

# The Chronicle



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### THE NEW BANK STATEMENT.

Note circulation continues to furnish one of the features of interest in connection with the monthly bank statement. During December, circulation increased above the high level reported at November 30th to a new record figure at the close of the year of \$148,735,287, a growth for the month of \$587,316 and for the year of \$26,585,705. That note circulation should attain its highest point in December is without precedent in recent years, and the happening forms an interesting commentary upon existing conditions. The high level of prices, and absorption of currency through the military mobilisation and industrial activity are, of course, largely responsible for this abnormal demand, which is said also to be supported by an increasing use of cash instead of cheques in payment of wages, as a result of the imposition of the two-cent war tax upon cheques. In the case of a firm employing several hundred hands, obviously the tax on cheques would be a consideration, and it appears possible enough that an indirect result of this war-tax has been largely to expand the banks' currency.

While demand deposits, following their slump of \$30,000,000 in November, receded further slightly in December by just over a million to \$458,208,417, notice deposits continued steadily upwards during the month, making an advance of \$8,413,448 to the new high level of \$845,006,717, at which figure they are \$124,016,550 higher than a year previously. The comparatively stable character of notice deposits in comparison with demand deposits makes their steady advance a matter of considerable importance. This piling up of resources should encourage Sir Thomas White in the initiation of further large domestic borrowing operations. On the other side of the account, there is a reflection of the December stock market slump in a decided drop in call loans both at home and abroad. Call loans in Canada show a recession of \$6,825,397 to \$82,569,983, and call loans abroad are down by \$9,372,255 from \$183,250,389 to \$173,878,134. Canadian current loans and discounts, following their remarkable upward jump of nearly \$39,000,000 in November, advanced a further \$6,586,610 to \$820,378,557, at which figure they are \$44,860,610 higher than at the close of December, 1915. The special loans recently arranged by a syndicate of the banks in connection with the British Government's purchases of grain, have been doubtless a contributing

factor in the enlargement of these figures, as well as loans to munition firms and grain and other loans incident to the crop-moving season. Liquidation in these last has probably already taken place to some extent, and it is probable that the January statement will show a considerable reduction in current loans. Municipal loans show a sharp decline to \$24,056,797, which figure is about the lowest reported for these loans since they have been published separately in the monthly returns.

The decline in specie of \$11,391,698 to \$71,172,169 follows a rise of over \$15,000,000 in November. Both changes are doubtless connected with "window-dressing" operations at the end of the banks' fiscal years, and the December decline is partly offset by a rise in Dominion note holdings of \$5,907,349 to \$124,750,241. The banks' ratio of reserve shows but little change from that for November. Against circulation and deposits of all kinds, immediately available reserves of specie and Dominion note holdings, deposits in the Central Gold Reserve and to secure the note issues, bank balances abroad and foreign call loans were in a proportion at the end of December of practically 30.0 per cent. The end of November proportion was 30.6 per cent.

The fact that notice deposits during recent months have made such notable progress upwards, their advance during the last twelve-months, as already noted, being over \$124,000,000, and this in spite of the flotation of a domestic War Loan of \$100,000,000 must not, of course, be taken as an argument that further and greater efforts in the accumulation of savings are not urgently necessary in the national interest. The figures, unfortunately, do not represent the extent of the national effort in this connection, since bank deposits have been very largely swelled during the period by our borrowings abroad. The fact that, as mentioned in a summary of Canadian trade published on a subsequent page, war manufactures are now playing the leading part in our export trade, and that there is no certainty of Europe continuing to take large quantities of our manufactures after the war, constitutes a serious warning as to the possibilities involved to Canadian finance and industry in the cessation of the war, and should prove an additional strong argument at the present time for systematic saving in order that the economic upheaval with its inevitable hardships to individuals may be minimised as much as possible.