The Chronicle

Banking, Insurance & Finance.

ESTABLISHED JANUARY, 1881

R. WILSON-SMITH, Proprietor

PUBLISHED EVERY FRIDAY

Single Copy - - 10c
Annual Subscription, $2.00

Vol. XXVII. No 35. MONTREAL, FRIDAY, AUGUST 30, 1907

The Bank Statement.

MORE than ordinary interest will attach to the Dominion's bank statements during the next few months. Prevailing money market stringency gives the average man a more practical concern than is usual, in the periodical showing of the chartered banks. Doubtless the item of most general interest in the Government report for the month ending July 31, will be that of current loans and discounts in Canada. While preceding months' reports indicated a slowing-up by the banks in the matter of commercial accommodation, each month (except May, and that owing to Sovereign Bank readjustments) showed some increase in the total of Canadian current loans. During July, however, precautionary measures and the special preparation for autumn requirements were continued in a much more marked way, resulting in a decrease from $586,930,448 to $581,327,878—a difference for the month of $5,602,570. The immediate business import of this will be better understood when it is recalled that the decrease from June to July, 1906, was but $688,044. Canadian current loans and discounts at the end of July this year are still, however, $80,393,943 greater than a year ago—indication of the remarkable demand that has had to be met by banking resources on account of the Dominion's industrial development.

In addition to the decrease in current loans, call loans in Canada are $1,040,102 less than at the close of June, whereas last year the month showed an increase of $2,183,930. Owing to continued recent decreases in the amount of money advanced on stock transactions in Canada, the total of such loans is $9,767,550 less than at the close of July, 1907. Coincident with the shortening of accommodation to Canadian stock and commercial borrowers, the month has brought a practically corresponding extension of more quickly available resources abroad. Call and short loans elsewhere than in Canada increased by $5,310,241 to the total of $60,609,114 and are thus $6,347,898 greater than a year ago. Any such action by the banks is naturally greeted by some dissatisfaction among those in Canada whose quite legitimate demands for accommodation cannot be complied with. But under existing conditions, consideration for home interests could scarcely prompt any other course than that now taken in anticipation of special autumn demands. In this connection, however, it was pointed out in THE CHRONICLE of July, 26, and August 9, that the banks might in future, with probable profit to themselves as well as to the advantage of the country, invest an increasing part of their reserves in forthcoming government bonds, in place of some part at least of the large amounts kept on call in New York.

Deposited with London bankers as cover for drawings, the bonds could be drawn against practically to their market value. It is not unlikely that under normal monetary conditions in the world's great centres, the overdrafts obtainable against the bonds would be, quite often, at a rate less than the bonds bear, thus adding to the profit of the transaction.

As previously pointed out, it would hardly do to maintain the overdrafts all through the year, and to put the funds derived therefrom into current loans and discounts. If that were done the bonds would not constitute a part of the liquid reserves at all. But if they were availed of as cover for drawings for special purposes, such as crop-moving, or if the proceeds were put into call loans in New York when rates there were exceptionally high, or perhaps into call loans in New York and Canada too, the bonds, or proceeds of drafts drawn against them, would still constitute the most excellent of quick assets.

But even under present conditions of dependence upon New York for a large proportion of liquid reserves, the banks can scarcely be accused with justice—and especially not this year—of seriously