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THE GENERAL FINANCIAL SITUATION

The bank statement for the month of June indicates that the policy put in force by the banks some three or four months ago of restricting credit has not yet begun to have a marked effect upon the banking figures. Under Canadian conditions, it is natural that a policy of this kind should take time to show results. At any time a large proportion of the banks' financing is concerned with the purchase of imported goods, contracted for long in advance, and with the delays inseperable from present day deliveries owing to scarcity of raw materials and transportation difficulties, the time necessary for the completion of merchandising transactions is indefinitely lengthened. As it is, the June Bank Statement shows a further heavy increase in the current loans and discounts, which were enlarged during the month by $16,071,102 to the new high record figure of $1,365,151,083. This total is no less than $321,438,151 higher than the level reached by these loans at the end of June, 1919, figures which speak plainly enough of the onerous character of the demands made upon the banks as a result of the rise in prices and the stocking-up process in numerous lines, following the famine of the war years. That this remarkable increase in current loans and discounts is closely related to the extraordinary rise in imports during recent months, there can be no doubt. The small growth of circulation during the last two or three months, in June amounting to less than a million and a half, is conclusive evidence that this increase in loans is not the result of domestic activities.

In regard to notice deposits, which form the backbone of the bankers' commercial loans and discounts, there was substantial growth during May, but these deposits again failed to keep pace with the increase in loans and are much behind the aggregate of the latter. At $1,243,700,977 these deposits show a growth of $14,627,462 for the month, and of $104,131,407 for the year. The difference between this year's growth of $104,000,000 in notice deposits and of $321,000,000 in current loans and discounts indicates to what an extent deposits are failing to keep up with loans. As regards the banks' call loans in Canada, these show a decline for the month of June of $3,841,906, which is possibly mainly a result of the liquidation of commodity loans as a result of the seasonal export of goods.

These banking figures are, of course, closely related to the developments of recent months in the Dominion exterior trade, which are certainly of a very extraordinary character.. In the three months to the 30th June, our imports increased by no less than 75 per cent. in comparison with the corresponding three months of 1919, from $200,615,000 to $346,303,000. Concurrently, exports were actually lower, being $237,236,000 against $244,096,000 in 1919. Thus a favourable trade balance in the three months of 1919 of $44,000,000, is converted this year into an adverse balance of $109,000,000. The change is no doubt a result of the re-development of British trade with Canada, and the ability to secure goods which for a few years were unprocurable. Our imports from Great Britain for the last twelve months have more than doubled in comparison with their total for the preceding year, and, textiles, it may be noted play a large part in both the British and total figures of imports. On the other hand, the expectation which was freely expressed six months ago that heavily adverse exchange would eventually have a considerable influence in reducing our imports from the United States, has not been realized. So far from our imports for this quarter being reduced, they are actually $22,000,000 larger in the last twelve months than in the preceding year.

Continuance of this heavy adverse balance of imports for any length of time would have undoubtedly serious results. These imports are not being paid for to any extent, as in the years 1911-1913, by borrowing abroad. A certain amount of Canadian bonds are being sold in the United States, and American industrial enterprises of one kind and another are steadily increasing in numbers in Canada, particularly in the province of Quebec. But funds in this connection are obviously insufficient to meet an adverse balance of imports increasing