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BANK ACCOUNTS AND THE VICTORY LOAN.

The newly-published December bank statement contains the first authentic information available regarding the effect of the recent Victory Loan upon the banking resources of the country. Though it was not until early January that the heaviest payments were made, many subscribers then taking advantage of the favorable terms offered to pay up in full, the December return is highly re-assuring regarding the effect of these heavy payments upon banking resources. The payments on subscription to the Victory Loan in December, took approximately \$40,000,000. But notice deposits, which are the most affected by this operation, only show in December a recession of \$12,679,861 from the high point of \$1,008,657,874 reported at the end of November. Their December total of \$995,978,013 indicates that substantial additions were made to notice accounts during the month, and encourages the anticipation that the gap made in these deposits by the January payments to the Loan, will be made good within a reasonable period. Inevitably, of course, many long-standing, practically fixed, deposit accounts, which were drawn heavily upon for Victory Loan subscriptions, will only be replenished slowly. But the present experience suggests that the aggregate of the banks' notice deposits will show steady recovery from the effect of the Victory Loan payments, although some time must necessarily elapse, before the character of permanence possessed formerly by a proportion of them, is again acquired.

Demand deposits registered a substantial increase of \$30,572,509 during December (an increase which contrasts with an actual decrease in December, 1916), and are reported at the year-end as \$569,441,871. It is suggested that this increase is also a reflection of the Victory Loan, through the preparations made by insurance companies and other institutional and large investors to meet the January payments on the loan. Beyond this, there was a net gain during December of \$5,186,000 in the banks' current loans and discounts, which would have an effect in the enlargement of demand deposits, and it is possible also, that Government disbursements, which during December were \$40,776,661, about \$6,800,000 more than in November, helped to swell these deposits. In spite of the first payment on the Victory Loan, Dominion Government balances fell away during December by over \$5,000,000, to \$65,998,553.

Regarding the further effect of the Victory Loan upon the banks' accounts, it is understood that with the completion of the January payments, the Government has paid off short-term notes, held by the banks, to an amount of something like \$100,000,000. This operation would be reflected in the January return, through a decrease in the amount of Dominion securities held, and restriction of Dominion Government balances, and consequent decrease of the banks' assets and liabilities. No doubt, later on in the year, the banks will be called upon for fresh short-term credits, in anticipation of a further long-term loan. Changes in the banks' security holdings during December were comparatively of a minor character. Dominion and provincial securities were reduced by \$6,804,914 to \$188,703,175, and holdings of British, etc., securities increased by \$5,688,180 to \$224,093,823. London balances were increased by nearly a million to \$13,372,044, but New York balances were heavily drawn upon to the extent of practically \$12,500,000, bringing them down to \$51,355,562. Similarly, foreign call loans were decreased during the month by \$5,349,070 to \$134,483,482. Dulness in the security markets is reflected by a further decline in Canadian call loans to \$71,779,020, after a slight gain in November. At this level they are \$10,791,000 lower than at the end of December, 1916. Following a decline of over \$15,000,000 in November, Canadian current loans and discounts decreased a further \$10,500,000 in December, to \$858,533,298. But their decrease is more than offset by a marked gain of \$15,626,574 in foreign current loans and discounts to \$111,581,098, and total loans and discounts are \$73,339,119 higher than twelve months ago.

Some idea of the enormous effects which the war has had upon Canadian banking figures will be gained by a perusal of the entries in the last column of the table published on another page, showing the year's movement of the various items. During 1917, the banks' assets increased by over \$375,000,000, and at December 31st reached the record level of \$2,323,163,783. Security holdings increased by \$205,627,864 to \$468,406,273, this being a direct result of the banks' activity in financing the Dominion and British Governments. Against these, Canadian demand deposits were enlarged during the year by \$111,000,000, and notice deposits by practically \$151,000,000, the total deposits of the banks, other than Government deposits, being increased during 1917 by over \$274,000,000.

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