

DEPARTMENT OF TRADE AND COMMERCE
DOMINION BUREAU OF STATISTICS - CANADA
INTERNAL TRADE BRANCH

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PRICE MOVEMENTS, MAY, 1938 (PRELIMINARY)

COMMODITIES:

The sharp decline in wholesale commodity prices continued well into May before showing signs of levelling off and the Dominion Bureau of Statistics weekly index dropped from 81.5 at the end of April to 80.3 for the third week of May. It remained at this level during the final week. Opposing the general downward movement were Animal Products and Non-Metallic Minerals, which made fractional gains, while Chemicals remained unchanged. As is usual at this time of the year, crop news had a considerable influence on wheat prices, and prospects for North American crops being particularly good, the grain index fell from 83.9 to 77.2, the lowest point since November 1936. The relatively low level of industrial consumption continued to have a depressing influence upon raw rubber and non-ferrous metals. Prices asked for raw rubber were only about 50 p.c. of those obtained in May 1937, while domestic electrolytic copper slumped to below nine cents a pound. The copper index at 64.9 compared with 72.0 for the end of last month and 97.4 for a year ago. On the other hand, the livestock index advanced 8.6 points to 90.3 and fresh meats were higher by almost 10 p.c. A small increase in coal prices was wide-spread and the coal index moved up 1.3 points to 93.9 during the month.

COST OF LIVING:

Moderate reductions in the prices of foods and fuel, partially offset by a fairly substantial advance in rentals resulted in a decline in the general cost of living index for Canada from 84.3 in April to 84.2 in May. The food group receded from 78.8 to 77.7, influenced by declines for eggs, butter, and potatoes. Meat prices generally averaged higher than in April. A reduction in the coal sub-index from 86.9 to 86.4, and in that for coke from 87.4 to 85.7 reduced the fuel index from 86.2 to 85.9. The rental survey for May showed rents to be still increasing gradually, the index for this group being 90.3 as compared with 89.0 in October.

STOCKS AND BONDS:

After a minor rally in the first week of May, common stock price averages drifted mostly sideways for almost a fortnight, and then declined irregularly for the balance of the month. Closing positions were definitely below those of May 1st, but still well above the low points reached at the end of March. The behaviour of different stock groups varied materially, with oils and industrial mines showing the severest net losses for the month. Other groups including milling and machinery and equipment issues maintained their positions substantially, with early increases approximately cancelling later losses. Utilities recorded comparatively minor changes throughout the month. The Investors' price index of common stocks moved forward from 98.3 on May 2 to 101.5 on the 18th, and closed at 94.9. Gold stock prices displayed a firm undertone, while base metals followed the early advance and subsequent decline of industrials, but rallied independently towards the close. A general index of 24 mining stock prices advanced from 135.9 on May 2 to 142.7 on the 18th, and closed at 138.1. An index of Dominion of Canada long-term bond prices advanced irregularly from 117.9 on May 2 to 118.6 on the 14th, then reacted to 117.9 on the 26th, and closed at 118.1.

FOREIGN EXCHANGE: (Quotations mentioned are Montreal noon rates unless otherwise specified)

Formal devaluation of the French franc was announced on May 4, and on the 5th a minimum rate of 179 francs to the £sterling was established. Rates fell immediately from approximately 3.08 cents close to the new minimum of 2.79 cents, and a heavy inflow of funds to France resulted. Although large, this movement represented only a fractional amount of French capital held abroad. It was sufficient, however, to place considerable pressure upon other currencies, notably the £sterling and the belga. Gold shipments supported the latter throughout a considerable part of the month, and a cabinet crisis resulted in the formation of a new Ministry on May 17. A reduction in the central bank discount rate from 4 to 3 per cent on the 31st indicated greater ease in the Belgian financial situation. Previously the Bank of France discount rate had been reduced from 3 to 2 1/2 per cent on May 12. The flow of funds from London to Paris following franc devaluation and the later Czecho-Slovakian crisis contributed to weakness in sterling which fell at New York from \$4.9875 on April 30 to a low of \$4.9403 on May 25. Montreal premiums on New York funds advanced coincidentally from approximately 1/2 to 1 1/2 per cent, but reacted later to 1 1/8 per cent. May declines in Chinese currencies and the Indian rupee attracted considerable attention.



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