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PRICE MOVEMENTS, DECEMBER, 1936 (PRELIMINARY)

COMMODITIES

Rapidly rising basic commodity markets carried the Dominion Bureau of Statistics index number of wholesale prices upward 4.6 p.c. during December, the greatest gain for a single month since the speculative rise in July 1933. The index for the final week of December was 80.8 as compared with 77.2 for the end of November. This was 11 p.c. above levels at the beginning of 1936. The December rise, although led by wheat which was quoted at the highest prices since January 1930 was supported by a wide variety of raw materials. Rubber and the non-ferrous metals were again very active and raw cotton was unusually strong. The characteristic rigidity of iron and steel prices was broken by appreciable increases during December. Intimations were current that United States commodity exchanges might take steps to curb speculative activity, by increasing traders' margins. The relative movement of prices during the past year in different commodity groups is indicated by the following percentages of increase: Vegetable Products 28.0, Animal Products 1.8, Textiles 2.0, Wood Products 5.8, Iron and Its Products 4.9, Non-Ferrous Metals 17.8, Non-Metallic Minerals 0.5, Chemical Products 1.9, and Canadian Farm Products 29.6.

COST OF LIVING

A moderate advance in food prices was reflected in a slight rise in the general Canadian cost of living index from 81.7 in November to 81.8 in December. The comparative figure for December, 1935, was 80.5. Influenced by seasonal gains for butter, eggs, milk, beans and potatoes, the food index increased from 75.0 to 75.3, the highest point recorded during the year. Practically all meats showed declines. Food prices in December, 1936, were almost 25 per cent. above the depression level reached in the spring of 1933, but were still more than 29 per cent. lower than at the beginning of 1930.

SECURITIES

Common stock prices recovered from the sharp reaction in the latter half of November and started upward again at a more cautious pace. Although still below November peaks in most cases, year end prices showed appreciable gains over the low points touched during the week ending December 3. Utilities furnished a noteworthy exception to this statement, closing firm at the highest levels of the year. The Bureau's utility index closed 1936 at 64.7 which compared with 61.1 a month earlier, due principally to strength in power issues. Weakness in the oil group prevented industrials from registering a net gain for the month, as all other sections of this group were higher. This was particularly true of the iron and steel, milling, and miscellaneous sections. The industrial index for the final week of December was 217.6 as compared with 217.7 for the same week of November. Gold stocks finished strong at about the same levels as in the first week of December, while base metals consolidated sharp gains in the second week to record a net increase of approximately 3 p.c. Bond prices were also firm, and the Bureau's index number of Dominion of Canada long-term maturities advanced from 117.9 to 118.4.

FOREIGN EXCHANGE

News regarding foreign exchange was mixed, but predominantly favourable. Political crises in the United Kingdom and China failed to disturb sterling or the Shanghai dollar to any great extent. More positive evidence of growing stability came from three different sources. A gradual rise in the Argentine peso free rate from a discount of approximately 5 cents to less than 2½ cents below the official rate reflected improvement in that country's financial and foreign trade position. From Italy came news of the lifting of exchange restrictions imposed at the time of the Italo-Ethiopian war. The third constructive development was the resumption of free trading in future positions of French francs on a strong market. Balanced against these developments, were the sharp break in registered German marks and weakness in the Japanese yen. Both of these movements were associated in financial circles with less favourable conditions relating to finance and foreign trade. The Canadian dollar declined fractionally during December in terms of most leading currencies.

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