

# The Chronicle

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### THREE YEARS' WAR BANKING.

A rise of over \$504,000,000 in assets, and a corresponding increase in liabilities, measure roundly the effect of three years' war upon the accounts of the Canadian banking institutions. This enormous expansion of over 32 per cent. in the case of assets, arising as a consequence of the immense and rapid disbursements of borrowed funds and the remarkable increase in the prices of commodities, is in point of fact the result of no more than two years of war banking. Following the financial upheaval at the outbreak of hostilities and the subsequent stagnation in Canadian trade and development, the assets of the Canadian banks decreased in the first twelve months of war by nearly \$10,000,000 from \$1,568,174,983 to \$1,558,870,279 and their liabilities declined correspondingly. Change came with the rapid development of shell-making and other war industries, and an increasing demand at rising prices for Canadian foodstuffs, a demand that in the case of wheat and flour was first satisfied by the magnificent crops of 1915. Between July, 1915 and July, 1916, the second year of war, stimulated by these developments and the important credit operations which began to be undertaken for account of the British Government, the assets of the banks were expanded no less than \$282,000,000 from \$1,558,870,279 at July, 1915, to \$1,841,266,589 at July, 1916. In the third year of war, assets were expanded, and liabilities correspondingly, a further \$231,000,000 to \$2,072,686,194, at July 31st last. Possibly the falling off in the amount of increase in the third year, compared with the second twelve months, is accounted for by the drain upon the banks' resources arising from the very large purchases by Canada in the United States.

#### PRINCIPAL CHANGES.

The appended figures show the principal items of the bank statements for July, 1917 and July, 1914, and indicate graphically the extent of the changes in bank balance sheets arising from the war:—

	July, 1917.	July, 1914.
Circulation.....	\$ 154,692,268	\$ 94,815,561
Demand Deposits.....	450,849,356	346,854,051
Notice Deposits.....	929,442,340	671,214,125
Total Public Deposits.....	1,380,291,696	1,018,068,176
Foreign Deposits.....	183,846,718	95,873,092
Total Liabilities.....	1,827,273,169	1,323,252,452

Specie.....	\$72,242,843	\$51,414,353
Dominion Notes.....	122,743,664	90,514,856
Central Gold Reserve.....	50,220,000	4,400,000
Securities Held.....	375,843,952	100,726,968
Call Loans in Canada.....	71,376,788	68,441,816
Foreign Call Loans.....	151,875,676	125,545,287
Canadian Current Loans.....	829,560,700	840,198,625
Foreign Current Loans.....	90,253,882	48,013,052
Total Assets.....	2,072,686,194	1,568,174,983

The three years' growth in circulation, it will be seen, reaches practically \$60,000,000 or over 60 per cent. The bulk of this additional circulation has been provided for by deposits in the Central Gold Reserve, which have increased almost \$46,000,000 in the three years, and in fact were enlarged by \$31,000,000 in the last twelve-months. The present scale of taxation upon the banks' circulation makes "excess" circulation in the manner followed before the establishment of the Central Gold Reserves, a somewhat unprofitable operation, hence the extensive use of the Central Gold Reserves to meet additional requirements. Demand deposits are \$104,000,000 larger than in 1914 at \$450,849,356—\$110,000,000 larger than in 1915. Notice deposits have increased \$258,000,000 from \$671,214,125 to \$929,442,340. Their growth in the first twelve months was \$20,000,000; in the second twelve months, \$98,000,000; in the third, \$140,000,000. Total deposits by the Canadian public are thus \$1,380,291,696 against \$1,018,068,176 three years ago.

#### GROWTH OF SECURITY HOLDINGS.

In connection with this great increase in deposits should be read the figures of the securities held by the banks. In the growth of these from \$100,726,968 in July, 1914, to \$375,843,952 at the present time is reflected the energetic efforts of the banks in war financing. The great bulk of this increase of \$275,000,000 undoubtedly represents war securities, and of the total at present held, a very large proportion are short-dated or comparatively short-dated bills of the Canadian and British Governments. It should be noted that much of the regular supply of funds by the Canadian Government to the Munitions Board, has only been possible through the action of the banks in making temporary loans to the Dominion Government, in anticipation of the long-term issues made from time to time. During the summer months, the banks have thus lent the Canadian Government \$75,000,000 in anticipation of the long-term loan which is now foreshadowed for November. Thus the credits given by the banks from time to time to both the Canadian and British Governments have been vital factors in the financing of war activities in Canada, and through making those activities feasible, by a process of inflation, corrected from time to time, have also made possible those deposits by the public, which have developed so notably in the past two years.

#### LOAN ACCOUNTS.

The virtual doubling of the banks' foreign deposits, and also of foreign current loans reflects largely, doubtless, activity in West Indian production and trade consequent upon the war. Call loans in Canada, after being as high as \$87,355,648 in July, 1916, are now down to within \$3,000,000 of their level in July, 1914. On the other hand Canadian current loans which in the first two years decreased

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