

The Chronicle

Banking, Insurance and Finance

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THE GENERAL FINANCIAL SITUATION

(Continued from front Page)

Some interesting details are now available in regard to proposals for overseas credits which have been recently laid before the banks. It has been suggested in this connection, that a corporation be organized with a capital stock of \$25,000,000, half to be subscribed by the banks and half by the manufacturing interests; the corporation to be allowed to issue debentures bearing interest at a rate not exceeding 7 per cent. to the extent of six times the amount of the subscribed capital, with an ultimate guarantee to the extent of four-fifths of any loss which might be sustained by the corporation to be given by the Dominion Government,—this guarantee not to become operative until the capital stock of the corporation had been used up in payment of any losses which might be incurred. It seems that a substantial majority of the banks are opposed to the banks embarking in any undertaking of this kind at the present time. Alternative suggestions which have been informally made are, that sales of Canadian commodities be effected in overseas countries on the basis of a short term credit, represented by acceptances of buyers; these acceptances to run for four months with, say, an agreement for four renewals, the whole to be backed by an approved foreign bank, plus the securities of a foreign Government, with an ultimate guarantee of the Government of Canada. It has been suggested that bills of this character ought to command a ready market with New York financial houses; but it seems, on enquiry, that this is not the case at the present time, a ruling of the Federal Reserve Bank being against them.

In regard to these and similar proposals, we are inclined to think that at the present time the wisest course for Canadians to adopt, so far as export of manufactures are concerned, is to concentrate and stimulate exports to countries from whom, cash or its equivalent, can be secured, in other words, to sell for cash and not on credit. In

one way and another, very large credits proportionately, have been given by Canada to foreign purchasers in recent years, and we doubt if it would be an ultimate advantage to continue these credits at the present time. This certainly seems to be the opinion of Mr. E. L. Pease, who points out in this connection that until our exchange relations with the United States materially improves, we cannot hope to extend credits to any substantial amounts, other than temporary, to foreign purchasers.

The January trade returns showing imports of \$103,000,000, nearly \$30,000,000 in excess of those for January 1919, bears out the view advanced in this column some weeks ago, that any decline in imports from the United States, as a result of exchange, will be very gradual. About one-half the increase in imports is accounted for by growth of imports of fibres, textiles and textile products, which increased from \$16,000,000 in January 1919, to approximately \$30,000,000 last month. In this connection, the largely enhanced prices of raw cotton and other textile materials in comparison with a year ago, has to be remembered. The month's export at \$117,948,674 compares with \$116,358,387 a year ago, figures which in view of the rise in prices suggest a lowering of the volume of exports. Substantial increases are, however, shown on exports of foodstuffs (\$37,358,000 against \$32,279,000), animal products (\$28,388,000 against \$24,938,000) and pulp and paper (\$17,950,000 against \$11,605,000), the most important decline being one of \$9,000,000 in miscellaneous exports.

TRAFFIC RETURNS

Canadian Pacific Railway

Year to date	1918	1919	1920	Increase
Jan. 31.	\$10,570,000	\$12,707,000	\$13,669,000	\$ 872,000
Week ending	1918	1919	1920	Increase
Feb. 7.	2,096,000	2,579,000	3,288,000	700,000
Feb. 14.	2,906,000	2,883,000	3,547,000	664,000

Grand Trunk Railway

Year to date	1918	1919	1920	Increase
Jan. 31.	\$ 4,083,362	\$ 4,402,229	\$ 5,054,034	\$ 651,805
Week ending	1918	1919	1920	Increase
Feb. 7.	675,115	905,449	1,178,184	272,735
Feb. 14.	752,861	947,889	1,220,509	272,620

Canadian National Railways

Year to date	1918	1919	1920	Increase
Jan. 31.	\$ 8,512,764	\$ 6,787,517	\$ 7,267,562	\$ 480,045
Week ending	1918	1919	1920	Increase
Feb. 7.	1,508,137	1,545,478	1,645,478	42,895
Feb. 14.	1,611,721	1,678,947	1,678,947	67,226