

From the foregoing it may be seen how an unfavorable loan market in London tends nowadays to make stringent or tight monetary conditions in the Dominion. The banks find that the corporation deposit balances are drawn upon and at the same time they are obliged to lend large sums to municipalities and other corporations for purposes which are, under other conditions, financed by means of security issues in London.

In 1906 and 1907 Canada went through a situation that was in some respects similar. The 1906 and 1907 experience was more serious because the obstacles in the way of outside borrowing were more formidable and because the period of tight money was protracted. When London opened wide its coffers in 1908 and following years the corporations made haste to repay the banks by means of bond issues. The monetary situation, by reason of this and other forces, relaxed. Perhaps we may hope that a more favorable market in London for our securities will have an immediate effect in making conditions in the Montreal and Toronto markets more satisfactory for the borrowing classes.

THE MARCH BANK STATEMENT.

The feature of the March bank statement is the increase in Canadian current loans. For the first time they have gone above \$700,000,000, reaching at the end of last month \$710,604,072, against \$680,234,781 at the close of February, and \$624,550,051 twelve months ago. There is thus a March increase in this item of \$21,360,291. This increase is not quite so large as in March of 1910, when there was an advance in these Canadian current loans of \$22,005,512. But it will be recollected that last year the break-up of the winter came at a particularly early date, and that the activity, which is in Canada always associated with the spring, was, therefore, inaugurated in advance of the normal time. But this year there was a later break-up of the winter than last year, and it is possible that weather conditions may account for the difference in this respect between March of 1911 and March of 1910.

We described last year the reasons for this marked movement upward in Canadian current loans, which normally marks the returns of the banks at this time of the year. "In this movement," we then said, "is seen one effect of the activity of the representative industrial and mercantile concerns in preparing for the operations of the coming summer. There is raw material to accumulate; improvements to equipment and plants are to be completed; and the importers have been getting in fabrics and merchandise from abroad to supply the spring and summer trade. All these things

necessitate an increased demand upon the banks for credit." That the demand for credit has been such as to involve an extension within the month of March of \$21,400,000 is an excellent indication of the expanding trend of affairs.

It is extremely probable that the \$10,000,000 gain in demand deposits is largely accounted for by this loan expansion, though it may also be that these demand deposits have been replenished by transference from special accounts, which come under the heading of notice deposits, it being now desired to utilize these funds which have been thus kept on deposit until required. The smallness of the increase in notice deposits, only just over \$1,600,000, to \$553,032,401 suggests that operations in connection with special accounts have been carried through. It is known that there are thus kept on deposit from time to time very large sums, and the withdrawal of one or a number of these simultaneously for commercial purposes would have the effect of neutralising in the banks' return the increasing savings of small depositors.

The increase in Canadian loans synchronises naturally with a further fall in the amount of call loans, both at home and abroad, and in the amount of current loans abroad. The continued expansion of the last twelve months in Canada has in these respects brought about a great change in the banks' returns. The following table shows their net foreign investments as at the end of last month, and on the corresponding dates one and two years ago:—

	March 31, 1911.	March 31, 1910.	March 31, 1909.
Due by banks in U. K. . .	\$14,019,243	\$11,291,887	\$5,360,812
Due by banks elsewhere . .	28,712,888	24,487,969	29,905,683
Call loans abroad	85,250,789	130,194,540	117,850,605
Current loans abroad . . .	35,512,495	40,719,679	34,915,132
	\$163,496,415	\$206,694,075	\$188,032,232
Due to banks in U. K. . .	\$2,563,989	\$3,398,212	\$4,585,032
Due to banks elsewhere . .	4,211,926	3,655,046	3,357,914
Deposits abroad	72,052,067	85,948,201	73,951,501
	\$78,827,982	\$93,001,459	\$81,854,447
Net investment abroad . . .	\$84,668,433	\$113,692,616	\$106,137,785

The most surprising feature of this table is the foreign call loans, which have actually been reduced by \$45,000,000 during the last twelve months. And the net result of the showing is that the banks had \$20,000,000 less funds abroad at the end of last month than they had a year previously. In that same period the increase in Canadian current loans is \$86,000,000.

The upward movement of circulation last month was somewhat less than in March, 1910, probably due to the fact that, as already mentioned in our columns, some lumbering parties were paid off