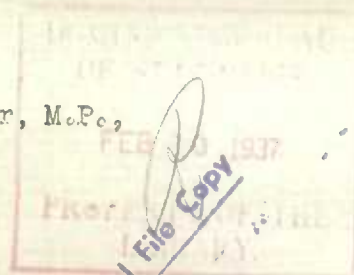


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PRICE MOVEMENTS, JANUARY 1937 (PRELIMINARY)

COMMODITIES

The persistent rise in commodity prices received its first setback in over four months during the latter half of January. In the preceding advance the Dominion Bureau of Statistics wholesale price index rose from 75.5 to 81.9 or 8.4 p.c. before dropping back fractionally to 81.6 in the final week of January. The reaction was by no means general, being confined mainly to grains, raw silk, cocoa and sugar, and most markets including the majority of those which had declined, were firm as the month closed. In the last two weeks of January there was a disposition on the part of commodities to react more closely to news specifically affecting their particular position in contrast to the broader and more speculative rise in the past few months. This was true of the rubber market which construed as bullish the decision of the International Restriction Committee to increase 1937 third-quarter quotas by only 5 per cent. Wheat likewise responded to improved export buying in the closing days of January after being depressed earlier by very large Argentine shipments. Copper prices closed firm after a mid-month reaction led by London. Livestock and meats were firm, although eggs moved steadily lower. Farm products as a group were more than 30 per cent. higher at the end of January than a year earlier.

COST OF LIVING

During the month of January the index of the cost of living in Canada computed by the Dominion Bureau of Statistics was 81.6 as compared with 81.7 in December. Retail prices of foods declined slightly from 75.3 to 75.2, moderate advances for butter, potatoes, sugar, and a number of meats being more than offset by substantial declines for eggs, milk and codfish. Reductions in the prices of coal and wood caused the fuel index to recede from 86.7 to 86.5. A survey of clothing prices for December 1936 showed a rise of 1.4 p.c. during the preceding three months.

SECURITIES

Price averages for industrial and utility common stocks failed to make much headway during January, with fitful flurries of strength usually followed by reactions wiping out much of earlier advances. Weekly industrial averages moved between the exceptionally narrow limits of 221.0 and 222.8, closing at 221.9. An undercurrent of strength in utilities resulted in net gains despite intermittent declines, and weekly averages for this group advanced from 67.6 to 69.2. Steel issues exhibited considerable strength which was counterbalanced by weakness in Nickel and Smelters in the industrial section. Gold stocks made fairly steady progress throughout January as witnessed by a gradual rise in weekly average price indexes from 135.8 to 139.8. Base metals, however, received a setback in the fourth week, so that the final figure of 321.8 was down considerably from the peak of 337.6 for the third week, and slightly lower than the opening average of 322.3. High grade bond prices showed the effect of a sharp contraction in buying interest, and an index of Dominion of Canada long-term issues dropped from 118.2 for December to 117.7 for January.

FOREIGN EXCHANGE

Weakness developed in the French franc during January, and rumors were revived that further devaluation would occur under terms of last October's legislation. Although the value of the franc could be reduced approximately 0.3 cents by this means, the possibility of such a course of action was denied by Government spokesmen, and the official bank interest rate was advanced from 2 p.c. to 4 p.c. on January 28. Subsequently spot rates on francs were steady, although forward positions continued to decline. The Japanese yen fluctuated within narrow limits during the greater part of January, following an announcement that the Government would regulate commodity imports until July 1937, a course of action designed to ease the strain upon yen exchange. Montreal sterling rates declined approximately one cent in the last few days of January to close at \$4.8965 and moderate shipments of gold from London to New York were reported. Weakness in the Canadian dollar during December was followed by gradual recovery in the latter half of January. A slight premium of 0.003 p.c. was quoted on New York funds as the month closed.

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