

the position of the banks. Unfortunately, the financial panic which swept over the world in the latter part of 1931 reversed the trend. With confidence in the stability of financial institutions severely threatened, these institutions were compelled to still further strengthen their position by the liquidation of securities and the curtailment of credit. However, by the end of 1931, the panic had largely passed and the trend to easier credit conditions set in again during the early months of 1932. Current loans, which had reached a high point in October, 1929, at \$1,473,000,000, declined to \$1,150,000,000 in December, 1930, and to \$1,082,000,000 at the end of 1931. Notice deposits were \$1,426,000,000 in December, 1930, and \$1,360,000,000 in December, 1931. Whereas current loans had exceeded notice deposits in October, 1929, there was a surplus of notice deposits amounting to \$277,000,000 at the end of 1930, rising to \$334,000,000 in August, 1931, and receding again to \$278,000,000 in December. During 1931 the gold held against Dominion notes declined from \$93,800,000 to \$64,000,000, and the circulation of Dominion notes declined from \$175,400,000 to \$174,400,000.

As the interest rate on current and call loans in Canada is fairly well stabilized, the trend of interest rates may be determined by the prices of high-grade bonds and those of the Ontario Government have been used as representative, its bonds having been subject to income taxation throughout. The yield on Ontario Government bonds reached a high point at 5.00 p.c. in May and September, 1929, and declined to 4.50 p.c. in December, 1930. There was a further decline to 4.40 p.c. from May to September, 1931, after which the rate rose steeply to 5.20 p.c. in December, 1931, and 5.74 p.c. in January, 1932. A declining trend was in evidence again in the next four months of 1932, and a substantial decline in current rates in external money markets since then indicates a return to easy credit conditions once more.

Common Stocks.—The deflation of common stock prices which began in the autumn of 1929 continued throughout 1930 and the decline was carried still further in 1931. The curtailment of industrial operations and the severe decline in wholesale prices reacted against the revenue prospects of Canadian corporations. The stock markets showed some strength in the opening months of 1931, the general index of common stocks rising from 103.1 in December, 1930, to over 110 in February and March, 1931. After that, however, another severe decline set in carrying the index down to 64.6 in October and, after a temporary rise in November, to a still lower point at 54.0 in April, 1932. Stocks of companies abroad and of utilities were the most severely affected.

Summary and Outlook.—The various statistics quoted indicate that production, industry and commerce declined to a low level in 1931, lower in most cases than that which prevailed in 1930 and much below the levels of 1928 and 1929. However, it should be borne in mind that the period from 1927 to 1929 was one of an abnormally high level of activity, resulting, partly, from several years of bountiful crops which were readily absorbed in world markets at profitable prices, and greatly augmented by an unwarranted inflation in the prices of common stocks and other securities. Therefore, comparisons between the year 1931 and those abnormal years are misleading. Furthermore, it is obvious that in the reaction and readjustment after a period of inflation the recession in activity will be carried below the level of the normal trend of growth. In the present case, the period of readjustment has been complicated by abuse and disruption of the normal functions of international trade and finance. It is, therefore, reassuring to see how well the activities