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## BANK CREDITS AND RESPONSIBILITIES.

The October bank statement contains some interesting reflections of the heavy obligations and responsibilities which have to be shouldered by the banks this fall, not only in connection with special financing of exports, but also in meeting the ordinary demands of the Dominion's industry and trade. As regards the former, the rise of nearly \$50,000,000 in the banks' holdings of Dominion securities during October is a result, doubtless, of the credits granted early in the fall for the British Government's purchases of Canadian packing products and wheat. These holdings of Dominion securities are reported at October 31st as \$191,939,668, against \$142,698,962 at September 30th, an advance during the month of \$49,240,706. The credit for the purchase of packing products was \$75,000,000 and that for the purchase of wheat, \$100,000,000. With regard to the wheat credit, the British authorities undertake to take up and pay cash for all grain bought under this credit, upon its arrival at the seaboard, so that the advances will liquefy themselves promptly when the grain is exported. The advances for the purchase of packing products will possibly be repaid out of the proceeds of the Victory Loan. In discussing the strain which these special credits impose upon the banks, it was pointed out recently in the Journal of the Canadian Bankers' Association that "the British securities taken in case of the munitions credits may run for an indefinite period, and if the securities acquired through the packers' credit are similarly subject to renewal, there will be a substantial addition to the dead load, which the banks are required to carry. . . . These successive special credits, a number of which leave a residue of dead loans to carry, emphasize the necessity of foreign loans. With our foreign trade running as at present, loans in the United States are a necessary counterpart to the credits extended by us to Britain. Unless we get advances to cover a considerable part of our excess of purchases in the United States, our external reserve of quick assets may quickly melt away, and a serious situation may develop. The call loans and bank balances we own in New York are just now among our strongest and most valuable reserves, and if they were cut down considerably our whole financial position would be affected."

The effect of borrowing in the United States will be produced by the transaction, announced during the last few days in course of arrangement, by which a credit of \$250,000,000 will be given by the American Government to the British Government for the

purchase of the balance of this year's Canadian wheat crop, beyond the amount which has thus far been financed by the banks. This transaction, if it finally goes through, should have a useful effect in lessening the strain upon the banks, besides assuring the sale at the fixed price of the whole of Canada's exportable surplus of wheat, with a consequent increase in the wealth of the farming community, resulting in continued general trade activity and further enlargement in bank deposits. As a result of the strain recently imposed upon the banks, foreign call loans, part of the banks' first line of reserves, were reduced during October by \$15,461,257 from \$166,480,004 to \$151,018,747, at which figure they are over \$38,000,000 below their level at the corresponding date of 1916. Foreign bank balances, also part of the banks' first line of reserves, while higher in October than in September, are over \$27,000,000 lower than at the close of October, 1916.

Apart from special credits in connection with the maintenance of Canada's export trade in the aid of the Allies, the marketing of a high-priced crop of all forms of agricultural produce, and possibly also loans to manufacturing firms in connection with new munitions contracts, resulted in the banks' commercial loans during October going to a high level. At \$883,986,860, these loans show an increase of \$28,679,907 for the month, and of \$109,058,638 for the twelve-months. The increased demand for commercial loans has extended to the banks' foreign branches, commercial loans abroad showing a growth of \$6,556,540 for October to \$93,821,865, an advance for the year of \$14,362,444. Municipal loans are down by \$1,500,000 for the month to \$41,204,781, but are \$3,591,251 higher than a year ago. As regards the deposit accounts, the month's increase of \$42,000,000 in the balance due to the Dominion Government would be a result of the credits already referred to. Demand deposits are up by \$43,308,917 to \$495,058,449, partly as a result of the increase in commercial loans, and partly also, it is suggested, as a result of special transactions in connection with war orders. Notice deposits continue their steady advance, increasing a further \$20,397,309 during October to \$985,790,850, a growth of \$171,493,446 during the twelve-months.

Any effect upon these deposits as a result of the various payments upon the Victory Loan will likely be only temporary, as the proceeds of the Loan will speedily go into circulation again. Meantime the western farming community will be depositing the proceeds of sales of high-priced wheat. "These new deposits of the farmers," remarks

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