

The Chronicle

Banking, Insurance and Finance

ESTABLISHED 1881.

PUBLISHED EVERY FRIDAY.

F. WILSON-SMITH,
Proprietor.

ARTHUR H. ROWLAND,
Editor.

Office:

406-408 LAKE OF THE WOODS BUILDING,
15 ST. JOHN STREET, MONTREAL.

Annual Subscription, \$3.00. Single Copy, 10 cents.

MONTREAL, FRIDAY, JANUARY 4, 1918

THE NEW BANK STATEMENT.

The bank statement for the month of November shows the condition of bank deposits and other accounts immediately prior to the extensive transfers to the credit of the Government resulting from the issue of the Victory Loan. Deposits by the public were substantially increased during the month. Notice deposits, which crossed the nine hundred million mark last June, are reported for the first time in excess of a thousand millions. Their total of \$1,008,657,874 marks an increase for the month of \$22,867,024 and for the twelve months of \$172,064,605. Demand deposits also made a very substantial increase during November, their aggregate of \$538,869,362 showing a growth of \$43,810,913 for the month and of \$79,591,908 in comparison with November, 1916. Their November expansion is doubtless connected with the coincident enlargement of the banks' holdings of British, etc., securities, which increased during November nearly \$46,000,000, and reflect the arrangements made early in the fall for the purchase by the British Government of wheat and other Canadian products.

EFFECT OF VICTORY LOAN PAYMENTS.

With regard to the effect of the Victory Loan payments upon the banks' deposit accounts, the first payment on December 1st took approximately \$40,000,000. But presumably the most marked effect will be seen this month. Experience with preceding war loans has shown that a large proportion of Canadian investors are not accustomed to the idea of paying subscriptions to security issues in instalments and will prefer to pay up in full before the 15th of this month. Additionally, the discount at the rate of $5\frac{1}{2}$ per cent. per annum allowed on prepaid instalments makes payment in full exceedingly attractive for those who have the cash ready at hand. It is to be expected, then, that the January bank return will show a decided decrease in the notice deposits of the banks. But decrease in this respect is likely to be only temporary. In the case of Victory Loan funds expended by the Government in Canada, they will immediately come back to the banks in the shape of fresh deposits by manufacturers, employees, tradesmen, insurance companies and others. Funds used to settle for materials purchased abroad will, of course, be lost to the banks, and the settlement out of the proceeds of the Victory

Loan, of the temporary loans made by the banks to the Government in anticipation of that loan, will have the effect of reducing deposits, through the cancellation alike of the bank loans and of the Government balances to a corresponding amount. For what period the proceeds of the Victory Loan will suffice the requirements of the Government remains to be seen. In any case, with the continuance of the war through 1918, a further loan will presumably be preceded by new temporary credits by the banks, whether for Canadian Government financing or for British Government purchases, and these credits will have the effect of swelling the banks' deposits.

LOAN ACCOUNTS AND SECURITY HOLDINGS.

The banks' loan accounts show continued concentration upon national financing. Allusion has already been made to the increase of nearly \$46,000,000 to \$218,405,643 in the banks' holdings of British, etc., securities, as a result of new financing of the British Government's purchases. Additionally, holdings of Dominion and provincial securities were increased \$3,568,421 during November to \$195,508,089. Total security holdings of the banks at the end of November were \$470,128,272, compared with \$260,411,972 at the end of November, 1916, a growth for the year of \$209,716,300. Dominion Government securities will be shortly reduced through repayment of temporary loans out of the proceeds of the Victory Loan, and possibly the British securities will be also reduced by the arrangement made in the case of the wheat credit for the payment of cash at the seaboard. It is generally understood, however, that some of the munitions credits to the British Government may run for an indefinite period, so that it is to be expected this item in the banks' statements will continue at a very high level. Canadian current loans and discounts were reduced by over \$15,000,000 during November to \$868,973,714. This movement is in sharp contrast to the experience of November, 1916, when these loans expanded nearly \$39,000,000; to some extent, no doubt, the Government credits already referred to have taken the place of seasonal current loans. However, even at their reduced level, these Canadian loans and discounts are \$55,000,000 higher than twelve months ago, while current loans abroad, which moved up slightly during November to \$95,954,524, are similarly practically \$20,000,000 higher than in November, 1916.

RESERVE POSITION STRENGTHENED.

Call loans abroad are down by over \$12,000,000 to \$139,832,552; London balances are almost \$4,000,000 lower than in October; New York balances, \$6,500,000 higher. The expansion of specie holdings during the month by \$8,228,824 is doubtless a sign of a little ingenuous window-dressing in anticipation of annual statements. Dominion note holdings increased \$27,864,651 to \$165,515,137—the repayment of the banks' temporary loans to the Government out of the proceeds of the Victory Loan will serve to cancel some of these. A further deposit of \$10,350,000 was made in the Central Gold Reserve, bringing this up to \$91,120,000 against \$43,300,000 last year, in order to keep pace with the growth in the banks' own circulation, which expanded during the month a further \$6,282,903 to \$196,135,810, against \$148,197,971 in November, 1916.

(Continued on page 5.)