

CAPITAL INVESTMENTS IN CANADA

—VII.—

GOVERNMENT BORROWINGS IN LONDON

By Fred. W. Field.

As we have seen, a large amount of British capital has been invested in government loans, both Dominion and provincial.

The following is a summary of government flotations in London from January, 1905, to April, 1911:—

Government.	Amount.
Dominion	£36,000,000
Manitoba	2,465,000
Alberta	1,811,000
Ontario	2,020,000
Saskatchewan	1,410,900
New Brunswick	450,000
Total	£44,156,900

Of the total Canadian government borrowings in London in the period under review, amounting to £44,156,900, Dominion government loans aggregate £36,000,000. The three Western provinces borrowed £5,686,900. Manitoba with £2,465,000 was a heavier borrower than Ontario with £2,020,000. New Brunswick was the only provincial borrower among the Maritime provinces, the amount being £450,000.

The following are details of the Government borrowings in London:—

1906.	
Province of Ontario	£1,200,000

1907.	
Dominion of Canada	£1,500,000
1908.	
Dominion of Canada	£3,000,000
do.	5,000,000
do.	5,000,000
Province of Saskatchewan	410,900
do. Manitoba	308,500
	£13,719,400

1909.	
Alberta Provincial Government	£ 411,000
Dominion of Canada	6,000,000
Province of Ontario	820,000
do. New Brunswick	450,000
Dominion of Canada	6,500,000
Province of Manitoba	156,500
	£14,337,500

1910.	
Province of Manitoba	£1,000,000
Dominion of Canada	4,000,000
Manitoba Province	1,000,000
Dominion of Canada	5,000,000
Province of Saskatchewan	1,000,000
	£12,000,000

1911 (to April).	
Alberta Province	£1,400,000

Enjoyed Good Credit.

The Dominion government has enjoyed excellent credit in London, and its issues in that market have usually been well absorbed. The changing appetite of the investor, requiring a larger return upon his capital, is a consideration which has not been overlooked by Mr. Fielding, the Dominion's Minister of Finance. The yield of bonds to the investor has been steadily increasing over a period of years. That period almost exactly corresponds to the time in which the price of commodities has been advancing. When the income of the conservative investor can buy less than it previously did, only two courses are open to him. One is to reduce his standard of comfort. The other is to sell his high priced bonds and look for a larger interest on something not quite so safe. This is one of the results of inflation, and, coincidently with such periods speculative booms, in land as

in America or in rubber and oil shares as in London, are always observable.

As a general rule, bonds tend to improve when the price of commodities is low, and vice versa. The credit of the particular city may almost be described as a secondary influence. While this assertion is true, it yet remains to be seen whether or not the present speculative tendency and the advancing high prices of commodities in North America are not to some extent permanent factors. There will be a swinging of the pendulum at periods, but it seems highly probable the investor will ask in future a larger yield upon his capital than hitherto.

Had to Sell Consols.

That financial institutions and corporations desire better results than afforded by the most famous national securities is becoming more evident every day. Mr. E. A. Hoare, presiding at a recent annual meeting of the Bank of British North America, drew attention to the fact that the bank had sold \$681,333 of Consols in which it had invested. "We are sorry," he said, "of the frequent necessity of making provision from our profits for the depreciation of this security, and, therefore, we decided to make a change into exchequer bonds, which are not so liable to fluctuations in price."

The 3½ per cent. Dominion of Canada loans have, therefore, had a more difficult road to success than was the case at one time. The British investor is beginning to take greater chances and at the same time is learning the art of discrimination. In July, 1909, a Dominion 3½ per cent. loan of £6,500,000 was floated in London, and for the second time Mr. Fielding appealed to the small investor by allowing applications for amounts under £100.

Appetite of the Small Investor.

In connection with this loan, these small amounts aggregated £5,180. Mr. F. W. Taylor, manager of the Bank of Montreal in London, has kindly given me the following details:—

Bonds.	Applications.	Aggregating.
For £10	25	£250
20	29	580
30	15	450
40	4	160
50	62	3,100
60	6	360
70	4	280

These figures compare with the £6,000,000 Canadian loan made in January, 1909, as follows:—

Bonds.	Applications.	Aggregate.
£10	126	£1,260
20	153	3,060
30	62	1,860
40	28	1,120
50	215	10,750
60	8	480
70	5	350
80	6	480
		£19,360

Will Continue a Large Borrower.

The Dominion is likely to be a large borrower in coming years, as it has many big undertakings in hand and in view. Provincial government borrowings have been fairly heavy during the past six years, as the above figures show. Few provincial government loans have been marketed in Canada, one notable exception being an issue of a \$3,500,000 loan by the Ontario government, which was raised in Canada. The bonds were sold at a 2 per cent. premium, but the absorption was slow. The rate of interest was 4 per cent.

The following notes respecting the Dominion's borrowings in London since 1907 will be of interest:—

In December, 1907, a loan of £1,500,000 4 per cent. debentures, due 1st October, 1912, was floated at par in London, with option to holders, up to 30th September, 1910, of conversion into 3 per cent. inscribed stock, 1938,