

# The Chronicle

**Banking, Insurance and Finance**

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ada, does not give much confidence as to the value of the service, which such a system, even if established, would afford to the public.

That the present high rate of interest on capital will not be maintained indefinitely, but will gradually decrease over a series of years goes without saying. But it can only decrease as the cost of labour and materials comes down; in proportion as prices generally decrease. The investor who a few years ago was buying a 6 per cent. bond is now buying an 8 per cent. preferred stock; he will not return to the 6 per cent. bond until the proceeds of its coupons will purchase for him the equivalent of what today he can purchase with his 8 per cent. dividend cheques.

The July Bank Statement holds out little hope to those who are anticipating easier money conditions at an early date. Once again, current loans show a monthly increase considerably in excess of that recorded by notice deposits, which are the principal mainstay of these loans, while the comparative yearly figures indicate that the position of affairs in respect of these two matters is steadily becoming more strained than before. The month's increase in current loans in Canada amounted to \$12,125,770, bringing these loans to a new high record figure of \$1,377,276,853. On the other hand, notice deposits were enlarged by only \$9,469,456, the smallest increase of the last twelve months with the exception of December, when the effects of the last Victory Loan were being felt. This enlargement brings up the total of these deposits to \$1,253,170,433. Thus at the end of July, notice deposits were fully \$124,000,000 behind current loans and discounts in Canada in their aggregate. The manner in which these deposits are failing to keep pace with current loans and discounts is shown strikingly in the figures of increases for the last twelve months to the end of July. Whereas current loans have increased in the period by no less than \$362,889,647, notice deposits have been enlarged by only \$78,078,275.

The concurrent relatively small increase in the banks' circulation of \$3,758,980 for the month and \$24,627,292 for the year, shows clearly enough that this vast increase in the banks' loans in Canada, and the minor accumulation of notice deposits is not due to the activity of trade and industry within the Dominion itself. It is, in fact, closely related, as has been previously pointed out in these columns, to the heavy excess of imports which our trade returns are now showing, and to the phenomena of extravagant spending which are still so much in evidence. We are inclined to think that possibly also to some extent, though doubtless not a very large one, the minor increase in notice deposits is likewise to be accounted for by the fact that certain classes are now finding that high prices have overtaken increases in wages to a greater extent than two or three years ago. Be that as it may, there can be no question regarding the influence of our present heavy importations upon the banks' loaning position. The July trade figures, which are also now available, afford little cause for satisfaction in this connection. With imports of \$127,268,811 and exports of \$104,875,624, the adverse balance of trade amounting to \$22,393,187 is some \$6,000,000 less than the adverse balance for the month of June, but it compares with a balance of exports over imports in July, 1919, of \$29,505,600. The change is brought about by an increase in imports of no less than \$13,000,000 and a reduction in exports of practically \$9,000,000. The position in respect to exports would be very much worse but for the large proportionate increase in exports of wood, paper, etc., which in July this year were \$28,775,429 compared with \$17,696,673 in July a year ago. There remains to be seen what effect exports of the new crops will have upon the condition of our external trade in the closing months of the year. As it is, for the seven months to the end of July there is an adverse balance of \$167,297,021, compared with a favourable balance in the corresponding seven month of 1919 of \$153,769,023.

## Preferential Trade Agreement Between Canada and British West Indies

A preferential trade agreement has been concluded between Canada and the British West Indies, providing for mutual reductions of import duties of from 20 to 50 per cent., and an extension of the existing reciprocal free list. Improved steamship service between Canada and the islands will be established. The announcement has been made that early in 1921 a Canadian Government steamship line known as the Western Steamship Service will commence sailings between Nova Scotia and Bermuda, the Bahamas and British Honduras.