

would be much greater than 67 millions. It is to be noted in this connection that decreases in deposits did accompany contraction in current loans until February, 1908; during the closing ten months of the year, however, deposits increased by 106 millions.

How Readily Available Reserves Increased.

Referring again to the foregoing exhibit of chief assets and liabilities it will be seen that the 47 million dollar decrease in total loans (other than foreign call loans) together with the 67 million dollars of net increase in funds deposited with the banks totalled 114 millions of dollars to be made up, or accounted for, by increases in assets other than current loans. And the exhibit shows this amount to be approximately made up (to the extent of about 113 millions) by increases of 10 millions in securities held, 11 millions in bank premises, other real estate, mortgages and overdue loans, and 92 millions in readily available reserves—the latter comprising specie, legals, net foreign bank balances and foreign call loans. For practical banking purposes, some part at least of the increase in securities held may be considered as an addition to ready reserves—so that, roughly speaking, the liquid assets of the going Canadian banks are now about 100 million dollars greater than at mid-year 1907.

At the close of March, 1907, the effect of general business expansion demands had left the ratio of bank reserves to immediate liabilities (on the basis hereinafter shown, which excludes inter-bank assets and liabilities) at the low-mark of 16.89 per cent. Viewing the signs of the times, the banks began strengthening their position. By the end of June, 1907, the ratio had risen to 18.57 per cent., and in September to 19.75 per cent.; the October strain resulting in reduction to 18.63 p.c. at the year-end.

RELATION OF RESERVE TO IMMEDIATE LIABILITIES.*

Liabilities.	June, 1907.	Feb., 1909.
Dominion Government deposits.....	\$ 5,191,321	\$ 4,807,562
Provincial Government deposits.....	10,450,465	14,512,373
Deposits of the public "demand".....	170,042,326	192,968,536
Deposits of the public "notice".....	419,417,563	441,390,540
Deposits elsewhere than in Canada...	59,176,306	65,333,998
Total deposits.....	\$664,277,981	\$719,013,009
Note Circulation.....	75,510,402	67,348,359
	\$739,788,383	\$786,361,368
+ Less notes and cheques other Canadian banks held.....	29,516,911	25,346,263
Net liability.....	\$710,271,472	\$761,015,105
Readily Available Assets.		
Specie and legals.....	\$ 69,655,785	\$ 94,077,052
Net foreign bank balances.....	6,970,129	30,528,686
Foreign call loans.....	55,298,873	101,443,902
	\$131,924,787	\$226,049,640
Per cent. of liability.....	18.57	29.70

*Items of banks in liquidation have not been deducted; their inclusion in this connection makes no appreciable difference in ratios.

†This item is deducted because it represents obligations of the banks held by themselves.

However, by mid-year, 1908, the ratio had increased to 22.25, while by December 31, 1908, it had grown further to 30.92. By the close of February it had decreased very slightly to 29.70 p.c.

This reserve ratio of practically 30 per cent. compares with a normal range of between 20 and 22 per cent. observable during the five years 1902 to 1906; and this does not take any account of increased holdings in securities, part of which would probably be disposed of were the demand for commercial loans to become sufficiently strong. Evidently, therefore, there is considerable margin for the loan expansion that will be required in months to come by general business growth. Since the middle of 1908 there has been steady, if gradual, recovery in general business; but up to the close of the year the effect of this had not checked either the decrease in Canadian current loans or the increase in deposits. In January, too, loans showed a further lessening—but, even in active trade periods, a New Year decrease is normal. While February brought no gain in the total of domestic current loans, scrutiny of that month's government banking statement shows that, by many of the banks, increases were reported; large special transactions by other institutions probably accounted for the net decrease.

Continuance of trade quickening may be expected ere long to show more pronounced signs of re-transference of money into commercial channels. The first tendency with some stronger manufacturers and dealers may be to draw upon their idle reserves rather than materially to increase their borrowings. But as time goes on loans must begin materially to increase again—and to a height greater than ever before. That this may be done, with all regard to normal reserve strength, will, of course, be chiefly due to continued influx of capital from abroad—not merely through security flotations, but though the incoming of well-to-do immigrants. Supposing that even 15,000 families from the Western States (a modest estimate) enter Canada this year, with an average cash balance of, say, \$3,000 a family—that alone would mean nearly \$50,000,000 of increased capital to the country as a whole.

A DESPATCH FROM PARIS, FRANCE, announces that Franco-American trade representatives there are decidedly apprehensive that the ratification of the Franco-Canadian commercial treaty, by the French State, on April 1, will be followed by a complete readjustment of Franco-Canadian trade to the prejudice of United States trade in the French market and German trade in the Canadian market. As finally adopted it is claimed that this bill is more inimical to United States exporting interests than was the original measure. It is estimated that it gives Canada an average advantage of 33 per cent. on 150 articles in which the United States competes.