

THE PREMIUM ON NEW YORK FUNDS.

A correspondent points out that the premium on New York funds in Montreal has lately got back to the level at which it was deemed necessary for the Dominion Government to float its \$45,000,000 loan in New York last August. The average business man, it is pointed out by the correspondent, has some difficulty in understanding how the premium on New York funds can get so high while the Canadian banks are apparently carrying such enormous balances with New York correspondents. Thus the January bank statement, just published, shows that the external balances at credit of Canadian bankers, elsewhere that in London, stood at \$68,800,000, after providing for the January contraction of liabilities. This is only a drop of \$5,300,000 from the high record figures attained on December 31; and it is something like \$30,000,000 higher than the total normally required to be carried in this form. Again, the call loans outside Canada, which receded only \$2,900,000 in January from the December high record figures, stood at \$134,000,000 at the end of January, which also is considerably above normal, and it is an easy matter for the Canadian institutions to convert a large part of these call loans into New York exchange.

SOME REASONS WHY.

The apparent unwillingness of the banks to part with their foreign exchange is understandable, says the correspondent, on the assumption that they are aware of very heavy disbursements which they must shortly make in New York for account of their customers. In this connection it is to be noted that through payments on the domestic war loan the balances at credit of the Dominion Government on current account rose from \$14,900,000 on November 30, 1915, to \$65,400,000 on January 31, 1916. Probably a considerable part of this \$65,000,000 will have to be disbursed in the end at New York—the Government may make most of its disbursements to Canadian firms, but these firms in many cases will be obliged to remit heavily to the United States for materials secured there. Another reason for reluctance to sell exchange may exist in the fact that if a Canadian bank sold a large quantity of New York funds on the exchange market in Canada, it would likely have to take payment in the Dominion notes or legal tenders, at present inconvertible. The bank vaults in the Dominion are at present stuffed full of these notes—they have far more than they need or can use. Hence reluctance to take in further amounts unnecessarily.

The effect of the new loan announced yesterday will be to rectify the premium on New York Funds and enable Canadian importers to do business more advantageously with their United States connections.

As the result of a drastic anti-compact law, the Association fire companies are withdrawing from South Carolina. They have been losing money in the State for years.

WAR'S INDUSTRIAL ACTIVITIES IN CANADA.

A compilation by the Canadian Bank of Commerce, the results of which are published in its monthly commercial letter, show that war expenditures in Canada during the current year will aggregate some \$600 millions, assuming that the war continues. The Bank says:—

"At the close of 1915 the total of the orders placed by the British Government in Canada for ammunition was \$303,000,000, on which up to the end of the year \$80,000,000 had been paid out. Orders on a large scale for other requirements of the Allies are in course of execution. To the volume of business will be added that arising from the equipment of the forces in process of enlistment in all parts of the Dominion, to provide for which Parliament has voted a credit of \$250,000,000.

"On our own account and that of the Allies, if the war continues, the expenditure for war purposes in Canada will aggregate \$600,000,000 within the present calendar year. The output of ammunition, which at the commencement of the present year was valued at \$30,000,000 per month, is steadily increasing as a result of greater efficiency. That still heavier demands will be made upon our industries is foreshadowed by the announcement that at the request of the Government the banks are preparing to provide a further credit of from fifty to seventy-five millions for Imperial purposes. It is hoped that this will result in bringing new orders of at least \$150,000,000 to this country.

"Expenditure on an unprecedented scale cannot fail to sustain the prevailing business activity while it continues. The profits of our fields and industries will in the meantime constitute a material set-off against our indebtedness, but we shall still have to provide for our increased annual obligations, and the as yet unforeseen and indeterminable conditions which will prevail when the war comes to an end."

THE DOMINION'S FINANCES.

At February 29th last, the Dominion's deficit for the fiscal year (11 months) stood at \$87,791,595. On the consolidated fund account there is a surplus to date of \$55,540,899, but capital expenditure for the eleven months—war expenditure, public works and railway subsidies—amounts to \$143,332,493, including war expenditure of \$110,618,343.

The revenue for the eleven months amounts to \$154,348,809, compared with \$120,056,952 in the corresponding period of the previous fiscal year. Customs revenue advanced from \$68,412,840 to \$87,975,981, post office revenue from \$11,596,216 to \$15,671,340, public works revenue from \$11,841,768 to \$20,013,313 and miscellaneous revenue from \$8,347,098 to \$10,579,028. Excise shows a slight increase from \$19,859,031 to \$20,109,148.

On the other hand, expenditure on consolidated revenue account for the eleven months has been reduced from \$109,600,698 in the last fiscal year to \$98,807,911 in the current year. Capital expenditure on public works for the eleven months amounts to \$31,313,979, and railway subsidies to \$1,400,171.

The Bank of England's official rate of discount is continued at 5 per cent.