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INTERNAL TRADE BRANCH

Dominion Statistician: R.H. Coats, LL.D., F.R.S.C., F.S.S. (Hon.)
Chief, Internal Trade Branch: Herbert Marshall, B.A., F.S.S.
Prices Statistician: H.F. Greenway, M.A.

PRICE MOVEMENTS, OCTOBER 1936 (PRELIMINARY)

COMMODITIES

Commodity markets generally were stronger during October than for several months past, although reactionary tendencies appeared in the latter half of the month. Thus the Dominion Bureau of Statistics wholesale price index mounted from 76.7 at the beginning of October to a new recovery high of 77.1 in the second week, and then dropped back to 76.8 at the close. Grain prices continued to play a prominent part in influencing index fluctuations. They moved sharply upward until October 14 and then reacted irregularly for the balance of the month. The rise was motivated by a serious drought condition in Australia, while the subsequent decline coincided with lower export demand for Canadian wheat and pressure from southern hemisphere offerings. Non-ferrous metals were all stronger, copper leading advances in this section with United States October sales setting a new all-time record. Raw silk moved up sharply both in Japanese and American markets, due in part to active speculative interest. The strong statistical position of rubber led to a 5 p.c. increase in 1937 quotas without any adverse effect upon prices. Eggs and potatoes were higher, but a weak tone prevailed in livestock markets, and cured meats also declined.

COST OF LIVING

Fairly substantial reductions in prices of a few of the more important foods partially offset by firmness in fuel, clothing and rentals resulted in a decline in the general cost of living index for Canada from 81.2 in September to 81.0 in October. The comparative figure for October, 1935, was 80.3. The food index, following an upward movement extending over the period of the last five months, reversed direction and receded from 75.1 to 74.4. Higher quotations were recorded for eggs, cheese, milk and beans, but these were more than offset by easier prices for creamery butter, potatoes, onions and ~~meats~~. The fuel group influenced by seasonal advances for coal and coke registered a rise from 86.1 to 86.3.

SECURITIES

The unusual strength in industrial common stocks which developed early in September continued to carry prices steadily upward without any reaction of consequence until the fourth week of October. At that time temporary declines occurred in a few market leaders, but the general list was again advancing in the closing days of the month. An index of industrial prices mounted from 205.2 for the final week of September to 216.0 for the week ended October 22, and then dropped back to 214.3. At this level, it was the highest since April 1930, and higher than in the two closing months of 1929. The advance was led by issues including the two largest industrial mining stocks, Nickel and Consolidated Smelters, along with Brazilian, the oil stocks, and the iron and steel section. Utilities also showed strength mounting from 55.2 to 59.7 during the month, with most of this gain being registered in the second week. Gold stocks continued to lose ground, falling from 129.3 to 125.7, but base metals surged upward from 275.4 to 295.2 under the stimulus of higher metal prices in world markets. Growing interest in common stocks was accompanied by moderate declines in long-term bond markets. Market factors included the flotation of the large \$51,000,000 Quebec issue, and default of another small Alberta maturity. An index of Dominion of Canada long-term bond prices dropped from 118.2 to 116.6, while a yield index of the same issues rose from 64.3 to 67.2. Long-term Dominion issues rallied strongly in the closing days of October, although shorter term ~~issues~~ failed to record much improvement.

FOREIGN EXCHANGE

Repercussions following the devaluation of the French franc on September 25 continued on into the first half of October. On the 5th, the Italian lira was devalued by 40.93 p.c., bringing it back almost exactly into line with its 1931 parities at London and New York. The gold content of the Czech crown was reduced further by between 15.34 p.c. and 22.97 p.c. on October 8, following a 16 2/3 p.c. cut in February 1934. Earlier violent fluctuations of leading exchanges terminated on October 8, when Montreal quotations on sterling were just above \$4.89 in contrast with \$5.06 prior to the franc devaluation announcement. The new franc level of approximately 4.65 cents compared with mid-September quotations of about 6.59 cents, while the United States dollar rate remained close to par throughout this transitional period. The first step towards re-establishment of stable currency levels was made public on October 13 when it was announced that the stabilization authorities of the United Kingdom, the United States and France had arranged for the transfer of gold without restriction between the three stabilization funds of these countries. Reductions in the French and Dutch bank discount rates on October 16 ~~became~~ further testimony of lessening tension.

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