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THE GENERAL FINANCIAL SITUATION

The banking effect of the distribution on June 1st last of $15,000,000 interest on Dominion Government bonds is seen in the newly-published bank statement for June. While Dominion Government balances were reduced during that month by $31,227,797 from $117,664,042 to $86,436,245, deposits by the public were coincidently increased by approximately the same amount. Demand deposits at the end of June are reported as $549,327,078, a growth of $13,671,347 during the month, and notice deposits as $965,934,556, compared with $947,757,337 at the end of May, an increase for the period of $18,177,219. These notice deposits, it may be noted, are now $66,000,000 above the low point which they touched last January, when the full force of the Victory Loan flotation was felt, and are within $42,000,000 of their highest point on record, reached last November. They are also $65,000,000 ahead of their total at 30th June, 1917, so that, with increases during the remaining summer and early autumn months on the same scale as last year, their total should be well over a thousand millions when the next Victory Loan campaign is undertaken. The rapid recovery of these deposits from the low level of last January is, of course, in part a result of the distribution all over the Dominion of the funds borrowed by the Government, while the $40,000,000, credit which was arranged in New York some time ago in connection with British purchases of Canadian butter and cheese would also have a substantial effect in this connection.

While exports moved forward freely during June, a circumstance which would tend to depress the banks' commercial loans and discounts, and to increase deposits, it is noteworthy that the banks' commercial loans are again reported in June at the new high record figure since the outbreak of war of $897,226,012. The increase over the May total, $2,408,899, is not large in itself, but compares with a decrease of $5,534,807 in June, 1917, and in twelve months, these loans have been enlarged by approximiately $58,000,000. The strong demand for bank credits for other than war purposes is also shown by a further slight rise in the banks' municipal loans, which are reported at the new high level of $58,000,424. In the last six months, these loans have increased by $18,000,000 as compared with a growth of $8,300,000 in the first half of 1917. Call loans in Canada were decreased slightly during June by $1,495,662 to $76,970,920, and there was also a slight decrease of $2,225,403 in call loans abroad, which were reduced from $172,259,879 to $170,034,476. Current loans abroad in June were $3,732,363 larger at $103,033,289, and about $10,000,000 larger than a year ago.

The recent circular of Mr. E. L. Pease, president of the Canadian Bankers' Association, regarding the necessity for the conservation of credit, has been followed by an announcement along the same lines by the important Federal Reserve Bank of New York. Action by banks along these lines is necessarily a delicate operation. The ramfications of demand arising from the war are so wide that credit must be freely maintained in numerous directions, while the present high level of prices imposes a responsibility, the extent of which is shown by the figures of the Canadian banks' commercial loans and discounts given above. To what extraordinary lengths, high prices effect the volume of banking credits is shown in the instance addressed by the Federal Reserve Bank of New York, of a cotton mill, which ordinarily has $1,000,000 worth of raw cotton on hand. At present, it has $2,000,000 tied up in practically the same quantity. With the heavy calls of the coming autumn months looming ahead of them, it will doubtless be the policy of the bankers to discourage as far as possible, credits for purposes not absolutely necessary, while lending freely for purposes connected with the war, or the increased production of necessities.

An expressive fact mentioned in recent London cables is that dispite the daily sales of British war bonds, general securities are steadily appreciating. The 387 representative stocks selected by the "Bankers' Magazine" as an index to market values now show an appreciation of 90,000,000 pounds sterling within three months. This fact is not only highly significant of financial London's opinion regarding the course of the war, but is of considerable practical importance to such large holders of securities as the great British insurance companies. In the main, these companies have dealt with the war-time depreciation of previously-issued securities in drastic fashion, and accordingly they stand to benefit considerably by the appreciation which is bound to follow any real signs of the satisfactory termination of the struggle, and of some lessening of the demands upon money and credit.

Publication of the order-in-council covering the details of the increases in freight rates grant-

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