

# The Banks' Commercial Loans and Discounts

In the third year of war the downward tendency was reversed

By H. M. P. ECKARDT.

As the war drags along, the proportion of the assets of the Canadian banks invested in loans and discounts to commercial and industrial customers has tended to decline. During the period of expansion which came to an end in 1913, the commercial loans and discounts, as shown in the bank returns under heading, the "Current Loans and Discounts in Canada," ran at approximately two-thirds of the total assets; and, after the general liquidation in the latter part of 1913 and in the first half of 1914, the item was still more than half of the total resources of the banks. On July 31st, 1914, just before the British Empire entered the war, the commercial loans stood at \$840,000,000, while total assets were \$1,568,000,000—the former being roundly 54 per cent of the latter. Throughout the first year of war there was steady liquidation of these banking advances. Bankers and business men were very apprehensive as to the results of the cataclysm; and both were anxious to get the lines of credit cut down to the smallest limits compatible with the proper carrying on of business. This was the period of the furious battles around Ypres, in one of which, at St. Julien and Langemarck, Canada received her first severe blow. The military aspect then was characterized by deep gloom, relieved though it was a short time by the psychological effects of the Battle of the Marne. Necessarily this pessimism made itself felt in the financial situation. Nobody wished to be unduly extended while the outlook was so uncertain. At the end of the first year of war the total assets of the banks were practically at the same level as in July, 1914, \$1,558,000,000—but the commercial loans had decreased \$82,000,000, and the loans then represented 49 per cent of the assets. The funds withdrawn from current loans went mostly to the Dominion Government—the banks taking and holding the new issues of uncovered Dominion notes, and one of them (the Bank of Montreal) lending \$10,000,000 to the Finance Minister on short date notes.

Although there was expansion of commercial loans in the fall of 1915 and again in the spring of 1916, the end of the second year of war saw the total down to \$740,000,000, or \$18,000,000 less than in July, 1916. There had been, however, a phenomenal increase of the banking assets—the total rising in this period from \$1,558,000,000 to \$1,841,000,000, a gain of \$283,000,000. The percentage of commercial loans thus dropped to 40, as against 49 in 1915, and 54 in 1914. The bank funds in the second year of the great struggle went mainly into two departments. Their holdings of securities increased \$120,000,000—this being a reflection of the loans to the British Government in connection with the operations of the Imperial Munitions Board, and of temporary loans to the Dominion; and their cash reserves were strengthened by \$117,000,000—this being called for by the great increase of their liabilities. With reference to the further liquidation of commercial loans ensuing in this period, it is not to be ascribed so much to forcible action by the banks or to the desire of their customers to shorten sail, as to the wonderful wheat yield in the western provinces. The crop of 1915, far surpassing all previous records, was the direct cause of phenomenal activity not only in the fall of that year, but also throughout the spring and summer of 1916. Grain prices also being higher than usual, the farmers were able to clear off a tremendous amount of debt; and this development naturally had a strong tendency eventually to reduce the current discounts of the banks. In this year, too, the munition-making industry began to attain great importance—the output of the factories engaged in this work being largely responsible for the increase of Canada's manufactured exports to twelve and fifteen times the value of such exports prior to the war.

The third year of war saw the commercial discounts of the banks turned definitely upwards. From \$740,000,000 on July 31st, 1916, the total rose to \$820,000,000 on December 31st; and, after a drop of \$14,000,000 in January, 1917, it reached the high level of \$880,000,000 on April 29th, surpassing all pre-war records (allowance being made for the fact, that prior to July, 1913, the loans to municipalities were included with the current loans in Canada). Liquidation in May and June carried the total down to \$339,000,000, at which figure the increase as compared with July, 1916, was almost \$100,000,000. In ex-

planation of the startling reversal here seen it should be said that the growing activity of the munition factories constituted one factor and the sensational rise in produce and other prices constituted another. The high price of wheat in particular forced the banks to greatly increase the dimensions of their credits to the grain trade. This increase of current loans, however, represented only a little more than half of the increase of total assets. On June 30th, 1917, the aggregate of banking resources was \$2,033,000,000, an increase of \$192,000,000 as compared with July a year ago. So the commercial loans at present are 41 per cent of the total assets. Notwithstanding the increase of their liabilities, the immediately available assets of the banks show a decrease of \$62,000,000 for the eleven months, while the holdings of government securities increased \$84,000,000. The rates of available reserve to liability dropped from 32.37 per cent of the total assets. Notwithstanding this is seen the explanation of the tightening of the money markets. The figures given in the foregoing text show conclusively enough that the main cause of such stringency as we have experienced is the increase of the government loans. While the banks continue to hold that large amount of British treasury bills (\$150,000,000) it is perhaps not to be expected that our monetary situation will ease materially. If these bills are paid off shortly, there will be manifest improvement in our financial situation.

In view of the upward tendency of the banks' holdings of war securities, it is interesting to note the position of the individual banking institutions as regards commercial loans and discounts. It is to be observed that in the following table as at June 30th, 1917, the items appearing in the bank returns under the heading, "Other Current Loans and Discounts in Canada," are considered as mercantile

discounts. There would be, included among these totals, some loans which could not properly be described as "commercial" transactions; but these would not be large enough to materially affect the conclusions. (Thousands omitted).

Bank.	Total Assets.	Commercial Loans and Discounts.	P.C. of Total.
Montreal . . . . .	\$365,119	\$87,642	24
Nova Scotia . . . . .	119,083	47,514	40
British . . . . .	69,433	26,457	38
Toronto . . . . .	75,039	35,949	48
Molson . . . . .	62,095	34,520	56
Nationale . . . . .	35,999	21,897	61
Merchants . . . . .	117,206	63,825	54
Provinciale . . . . .	18,710	7,325	39
Union . . . . .	113,195	47,134	42
Commerce . . . . .	299,587	135,333	45
Royal . . . . .	290,496	99,543	34
Dominion . . . . .	97,061	44,501	46
Hamilton . . . . .	57,637	30,877	54
Standard . . . . .	62,815	39,441	63
Hochelaga . . . . .	44,188	25,084	57
Ottawa . . . . .	58,022	25,150	43
Imperial . . . . .	90,191	49,705	55
Home . . . . .	18,851	10,069	53
Northern Crown . . . . .	22,762	9,163	40
Sterling . . . . .	12,808	6,614	52
Weyburn . . . . .	3,314	1,601	48
	\$2,033,622	\$839,355	41

The individual percentages shown in this table appear small in comparison with those shown for any of the ante-bellum years. There is no doubt that the bankers would have preferred to have continued as in the past, devoting the chief part of their assets to the financing of commercial and industrial business; but the special war demands were imperative. It should be remembered, too, that the large loans to the Imperial Munitions Board, aggregating \$150,000,000, in a sense represent commercial loans, as they were undertaken to facilitate the placing of war contracts in the Dominion. With reference to the small percentage of commercial loans reported by the Bank of Montreal, it should be said that this bank has taken a leading part in the loans to government and in maintaining abroad a fund which is of the greatest value as a protection to our financial system.

## Water for the Army

How the soldier is supplied with this necessity

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In bare outline the method of providing a safe water supply involves two problems—that of obtaining a supply pure at the source, and that of insuring its continued salubrity during the process of distribution.

In France the question of a pure and adequate water supply has been simplified by the many existing municipal water undertakings, and the presence of deep and uncontaminated springs near the firing line. Much of the water, however, is conveyed to the troops by the medium of water carts and the ubiquitous petrol tin. In Salonika many existing supplies have been available in the form of ancient artesian wells and aqueducts. Gallipoli furnished an altogether inadequate supply for the British troops, and most of the water had to be carried by ship from Port Said. Oil tank steamers were used for this purpose, supplemented by water barges. Very great care had to be taken to secure the proper clearing of the tanks. The reports of the African campaigns tell their own story—simply a record of long difficult marches from well to well and watercourse to watercourse, all intermediate water supplies being carried with the columns with water carts or water bottles. The part the Germans played in harassing the advancing troops by the tampering with the wells has already been indicated.

Much more interesting details have to be dealt with in recounting the information about water supplies in Mesopotamia. The impression which many people have formed in regard to that campaign is of an army strung along the banks of a river, whose least difficulty was that of obtaining a sufficiency of drinking water. Nothing could be more foreign to the facts of the case. In many places the troops were stationed long distances from the river. The available pools were nearly all polluted. Indeed the waters of many of them had to be made unpleasant to the taste by the addition of oils lest soldiers, rendered careless by the heat and drought, should drink

out of them in defiance of orders. Wells which were sunk soon turned brackish, and in any case had to be carefully covered over and guarded lest they be polluted. Only in the Dujailah depression could sweet water wells be found. Even to troops stationed near the Tigris River water as such was not directly available for use. The Tigris is certainly a "fresh" water stream, but its waters are far from fit for human consumption. The amount of foreign matter which they carry in suspension is altogether abnormal. The water necessitates special treatment before it can be used for drinking purposes. Supplies are first pumped from the river into tanks, formed by tarpaulins supported by sandbagging. About 90 per cent. of the impurities settles down as a sediment, the sedimentation being hastened sometimes by the addition of alum. The water is then chlorinated and distributed by pipes or open channels. The open channels are to a great extent being superseded by pipe lines, as even careful policing can hardly guard them against pollution. Troops on the march beyond water stations carry their supplies in Persian hubs or diggins. The jolting during transport dispels all trace of chlorine, and the sweeter water resulting appears to be considered by the individual soldier as a very pleasing compensation for the shorter measure he has to put up with on these occasions.

In such a brief resume of the problem of water supply much has had to be omitted. Only a few of the difficulties which had to be overcome have been indicated. Little has been said of the hardships which British troops had to face ere an adequate water supply was assured. It is worth noting, however, that some of the bravest deeds of the war have been performed by water-carriers in their work of distribution among troops under fire. But no one can read the records from all the front without realizing the immensity of the task which confronted the R. A. M. C. and Royal Engineers. Nor can anyone fail to be impressed with the splendid success which these branches of the British Army have attained.