

stantial increase in orders, especially for structural steel. If there is a rapid recovery across the line the circumstance is sure to react favorably on the Canadian situation through relieving our industries of much of the prospective competition now threatening from the South.

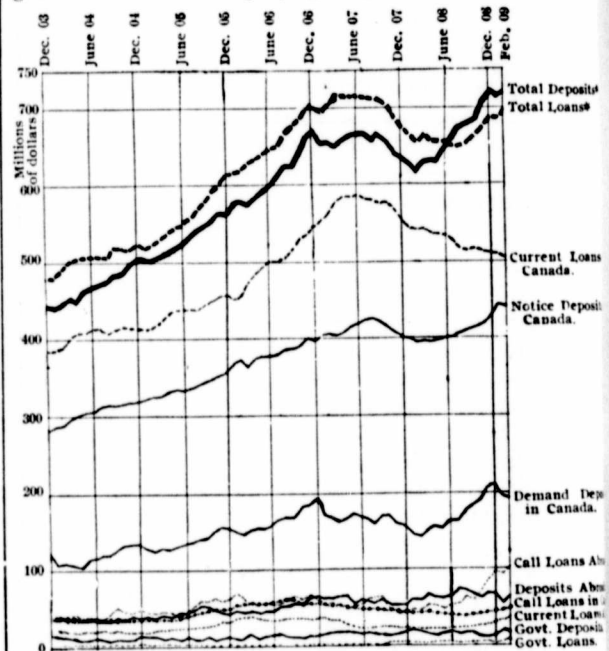
A large share of our attention this spring will, however, be given to the three special things to which we look to bring back to us prosperity more or less modified. They are the immigration movement, the seeding of the crops, and the railroad building plans. The first and the last are progressing favorably enough, but the seeding will depend quite largely on weather conditions.

SOME BANKING DEVELOPMENTS IN CANADA— II: THE TREND IN DEPOSIT ACCOUNTS.

At no time since troublous days in the early eighties, had deposits in Canadian banks failed to show a substantial annual growth until during the year 1907. Between December 31, 1906, and December 31, 1907, total deposits (including Government, but not deposits of banks with each other) decreased by about \$37,500,000. The falling off was not continuous during the year, however. It began with the customary—but much more pronounced than ordinary—January decrease in demand deposits. As will be noted from the accompanying chart, the opening month or so of each year is normally characterized by some cessation of the increase in demand deposits. This circumstance is connected in part with January and February commercial settlements, especially in the matter of import trade; which, during 1906, had experienced remarkable expansion. While notice deposits continued to increase until mid-summer 1907, those on demand fluctuated considerably month by month; though showing in general the spring-to-autumn increase ordinarily observable in Canada. But at no time, during 1907, did the amount of total deposits reach the high-mark of December, 1906.

The significance of this trend, as to later business conditions, is more clearly recognized now than then. Up to the close of 1906, total deposits had for years increased rapidly along with total loans, as is usual during periods of marked business expansion. It is to be remembered that deposits originate largely as contra entries on the banks' books, when loans and discounts are granted; the borrower leaves a large part of his loan as an available balance to be drawn upon gradually in the ordinary course of business. But, as was pointed out a week ago, the banks recognized the desirability early in 1907 of crying halt to business and speculative expansion—reading aright the signs of coming difficulties abroad. Therefore, though current loans in

Canada continued to show expansion up to mid-year, fresh borrowings were by no means easy. This led to manufacturers and dealers drawing more closely than usual upon their credit balances with the banks. The result was that, while current loans in Canada increased by over \$38,000,000 during the first half of 1907, demand deposits showed a net decrease of over \$22,000,000—thus directly reversing the normal course of concurrent growth, as will be seen at a glance from the accompanying diagram.



* Including Dominion and Provincial Government.

Naturally, demand deposits—as comprising the more immediate banking balances of business men and others—were first affected by this movement. A little later the decreasing trend is observable for all deposits—but accompanied, during the latter half of 1907 and the opening months of 1908, by concurrent rapid decreases in total loans. That deposits as a whole should fall off to a marked extent, between the close of October, 1907, and the close of February, 1908, was natural in view of the United States crisis; that deposits abroad increased during the months of storm was in part indicative of gratifying confidence in Canadian institutions. At home, however, the period was one of steady drawing upon deposit resources. Not that there was in any sense public anxiety as to banking stability; but current business needs on the one hand, and desire to invest in security market "bargains" on the other, naturally led to inroads upon bank balances. It should be remembered, as THE CHRONICLE pointed out at the time, that all notice deposits are by no means mere savings deposits. Among them are always large special deposits or balances kept by