WHERE BRITISH CAPITAL WENT LAST HALF-YEAR

Canada and Australia Were Heavy Borrowers—Brake Has Been Applied

Details of Canada's borrowings in London during the past six months have already appeared in *The Monetary Times.* Some interesting information regarding the destination of British capital in that period is given by the London Economist, which says:—

In spite of the 4½ per cent. bank rate and the depression on the Stock Exchange, the applications for new capital on the London market reached the high figure of over 70 millions in the last three months—a total only exceeded in the corresponding quarter of any year in the last decade during the rubber boom of 1910. For the half-year the total of new issues has reached over 120 millions. This figure is not above the average of the last five years, but it is well over the average of the previous five years, as the following table shows:—

Year—	First half-year.	Second half-year.	Total for whole year.
1903	£77,414,000	£31,049,000	£108,463,000
1904	70,559,000	52,460,000	123,019,000
1905	104,216,700	62,970,700	167,187,400
1906	85,324,600	34,848,600	120,173,200
1907	89,733,200	33,896,800	123,630,000
1908	109,673,500	82,530,200	192,203,700
1909	121,073,600	61,283,200	182,356,800
1910	188,077,000	79,362,100	267,439,100
1911	117,483,800	74,275,600	191,759,400
1912	110,343,600	100,506,400	210,850,000
1913	120,359,600	....	....

Here we see that the average for the first half of the year was about 85 millions from 1903 to 1907, but since then the average has been over 110 millions, with 179 millions in 1910, as the result of the rubber boom. The average for the five whole years, 1903-1907, was 128 millions, and the average for the five years, 1908-1912, was 210 millions.

Underwriting Market is Not Large.

In the last few weeks the issues have fallen off very much, but the slackening is not because borrowers are the less eager, but because the capital market for the time being has run dry. For several years the rate of interest offered on new securities has been rising, but still the flood of new loans has continued, borrowers being willing apparently to pay almost any price for accommodation. In spite of the very tempting rates of interest, however, many really first-class securities have been left on the underwriters' hands to the extent of 80 or 90 per cent., and this has had its natural result. The underwriting market is not a large one, and the failure of a few big loans soon brings congestion. Underwriters committed to the meeting of calls on large blocks of securities cannot afford to run the risk of being "stuck" with more. The issuers of loans are unable to get them underwritten, and so the brake is applied. There is no obvious source from which the supply of capital may be replenished. Money is being withdrawn from trade at the present time, it is true, but this factor has more influence on the "short" loan market, with which the capital market is only connected indirectly, and the slowing down of trade has been caused largely by the pressure of money rates for the last eight months.

It is quite probable, therefore, that the second half of this year may see a falling off in the applications for new capital, but even so the total can hardly fall short of 180 millions, which, compared with the years prior to 1908, is a very high figure.

Analysis of Capital Applications.

In the next table further light is thrown on the situation by an analysis of the purposes for which the capital was required:—

Description—	—Total first half-year— 1912.	1913.
Colonial Government loans	£5,422,900	£14,324,300
Foreign Government loans	4,834,500	22,629,500
British municipal and county loans	323,700	Nil.
Colonial corporations	4,296,100	8,992,700
Foreign corporations	9,188,300	3,183,600
British railways	935,000	1,018,800
Indian and colonial rails	4,504,100	7,816,000
Foreign railways	20,081,700	15,782,000
Mining companies—		
Australian	162,500	730,000
South African	1,406,100	749,000
Other mines	1,285,300	390,200
Exploration and financial	4,799,900	3,820,300
Breweries and distilleries	287,000	Nil.
Merchants, importers and exporters	675,000	432,500
Manufacturing	5,753,900	7,977,100
Stores and trading	2,077,000	1,003,900
Estate and land	3,510,300	2,011,900
Rubber	1,559,700	779,900
Oil	2,938,000	1,961,600
Iron, coal, steel and engineering	6,194,500	4,739,400
Electric lighting, power, etc.	7,842,500	3,710,400
Tramways and omnibus	6,753,400	2,859,000
Motor traction and manufacturing	251,600	378,700
Gas and water	969,200	10,500
Hotels, theatres and entertainments	830,700	200,800
Patents and proprietary articles	382,500	1,943,100
Docks, harbors and shipping	6,329,300	2,053,000
Banks and insurance	3,168,700	2,773,400
Miscellaneous	3,574,200	8,087,100
Total	£110,343,600	£120,359,600

Here we see that, though the total applications for the half-year were £10,000,000 in excess of those of the corresponding period of last year, borrowing by colonial and foreign governments and corporations rose by £25,000,000 net, and there was a general falling off in the railway and industrial issues. These figures exclude all loans like the last Victorian loan, issued entirely for redemption purposes, or the portions of the western Australia and Brazil loans applied to redeem previous issues, so that the increase in the colonial and foreign government totals is all the more significant, because it represents, as far as possible, the amount of new borrowing.

Canada and Australia Have Been Chief Borrowers.

The colonies which have been the chief borrowers are Australia and Canada, which have taken 32 out of 43 millions for all the colonies, while Brazil, Russia and China are the largest borrowers. The details are shown in the next table:—

	—First half of Year— 1912.	1913.
United Kingdom, total	£24,159,400	£20,324,400
British Possessions—		
Australasia	4,201,900	11,996,400
Canadian Dominion	14,978,600	20,437,400
India and Ceylon	3,225,500	3,457,000
South Africa	2,695,100	5,439,100
Other British Possessions	2,831,100	1,672,700
Total	£27,932,200	£43,002,600
Foreign Countries—		
Denmark	2,425,000	....
France	626,200	....
Germany and Possessions	25,800	....
Norway	150,000	2,089,700
Russia	6,513,000	6,127,200
Other European countries	947,200	....
Dutch East Indies	114,500	26,000
Argentina	12,810,400	3,941,500
Brazil	6,846,500	15,093,400
Central America	1,016,700	414,900
Chili	1,044,700	2,520,100
Cuba	....	295,000
Mexico	2,158,200	9,093,500
Philippine Islands	....	712,500
United States	19,514,200	9,302,600
China	....	6,883,400
Egypt	828,800	250,000
Japan	3,230,800	....
Other foreign countries	....	282,800
Total	£58,252,000	£57,032,600
Total for first half-year	£110,343,600	£120,359,600

The large total for Mexico is required chiefly for railways and oil. The United States total is much smaller than usual. None of the Pennsylvania new issue is included in our figures, although some of the stock is held over here, and the new issue was no doubt taken up by the holders of the stock. Of the capital subscribed for employment in Great Britain during the last quarter, £3,100,000 was for armament companies, who required the money mainly for the purpose of erecting works abroad, so that it ought not strictly to be classed as capital for employment at home.

The amount of Canadian gold being submitted to the refining process at the Ottawa branch of the Royal Mint is increasing year by year, and the government is taking steps to double the capacity of the building and plant. The value of gold refined last year was $1,688,823.