1916, the deposits held by Canada's chartered banks show an increase of roundly \$181,000,000—the total rising from \$1,142,900,000 to \$1,324,300,000. This has seemed to us a rapid growth, the ration of increase for the year being about 16 per cent. The increase of resources necessarily enhances the power of the banks in regard to making loans to their industrial and mercantile customers; but in this connection it is to be remembered that as much of the new deposit money is of a temporary nature, the banks are compelled to carry on extraordinarily large percentage in the form of cash and its equivalent. Thus only a relatively small proportion of the newly-acquired funds can be used in commercial discounts.

Notwithstanding the substantial gains just mentioned, the indications point to further heavy increases during the spring months. A few days ago the Toronto Globe drew attention in its financial page to the large credit transactions completed in the first week of April, and suggested that in consequence thereof the footings of the April bank statement would probably show a phenomenal rise. The transactions mentioned were the placing of \$50,000,000 to credit of the Imperial Munitions Board, and the payment of \$70,000,000 (proceeds of Canada's last loan in New York), by J. P. Morgan and Co. to the Bank of Montreal. Even when allowances are made for heavy withdrawals, by the Munitions Board and by the Finance Minister, these two operations would, in the natural order of things, exert a profound effect on the Canadian bank statement next published. In case of the munitions loan the procedure would be as follows: The banks would either discount paper for the Board to the extent of \$50,000,000 or they would buy outright the British Government bonds to that amount as offered by the Board — thus either the loans of the banks or their holdings of securities would show an increase of \$50,000,000. On the other hand the proceeds of the loan would go to credit of the Board in current account, thus swelling the deposits.

Now let us see how withdrawals would affect the totals. The Munitions Board gives cheques to the manufacturers who have supplied shells, etc.; and these manufacturers use the funds in part to pay off loans which they had obtained from the banks. So all withdrawals applied directly or indirectly in this way to the liquidation of loans would have the effect of cutting down both deposits and loans, and thus go to nullify the effect of the original credit transaction. Also any withdrawals made by the Munitions Board, or by manufacturers to whom the Board transferred the funds, for the purpose of making remittance to the United States or another foreign country would cut down the deposits of our banks while leaving the balance of their loans unchanged. In case of the other large transaction the process would be somewhat similar. At the outset the \$70,000,000 would appear as a new deposit, owned by the Dominion Government, in the books of the New York agency of the Bank of Montreal. On the other hand the Bank of Montreal would show an increase of a like amount in cash or its equivalent — the money perhaps figuring first as balances in New York banks and subsequently a part might possibly go into Wall Street call loans and part into gold coin held by or subject to the order of the New York Agents. Of these proceeds a considerable amount must be held to meet the unconverted portion of the \$25,000,000 note issue maturing 1st August. So, in case of withdrawals by the Finance Minister, any representing payments outside the country and any representing liquidation of bank loans in Canada, would cut down the total of deposits. Most of the other withdrawals, consisting of transfers of funds to the accounts of individuals in the same or another Canadian bank, would not affect the deposit totals in the bank returns.

The foreign paragraphs indicate clearly that as at the end of April there will be in evidence a further large growth of the deposits of Canadian banks. By virtue of its close connection with the Dominion Government the Bank of Montreal, naturally, will be expected to account for a considerable part of the increase. It is decidedly interesting to compare the gains in deposits of our leading banks with the gains reported by the leading national banks of the United States during the same period. The latest abstract of national bank reports issued by the Comptroller of the Currency is that for March 7th, 1916; and as the Canadian return for February 29th, 1916, is nearest in point of date, comparison will be

made with that return. The following table, compiled from a list published by the New York Financier, shows the gains made by each of the 12 United States national banks with deposits of more than \$100,000,000 (Thousands omitted):

Bank	Deposits, Mar. 7, '16	Increase for year	% of inc.
City, N.Y.	\$584,827	\$256,361	78
Commerce, N.Y.	265,309	100,697	61
Cont. & Com'l, Chicago	243,633	48,032	61
Chase, N.Y.	235,830	89,746	61
Mech. and Metals, N.Y.	179,360	61,225	52
Hanover, N.Y.	169,995	53,501	46
First, N.Y.	165,170	46,970	40
Park, N.Y.	163,178	51,143	46
First, C'go.	167,925	36,139	30
Shawmut, Boston	125,293	47,491	61
First, Boston	112,090	34,426	44
Amer. Exch., N.Y.	107,746	35,972	50

We have but three banks able to show deposits in excess of \$100,000,000. Their figures compare as follows with the record of the preceding year (Thousands omitted):

Bank	Deposits Feb. 29, '16	Increase for year	% of inc.
Montreal	\$256,179	\$44,782	21
Commerce	195,915	21,273	12
Royal	173,917	37,132	27

A short time before the war the Bank of Montreal was not so very far behind the National City Bank of New York in the matters of total assets and total deposits, but now the National City has more than double the amount of deposits held by our largest institution. The increase shown by the big New York bank during the past year is almost exactly equal to the total deposits held by the Bank of Montreal as at the end of February this year. Also in ratio of increase our banks are far behind the leading national banks. However, this is what was to be expected from New York's activity in financing the abnormal export trade of North America and in financing the numerous loans to belligerent and neutral nations. The National City Bank has taken a prominent part in this work and naturally the footings of its balance sheet show great expansion. This bank is fiscal agent for the Anglo-French loan commission, and it is clear that the big \$500,000,000 loan to Britain and France had a potent effect in increasing its deposits. After the loan was floated the proceeds lay with the hundreds of banks throughout the United States which had subscribed for the bonds. They percolated up in portions of from 15 to 30 P.C. at intervals, the last call having been made a few weeks ago. Whenever a call was made the depository banks were required to pay the funds into the National City Bank at New York to credit of the commission. Altogether the City Bank received something like \$480,000,000 in this connection. The balances of the commission has always been high and even when they drew heavily on the funds, some of the money would stick in the central depository owing to its close connections with the big American industrial concerns to whom the payments were made.

The effects of the Anglo-French loan have been supplemented by numerous other credit transactions of smaller dimensions. There were the loans to Canada, South American countries, Italy and other European countries — all of which would tend to expand credits in New York. It is to be noted that the American banks in the above list are all national institutions. There are some very large state banks also — the Guaranty Trust Co., of New York, being the most conspicuous. What was said about our Canadian deposits applies with equal force to these great American gains — much of the increase represents temporary balances. One can easily imagine a change of circumstances which would perhaps effect very sharp reductions in the imposing totals of deposits. Being fully alive to this contingency the bankers on both sides of the boundary line are carrying abnormally heavy reserves of immediately available assets. Any other course would be almost suicidal.

DIVIDEND DISBURSEMENTS.

Interests and dividend disbursements in April, according to New York Journal of Commerce will reach \$136,696,750, against \$127,093,844 in May a year ago. Stockholders will receive \$52,696,750, against \$47,593,844, while interests payments will approximate \$84,000,000, against \$79,500,000 in the corresponding month a year ago.

Progress in Prince Edward Island

The Prince Edward Island Development Commission.

(From Our Charlottetown Correspondent.)

As the first fruits of a non-political conference held on March the 7th, in this city, and composed of representative men from all parts of the Island, a body known as the "Prince Edward Island Development Commission," has been organized.

The object of this commission is to inquire into, discuss, and make recommendations regarding matters pertaining to the welfare and development of this Province.

One of its functions is to gather information on various matters and act as an Advisory Board to the Government.

The commission consists of twenty members representing all sections of the Province.

At a meeting recently held a number of sub-committees were appointed to deal with the following: Agriculture, Education, Fisheries, New Industries, Immigration, Transportation, and Undeveloped Resources.

The matter of Technical Education is one which will receive special attention, and the committee will avail themselves of the services of two experts in connection with the Department of Agriculture, namely, Professor Reek, Director of Agricultural Instruction, and Professor McCready, Director of Rural Science. Professor McCready in addressing the committee, spoke of the illustrated supplements which are being issued in connection with the Montreal Journal of Commerce, recommending the use of these for the schools.

Under the head of "New Industries" the following branches are being taken up and will be reported on later: Manufacture of Glass, the utilization of our seaweeds and our mosses, and the possibilities of toy making on the Island.

The committee on Transportation are at present working on the following: Closer connection with through trains from Halifax to the West, when the car ferry begins running, cold storage for various products, special rates for distributing centres, better transportation facilities with Newfoundland, steamboat transportation and development of trade with the West Indies, and the appointment of a Prince Edward Islander by the Government to investigate trade and commerce with the West Indies.

The committee on fisheries will make a thorough inquiry into that subject, devoting special attention to the advisability of securing from the European countries, or from Newfoundland, and the other Maritime Provinces, men accustomed to deep sea fishing, especially of cod and mackerel.

DEVELOPMENT OF CANNING INDUSTRY.

When the canning industry was first established in Ontario corn for canning was cut from the cob by hand with a knife. It was then considered good work to put up 800 cans a day. A modern factory will put up 100,000 cans in a day with equal ease.

34 years ago. There are about 120 factories in operation at present, and these give employment to 14,000 people.

The total output of these factories is between three and four million cases, with 24 tins to a case.

This is sufficient to provide a trainload of 20 cars for each working day of the year.

The average yield of tomatoes is around 250 bushels per acre, and canners expect to pay 25 cents per bushel this year.

The average yield of corn runs at four tons of cobs per acre. This brings \$7 to \$8 per ton, and the corn fodder left is worth nearly as much.

The straw from which peas are taken for canning makes excellent feed. In some cases it is hauled back from the factories, dried and utilized as dry fodder. In some other cases it is put in a silo at the factories and sold back to farmers by the ton for winter feeding. In a few cases it is fed direct from the silo to stock owned by the canning companies.

Some 57 steamers have departed from Fort William since the opening, all loaded to capacity. Coal stocks were about depleted when navigation opened, but now there are hundreds of tons in shore, some twelve steamers now unloading.

Captains state that moving ice is making navigation difficult.