

The Chronicle

Banking, Insurance & Finance.

ESTABLISHED JANUARY, 1881

PUBLISHED EVERY FRIDAY

Vol. XXXIII. No. 19

MONTREAL, MAY 9, 1913.

Single Copy 10c
Annual Subscription \$5.00

THE COURSE OF BANK LOANS.

On another page appears a detailed tabulation of the course of the banks' Canadian loans during the last three years (exclusive of loans to the Dominion and provincial governments)—a companion table to that which appeared last week regarding the course of the banks' deposits over the same period. The present tabulation makes clear some very interesting points. It shows, for instance, that in spite of the word-wide stringency in money for months past, the total of the banks' Canadian loans has gone on steadily mounting up month by month with but few and very trifling set-backs, until at the close of last month, the total of these loans was at the highest point reached, viz., \$961,244,476. This total, of course, included a large number of loans on grain in storage and transit which with the opening of navigation have been liquidated and the funds become available for other purposes. It may be suggested that the figures go to show that the banks have not been negligent or backward in meeting the borrowing needs of the country, but that under very difficult circumstances, they have performed their duties in a fashion which is a credit to them. There is, of course, every probability that during the coming summer the banks' Canadian loans will reach the round figure of a thousand millions.

During the last twelve months, i.e., March to March, the total Canadian loans of the banks have increased by 8.52 per cent., or by 86 millions in round figures. This compares with an increase of 15.19 p.c. or 117 millions in the previous twelve months and one of 12.34 p.c. or 84 millions in the twelve months, March, 1910 to March, 1911. From May, 1911 to May, 1912, there was an almost uninterrupted monthly advance in the ratio of percentage increase of the total Canadian loans of the banks, while since May last, with slight interruption the percentage increase month by month has been consistently on the down-grade, the March figure of 8.52 per cent. being the lowest shown in the tabulation of total loans. In regard to the current loans, these since January, 1910, have increased in amount by 300 millions. They expanded most rapidly in the twelve months between June, 1911 and June, 1912, when an increase of 18.26 per cent. was registered. But since last summer their ratio of advance has been gradually contracting until at the end of March it reached the lowest figure of the tabulation regarding current loans, viz., 9.14 p.c.

But this 9.14 per cent. represents some 75 millions in loans—a not inconsiderable amount.

The course of the call and short loans has been considerably more varied during the last three years than that of the current loans. In the first six months of 1911, the banks were rigorously limiting their commitments in this direction; for the next six months they lent fairly freely. In the first half of 1912, the total of these loans was gently pared down; and after they had been augmented by some 5 millions in August and September, 1912, the stopper was screwed down on them tight last October, and it has not yet been removed. While the banks' current loans, as already noted, have in the three years and a quarter covered by the present tabulation been increased by 300 millions, their "call and short loans on stocks and bonds in Canada" have been increased less than 7 millions. To such an extent have the industrial and commercial demands of the country absorbed the attention and the resources of the banks. It is a fortunate thing for the financial fraternity that they have had other sources of supply than the banks.

In view of recent arguments regarding the necessity of agricultural credit banking and the like, it is important to note that the banks' Canadian loans are advancing much faster than their Canadian deposits. In the 3¼ years, January, 1910—March, 1913, the banks' total deposits in Canada (except Government deposits) advanced by 242 millions; in the same period the banks' loans in Canada increased 307 millions. Within the last year, March, 1912—March, 1913, the Canadian deposits of the banks only advanced 51 million dollars, while their Canadian loans increased 86 million dollars. These figures give point to the argument that agricultural credit banks and the like can be talked of when the deposits for them are in sight. Nobody is likely to accuse the Canadian chartered banks of lack of energy in looking after every possible dollar of deposits, yet within the twelve months, they lent 35 millions more in Canada than they received in Canadian deposits. Also, the enthusiastic gentlemen who discover from time to time that Canadian banks are financing every other country except their own with Canadian money might note the fact that at March 31 last, the Canadian banks had lent in Canada 961 millions, while their Canadian deposits totalled 988 millions. When the necessity for reserves is taken into consideration the margin of 27 millions does not suggest a very large amount of Canadian funds in use in foreign operations.