

months have held a large command over the resources of London—in the form of balances in London banks and sterling exchange which is available for discount in the London market. And if that theory is correct the shipments of gold to South America will necessarily increase New York's power to draw gold from Europe when European financial conditions become more satisfactory.

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Money market conditions in Canada are practically unchanged. Call loans in Montreal and Toronto are 6 to 6½ p.c., and commercial discounts 6 to 7 as heretofore. It is said that some funds were recalled from the market by one or two banks during the week. Owing to the fact that the general ratio of the bank reserve to liability is at an unusually low level, it would not be wise to expect any sharp drop in money rates. It is to be remembered, too, that in the cases of three of the important banks the ratio of reserve has been fully maintained. If the figures of these three banks are separated from the rest of the banking institutions, it will be seen that the remainder show quite a low ratio of reserve. That being the case there will be a natural desire to strengthen the reserves, if it can be done, during the spring and summer, before the fall rush materializes. The bankers have to bear in mind the possibility that weather conditions will be uniformly favorable for the crops in 1913. If they are, an enormous yield will have to be financed.

GROWTH IN CANADIAN BANKING: EFFECT OF THE PRESENT PERIOD OF PROSPERITY.

The fact that the reserves of the Canadian banks in December fell to 22.08 per cent. of their net liabilities to the public—a lower figure than has been seen since 1908—is an indication that the abounding activity and prosperity of the present time have begun to have a distinct effect upon the banks. For this effect several reasons may be given. In the first place it would seem that the comparatively slow growth in the savings deposits of the banks partly accounts for the phenomenon. Last year, these deposits increased by about \$41,600,000, which is over \$5,000,000 below the increase in 1911, \$46,848,000, and about 3½ millions below their advance in 1910, which was \$45,138,000. The extraordinary investment and speculative activity which is everywhere prevalent would partly account for the stunted growth of these deposits, but it would also be in part accounted for by the falling-off in the importations of new capital during recent months. This underlying cause indeed not only partly, explains the course of the notice deposits, but is also a direct explanation of the falling-off in the bank's reserves. The temporary reduction of the volume of foreign capital coming into the country has indeed affected the banks in two ways. In the first place it has, as

already indicated, stunted the growth of deposits and at the same time it has induced additional applications for accommodation from municipal and other corporations, who, unable to finance themselves in London, or only on terms which they considered not favorable enough, have turned to the banks to enable them to continue their various works. So that the banks' funds, while receiving for some little time past somewhat less than their usual measure of replenishment, have been insistently called upon by impecunious borrowers. Fortunately, there are now some indications that capital from abroad will be flowing more freely in our direction in the coming months than in the immediate past, and this is much to be desired.

The present period of expansion and prosperity has meant much to the banks. In the four years, from the close of 1908 to the end of 1912, which broadly speaking, comprise this period, the banks' deposits by the public (excluding Government deposits) have increased by nearly 393 millions of dollars, their loans to the public (again excluding Government loans), by 416 millions and their assets by 525 millions. These are very large increases. But at the beginning of the period, the banks were in particularly good shape to deal with a large advance in their operations. The comparative quiet of 1908, following the American panic in the autumn of 1907, enabled them to accumulate large resources, and this process was to some extent continued in 1909, as is evidenced by the large growth in foreign call loans during that year. Bountiful crops and a large and increasing immigration both of labour and capital helped in this accumulation of resources and have aided in the tremendous banking development of the period.

It is interesting to note the course taken during the period by several of the items. In the case of the banks' Canadian current loans there has been in the four years a rise of practically 370 millions. The increase has been accumulative year by year; in 1909, it was 81 millions; in 1910, \$84,300,000; in 1911, nearly 98 millions and last year practically \$106,500,000. The figures show the steadily-developing pressure upon the banks in this direction in order to cope with the country's industrial and commercial developments, although, as has been previously indicated, the advance during the last year has been no doubt in part accounted for by the exceptional requirements of the municipalities. The course of the banks' deposits is more erratic. Taking the total deposits other than those by Governments, it is seen that these advanced in 1909 by \$128,600,000; in 1910, by \$60,267,000; in 1911, by \$111,000,000 and in 1912, by \$92,772,000. Their total increase is nearly \$393,000,000, of which increase \$202,000,000 is represented by notice deposits, and nearly \$170,000,000 by demand deposits. The increasingly important character of the Canadian banks' business abroad is shown by