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THE MAY BANK STATEMENT.

The May bank statement reveals a considerable amount of liquidation. In part, the sharp decline in the totals reported by the banks is seasonal, reflecting the running-off of grain loans as wheat has been moved forward to hungry Europe; in part, it is due to the liquidation of temporary advances made to the Dominion Government and now repaid out of the proceeds of the last War Loan; in part, to a reduction in Canadian call loans. The decline in Canadian current loans, reflecting the forward movement of wheat, etc., is decidedly substantial, amounting to $35,633,308. These loans are thereby reduced from $880,523,897, at which figure they stood at the end of April, to $844,890,589 at the end of May. But at the latter level, they are still $81,753,672 higher than at the corresponding date of 1916, which is good evidence of the extent of the demands made upon the banks in consequence mainly of the higher range of commodity prices. As regards the liquidation of Government loans, this is shown in a reduction in holdings under the heading of Dominion and provincial securities, from $113,592,312 to $93,837,853, a decrease of almost $20,000,000. Half of the $50,000,000 loan made by the banks to the Dominion Government earlier in the year was repaid during May, and the balance on the first of this month. However, the latter operation is not likely to show markedly in the June bank statement, as it will be offset by a new temporary credit to the Government of $25,000,000, being the first instalment of the $75,000,000 credit recently arranged. May's decline in Canadian call loans, amounting to $4,222,619 and bringing them down from $82,737,417 to $78,514,798 is due, at least in part, to repayments of loans made in connection with the flotation of the last War Loan, and additionally, the banks have been keeping a firm rein upon their Stock Exchange loans. In connection with the bank loan situation, it should be remembered that the banks have not only to look forward to a programme of indefinite length in connection with the war financing of the Dominion Government and Imperial Munitions Board, but also, they have to be prepared to meet a heavy demand for grain loans in the late summer and early fall. A very large crop, and high prices, however satisfactory they may be from the point of view of the Dominion as a whole, will have the effect of enhancing the burden of the banks. With these possibilities in mind, the grave warnings recently given by leading bankers regarding the necessity for the abrogation of borrowings which are not altogether necessary, assume a proper perspective. In uttering these warnings, bankers were less concerned with immediate conditions than with obvious developments in the near future, and the uncertainty as to the length of time during which they will be required to continue their measures of war financing.

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Another demand upon the banks might have been added to those mentioned above—the requirements of municipal authorities, who now find the American as well as the British market closed to their loans. There is a reflection of this state of affairs in the growth during May of the banks' municipal loans from $35,931,996 to $39,790,191, or by $3,858,195. It is certain, however, that the banks will only be responsive to the demands of municipalities in this connection, when absolute need for essentials can be shown, and that the municipal authorities will be required to exercise the strictest economy in their expenditures. So far as the banks' deposit accounts in May are concerned, the decrease of $27,472,438 in demand deposits to $443,839,847, reflects in part the loan decreases already referred to. That notice deposits continue steadily on the up grade is satisfactory. Their May growth amounted to $17,613,933, bringing them up to $892,562,657. In this connection, the hoarding of resources by corporations, instead of their distribution or immediate employment in new plant, probably has an important effect. The foreign deposits of the banks showed the substantial growth of $23,659,690 during May, making a total of $206,682,376. The increase in the banks' New York balances from $41,650,972 at the end of April to $61,704,345 at the end of May, is a consequence of the considerable amounts due to Canadian exporters. Circulation shows a moderate decline to $3,897,023 to $142,653,596. As a result of the month's liquidation, the banks improved their reserve position considerably in comparison with April. 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 May of 27.9 per cent. The end of April proportion was 26.3 per cent.