

(\$2.5 billion) and other loans (\$0.8 billion) during the year. The total amount of loans exceeded by about \$1 billion the 1973 level; borrowing by means of bank and other loans was particularly important in the first half of the year, but slackened appreciably in the last two quarters. The striking point in short-term borrowing is the return to the short-term commercial paper market. Total funds borrowed through this market amounted to \$0.9 billion in 1974, after a net reduction of \$238 million and \$12 million in 1972 and 1973, respectively. The return to commercial paper as a source of financing in 1974 reflected sensitivity to the differential between bank loan and commercial paper rates as competitive sources of funds. Total funds borrowed in the form of mortgages, bonds and stocks amounted to \$2.5 billion in 1974, up from \$2 billion registered in 1973. While there were substantial increases in net new issues of bonds and in mortgage debt, the net new issue of shares by this sector was reduced to \$0.8 billion from a net amount of \$1 billion in 1973.

The chartered banking system grew at about the same pace as in 1973. A strong increase of \$4.6 billion in financial assets in the last quarter brought the total to \$12.3 billion for the year, compared to \$12.1 billion in 1973.

Loan assets held by the chartered banks increased by \$5.9 billion in 1974, compared with \$5.1 billion in 1973. Although the rate of growth of the banks' Canadian dollar loans moderated in 1974, this effect was more than offset by the increase in foreign currency loans granted to Canadian residents, particularly in the first three quarters of the year; these foreign currency loans were financed by a large increase in foreign currency deposits in the first two quarters of 1974. The banks' share in the market for consumer credit continued to increase in 1974 despite a noticeable slowing in consumer demand for durable goods since the second quarter of the year; the net increase in the banks' consumer loans amounted to \$1.9 billion in 1974, compared to \$1.7 billion in 1973. The high level of consumer loans granted by the banks was in part at the expense of other lenders in that market. The banks net mortgage investment increased at the same rate as in 1973 despite the decline in mortgage loan approvals in the second half of 1974 which was reflected in lower activity in the mortgage market during this period. Following a large reduction of about \$0.5 billion in holdings of bonds in 1973, the chartered banks directed near \$1 billion into that market in 1974.

The rate of growth of chartered banks' deposits recorded little change in 1974, despite an important reduction of \$908 million in foreign currency deposits in the second half of the year. The reduction in foreign currency deposits appears to have resulted from a shift by depositors into short-term Canadian dollar deposits as rates paid on these deposits became relatively more attractive, particularly in the latter part of the year; furthermore, the decrease in swap deposits may also have been caused by an important swing to a discount on the forward Canadian dollar during the fourth quarter. Canadian dollar deposits, on the other hand, increased by a sizable \$10 billion in 1974, compared to \$6.9 billion in 1973. The banks were particularly successful in attracting large amounts of funds into non-chequable savings and fixed-term deposits in 1974, but demand deposits remained relatively stable over the year as a whole. More than half the annual increase in total Canadian dollar deposits took place in the fourth quarter, and reflected Government of Canada deposits resulting from the large sales of the Canada Savings Bonds.

The rate of growth of non-bank deposit-taking institutions, (Quebec savings banks, caisses populaires and credit unions, trust and mortgage loan companies) strongly affected by the moderation in the level of consumer expenditures and residential construction in the second half of the year, decelerated substantially in 1974. The growth of financial assets amounted to \$4.4 billion during the year, down from the \$4.8 billion registered in 1973. All near-bank institutions registered a reduced rate of increase in financial assets in 1974.

Although the near-banks continued to play an important role as suppliers of mortgage funds in 1974, they suffered considerably from the general slowdown in residential construction in the second half of the year. Total mortgage funds supplied by all institutions in Canada in 1974 amounted to \$7.5 billion, compared to an amount of \$7.0 billion in 1973, but the net amount supplied in the second half of the year (\$3.5 billion) was substantially lower than the net amount supplied for the same period last year (\$4.0 billion). Mortgage lending rates increased steadily from the first quarter to the end of the third quarter, stabilizing only in the last months of the year.

Near-banks, which had provided close to half the total net increase in mortgage funds in the first six months of 1974 supplied only 37.9% in the second half of the year; that proportion