

THE FALL IN THE BANKS' HOME DEPOSITS.

The fall in the Canadian deposits of the banks last month as disclosed by the newly-published June bank statement, appears to have created a greater stir than is warranted by the event. The facts are that at June 30 the banks' demand deposits were \$362,769,928 against \$373,500,189 at June 30, 1912 a decrease of \$10,730,261, and notice deposits, \$622,928,069 against \$631,317,687 at the corresponding date, a decrease of \$8,388,718. In all the decrease is about 19 million dollars. In the case of the demand deposits there was a retrogression in comparison with the corresponding date of 1912 in May, but the fall in notice deposits is the first of its kind for several years. It amounts to one and one-third per cent., and when consideration is given to the present day situation in Canada, and to the fact that this fall is distributed over the whole of the Dominion it can hardly be regarded as an alarming symptom. The course of deposits during recent months and the development of the financial situation here had prepared bankers for such an event. Reasons why for its occurrence are numerous enough. Many people have been compelled to reduce their customary balances to finance business needs or speculative deals entered into when money was easier, others are taking advantage of the "bargain sale" of securities on the Stock Exchange and elsewhere and placing savings balances into permanent investments. When these two tendencies are so strongly in evidence as at the present time, a reduction in notice deposits can be no matter for surprise. The reduction in demand deposits would be in part a reflection of the banks' policy in restricting loans to the absolute necessities of industries and commerce.

PROLONGED DOWNWARD TENDENCY.

A study of the banks' Canadian deposits shows that they have had a downward tendency since the fall of last year. The notice deposits attained their maximum of \$643,664,000 last August, but the total Canadian deposits of the banks (exclusive of government deposits), after crossing the billion dollar mark in May, 1912, reached their highest level at \$1,023,912,000 in October last. They were maintained at above a billion dollars until January, when there was a sudden tumble to \$895,519,000. By the end of April they had moved up again to \$996,500,000 but May and June brought them down to \$985,600,000, the amount returned for June 30. The general movement of the banks' Canadian deposits in the last 12 months is shown in the subjoined table.

In contrast to this fall in home deposits, the foreign deposits of the banks are reported at an unusually high figure at June 30. They were then \$104,280,782, a gain of \$6,350,000 for the month and of about twenty-two and a quarter millions for the year. The month's increase is accounted for by an advance in the Bank of Montreal's foreign deposits which at June 30 were \$49,210,000 against \$41,806,000 at May 31, an advance of \$7,400,000. It is probable that this movement is only a temporary one due to the payment of an instalment on the C.P.R. stock issue last month. On the 1st July, the redemption of such

amount of the 5 per cent. bonds due in 1914, as were then presented by the bondholders, in accordance with the offer of the C.P.R. to then redeem the bonds at 102, would probably tend to lower these deposits. It is said that some \$20,000,000 of these bonds have been redeemed.

INCREASE IN CURRENT LOANS.

The clamour in the West that the banks are starving the country receives no support from the evidence provided by the June bank statement. In spite of the fact that the Canadian deposits of the banks have fallen off during the last year by nineteen millions, the banks have increased their commercial and industrial loans in Canada in the same period by over \$50,000,000, their total reported at June 30 being \$899,260,009. And if the reply be made that this increase is not adequate to the need, it can only be said that other folk besides those in the West are in the same boat, for the simple reason that the supply of floating capital in the financial centres has been absorbed for the present and that until a new supply has been accumulated it is hopeless to expect that anybody will be able to get an adequate supply—or what they consider an adequate supply. The banks' foreign balances, which form a useful index of the rapidity of the flow of foreign capital to Canada, were at June 30, some \$12,350,000 lower than at June 30 last year.

The banks further cut their Canadian call loans last month by some \$1,350,000, bringing them down to the level of a year ago. Foreign call loans were also cut last month by \$6,800,000 and at \$80,303,520 are over \$31,000,000 lower than a year ago. The banks' reserves position, which had been steadily improved since last December, suffered a set-back last month, the percentage at June 30 being 22.07 against 22.81 at May 31.

COURSE OF BANK DEPOSITS: July 1912—June 1913.

(000's omitted.)

(Compiled by the Chronicle.)

	Demand	P.C. Inc'ce for Year	Notice	P.C. Inc'ce for Year	Total	P.C. Inc'ce for Year
	\$		\$		\$	
June, 1913.	362,770	*2.87	622,929	*1.33	985,699	*1.99
May	364,160	*3.39	630,755	0.87	994,915	*0.73
April	365,340	5.78	631,160	2.57	996,500	3.72
March	357,756	7.79	630,435	4.62	988,191	5.36
Feb.	349,662	8.98	630,467	5.03	980,129	6.37
Jan.	354,519	11.86	635,000	6.40	989,519	8.29
Dec., 1912	379,777	13.36	632,641	7.03	1,012,418	9.32
Nov.	376,829	10.28	635,811	7.96	1,012,640	8.81
Oct.	383,814	15.62	640,998	9.15	1,023,912	11.49
Sep.	374,369	19.38	640,536	10.90	1,014,905	13.88
Aug.	369,575	15.90	643,664	11.80	1,004,239	13.24
July	372,613	17.68	640,592	12.23	1,012,605	14.06

*Decrease.

†Bank of Nova Scotia on absorption of Bank of New Brunswick transferred about \$6,000,000 of latter's deposits from notice to demand.