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Published by Authority of the Hon. W. D. Euler, M.P.,
Minister of Trade and Commerce
DEPARTMENT OF TRADE AND COMMERCE
DOMINION BUREAU OF STATISTICS - CANADA
INTERNAL TRADE BRANCH

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PRICE MOVEMENTS, DECEMBER, 1937 (PRELIMINARY)

COMMODITIES

Grains dominated wholesale commodity prices in December and were mainly responsible for advancing the Dominion Bureau of Statistics wholesale price index from 82.5 to 83.0 between the final weeks of November and December. Vegetable Products alone of the eight major groups included in the index showed an increase, while all other groups moved lower. Shortage of supplies in the better grades of Canadian wheat became more acute and prices showed a sensitive response to moderate export inquiry.

The pattern for the year has been irregular, and whereas Animal Products, Wood, Iron, Non-Metallic Minerals and Chemicals showed advances in the past twelve months, Vegetable Products, Textiles and Non-Ferrous Metals declined. For the first three months the general index rose rapidly from 80.9 to 86.9, but then commenced a moderate recession which extended well into June. At that time crop news began to exert a more pronounced influence upon grain prices and the index again rose sharply to 87.7, the high for the year, in the third week of July. Following this the tendency was to drift gradually lower until checked in December. The range of indexes in 1936 compared with that in 1937 indicates a substantially higher level in the latter year. Whereas the high and low for 1936 were 80.8 (December) and 71.8 (May), those for 1937 were 87.7 (July) and 80.9 (January).

COST OF LIVING

A slight upward tendency in foods and fuel caused the Dominion Bureau of Statistics cost of living index for Canada to advance from 84.2 in November to 84.3 in December. The comparative figure for December, 1936, was 81.8. A retail prices index for foods rose from 78.8 to 79.1, gains for butter, eggs, onions and canned salmon being of more consequence than a lengthier list of declines which included lard, beans, canned vegetables, finnan haddie and most meats. Commencing with the fall months of 1936, the advance in wholesale food prices was much more marked than that exhibited by retail food prices. Wholesale prices have tended to react noticeably in the last four months, although no reaction of consequence has been apparent in retail price levels. They have tended to level off, however, after a protracted advance dating from 1933. Moderate increases for coal, coke and wood caused the fuel index to rise from 85.7 in November to 86.1 in December. The clothing index was slightly higher for the quarter ended in December, mainly owing to advances in woollen ready-to-wear garments.

STOCKS AND BONDS

As in the preceding month, Canadian industrial stock markets passed through two complete cycles, which were of approximately equal duration. The initial rise and final decline were both quite pronounced and of about the same magnitude. The intermediate recession and recovery likewise balanced, but were of minor proportions. As a result, the position of stock averages at the end of the month differed but little from those at the beginning. There was no consistent pattern apparent in the behaviour of different stock groups. Those for milling, foods, industrial mines and building materials showed underlying strength, while pulp and paper, machinery and equipment, oils, and textiles declined. The daily index for industrial issues showed a small net gain of 2.3 for December, closing at 165.6. Utilities moved narrowly during the month, and closed at 47.8 for a fractional net loss of 0.3. The general Investors' price index was 102.1 on December 31 as compared with 100.9 on November 30. Mining stocks were stronger than industrials and utilities, although they declined for the first ten days and base metals later reacted in the final week after a sharp intervening advance. A general index of 24 mining stock prices moved up from 129.1 on November 30 to 137.2 on December 31, with golds advancing from 112.2 to 118.3 and base metals from 198.1 to 214.7. Dominion of Canada long-term bond prices moved gradually upward during December from 115.0 to 116.2. A corresponding index of yields dropped from 68.6 to 66.2.

FOREIGN EXCHANGE

The United States dollar moved to a slight premium at Montreal during December after remaining at small fractional discounts for nearly two months. Reaction in the final days of the year reduced rates from a premium of approximately 3/16 of one per cent. almost to par. New York 90-day discounts of 1/64 of one per cent. in the latter half of December were unusually low. Sterling showed steady strength, advancing from \$4.9844 on December 1 to \$5.0017 on the 31st. The French franc was held within narrow limits, but forward positions were weak. Ninety-day franc rates fell to a discount of 11 points at New York at the time of the Paris strike, but subsequently registered moderate recovery. The Netherlands florin continued to show exceptional strength, with European currencies generally remaining steady. The Spanish peseta which has been quoted regularly since last August fluctuated between 6.36 cents and 6.07 cents. Argentine pesos held within narrow limits during December, but the Brazilian milreis suffered a marked decline from 5.49 cents to 5.23 cents. Official restrictions on the milreis were again introduced late in December after a brief period in which no control was exercised.

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