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THE GENERAL FINANCIAL SITUATION

The outstanding feature of the March bank Statement is the remarkable increase in the banks' commercial loans and discounts, an increase which, in conjunction with the more moderate growth of deposits by the public, furnishes pretty conclusive reasons for the prevalent tightness of funds for speculative purposes. The March enlargement of these loans by $65,251,428 is the largest which has been recorded since November, when they advanced by some $84,500,000, and compares with an increase of under $22,000,000 in March last year, when the total of these loans was some $205,000,000 less than the aggregate of $1,322,267,030 reported for last month. This aggregate represents an advance of no less than $310,000,000 from the 1919 low point of these loans reached at the end of August last year.

While the higher range of prices of practically all staple commodities in comparison with those ruling a year ago has much to do with this increase, it is stated also that an important influence is the large accumulation of commodities pending the usual spring moving. While this accumulation and consequent enlargement of commercial loans and discounts is a seasonal one, it is reported as being on a much more extensive scale, than usual this year. In this connection, it is to be remembered that transportation has been considerably hindered during the last few months by a series of strikes, the cumulative effect of which is eventually reflected in these current loans. Normally these loans begin to decline in April, and it will be interesting to note the extent of the summer decline this year. In 1919, between March and August, the decrease in these loans was approximately $114,000,000. Were a similar decline to take place during the coming summer, they would yet remain at a very high level, when the customary seasonal expansion begins next autumn.

Canadian call loans expanded during March by $1,081,391 to $128,233,310 at which figure they are over $40,000,000 higher, than at the end of March 1919. Call loans include some loans on commodities as well as Stock Exchange loans, and the increase is, of course, a result of advances in loans on commodities. Deposits by the public in Canada make a fair showing. Demand deposits are increase by $37,342,473 to $657,412,028 and notice deposits by $10,692,263 to $1,197,719,570. It will be noticed that these latter deposits, which furnish the sinews of war for the banks' commercial loans and discounts, are now a long way behind the total of the latter, and while this condition of things remains, any really easy money conditions are not to be expected. The rise in these deposits for twelve months of under $160,000,000 compared with a growth in current loans and discounts for the same period of $205,000,000 indicates the extent to which the latter have been outstripping the former.

Two of the larger Canadian banks have announced important increases in paid-up capital within the last few days. The issue of $2,000,000 announced by the Bank of Montreal is generally understood to be a sequel to its recent purchase of an important interest in the Colonial Bank; the issue of $3,400,000 by the Royal Bank is apparently for general purposes of development in Canada. In both cases the issues are to be made at a substantial premium so that the respective banks' resources will be increased very fairly thereby. In circumstances like the present, such issues are to be welcomed as augmenting permanently the banking resources of the country, while they are at the same time an indication that the executives of the respective banks foresee opportunities for business expansion on a profitable basis.

The precipitous break in the prices of industrial stocks on the New York Exchange at the middle of last week was necessarily shared in to some extent by the local markets. In Montreal, however, prices did not descend to the extent that might have been anticipated, and there has been a quick recovery under the lead of the paper stocks. The slump in New York appears to have been the result of professional manipulators in motor and oil shares coming up against a 15 per cent. call money rate and being unable to unload on the public. There is frank anxiety among New York financial commentators regarding the possibilities of a "money squeeze" in the fall. The recent weakness in sterling at New York is understood to be the result