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## THE GENERAL FINANCIAL SITUATION

The newly published bank statement is unusual in one respect in that its records for the month of October show a substantial decline in the banks' total of Canadian loans and discounts. Normally, October marks the peak of the year in this item, and the change in conditions between October, 1919 when an increase of \$46,000,000 was reported, and October of the present year, with a decrease of over \$12,000,000 is certainly a very striking one. The real explanation of this phenomena will only emerge as future bank statements make it clear whether or not this out of season movement really marks the passing of the peak of the banks' load in this connection. Pending future developments, it may be hazarded that the movement is due to a variety of causes, the sale of wheat in the United States, which, it is now evident, is very considerable, forced liquidation in commodities of various kinds, which was certainly in evidence during October, and, possibly also, the slowing down of the process of accumulation of stocks, due to deferred deliveries nearing completion—a process which has undoubtedly been accentuated to some extent by cancellations. In present circumstances it will be extremely interesting to watch the November and December figures as they become available to see whether the October development is merely a flash in the pan, as it were, or the beginning of a far-reaching downward swing in bank loans.

In regard to notice deposits, the October showing is not reassuring. The gain registered by these deposits during the month, while bringing them up to the new level of \$1,271,275,751 is only \$1,081,654, the smallest which has been reported since the month following the flotation of the last Victory Loan, nearly a year ago. In connection with these deposits, the fact must be borne in mind that they are not exclusively savings deposits, although they are often called such by financial writers who should know better. Under this heading are included not only real savings

deposits, but also special deposits of one kind and another, so that this item cannot be regarded as a true measure of the savings capacity of the country from month to month. So far as true savings deposits are concerned, it is understood that some concern is felt by banking executives at symptoms of a real downward tendency, probably as a result of the unemployment which is becoming increasingly apparent in the Dominion's industrial centres and of the obvious fact that the margin between average income and average necessary expenses of the wage earning and salaried classes is now less than it was even a year ago, and certainly considerably less than it was eighteen months or two years ago.

While the margin between the banks' current loans and discounts, and savings deposits, the latter being the backbone of the banks capacity in lending, is not now so large as it was some months ago, it is still \$134,000,000, and it is impossible to think of any approach to monetary ease until that margin has at least been eliminated. Whether with savings deposits actually decreasing and the process of loan liquidation necessarily a slow one, an early rapprochement will be seen between the two factors seems exceedingly doubtful.

Judging from numerous comments heard on the street, the local Stock Exchange has not increased its popularity with the general public during the past few weeks. In the case of Atlantic Sugar, the public has been let in very badly, particularly the holders of the former preferred stock, and there is a well defined feeling that action should have been taken by the governing body of the exchange, both in regard to an inquiry into the recent stock transactions of those closely associated with the company, and also in requiring an immediate statement of the company's financial position. There is also a good deal of soreness in regard to the professional short selling that has taken place recently, which, it is argued, has contributed materially to the recent slump in prices to levels that in the case of some stocks, are by no means justified. That selling is, of course, well recognized as a legitimate business