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

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1938

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PRICE MOVEMENTS, AUGUST, 1938 (PRELIMINARY)

COMMODITIES:

The decline in the Dominion Bureau of Statistics index of wholesale commodity prices, which with some interruption has continued for most of the current year, was further accelerated during August when there was a drop from 78.0 for the week ending July 29 to 74.6 for the week ending September 2nd. Reductions were shown by Vegetable Products, Animals, Textiles and Non-Ferrous Metals while Wood and Iron moved moderately higher. Recessions were most pronounced in farm prices and the grain index at 46.6 for the final week represented a decline of 18.6 points during the month and was the lowest since the closing days of 1933. Meats were cheaper also, while the livestock index dropped 9.2 points to 84.1. Although textiles were largely unchanged a marking down in raw cotton and serge cloth decreased the index for this group fractionally while the more volatile Non-Ferrous Metals were influenced to some extent by the uncertain political outlook in Europe and closed 1.0 points lower at 69.8. The advance of the Wood index from 76.3 to 77.1 was chiefly due to strength in British Columbia forest products, while Iron rose from 97.8 to 97.9 when an increase in scrap more than offset a decline in hardware.

COST OF LIVING:

Moderate increases in the prices of foodstuffs and fuel were responsible for a rise in the Dominion Bureau of Statistics cost of living index from 84.2 in July to 84.9 in August. This index has advanced 1.4 per cent within the past year. Foods rose from 78.4 in July to 80.7 in August, being the largest monthly change recorded in two years. Advances were reported for pork and pork products, sirloin beef, eggs and potatoes, while moderate declines occurred in shoulder beef, veal, flour and onions. Seasonal advances in the prices of coal and coke in a few cities caused the fuel index to increase from 85.0 to 85.2.

STOCKS AND BONDS:

Common stock prices pursued a sidewise movement during the first four weeks of August but increased political tension in European capitals culminated in a severe break in prices on August 29 which wiped out all advances accumulated since the final week of June. The Bureau's monthly index of 95 common stocks dropped from 106.9 for July to 105.2 for August. In the industrial section industrial mines and building material issues bore the heaviest losses while machinery and equipment, food and allied products and beverage stocks posted moderate gains for the month. The telephone and telegraph sub-group was the firmest in the utility section but losses in the other two groups brought the index for utilities down 1.5 points to 47.1 for August. Banks remained firm, up 0.1 at 85.0 for the same period. The monthly index of 24 mining issues showed further improvement moving up from 151.1 for July to 156.0 for August. The daily indexes for this series, however, after opening at 155.8 on August 2 and rising to 158.8 on the 24th, receded thereafter, to close at 154.4 on the final day of the month. Both the gold and base metal sub-groups showed net monthly advances but the daily indexes for these series showed moderate losses between the first and last days of August. The daily index for Dominion of Canada long-term bond prices after opening at 117.3 rose to 117.9 on August 10 and then reacted to close at 117.2. The monthly index remained unchanged at 117.6.

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

Both the British pound and the French franc were under severe pressure throughout August. The usual seasonal factors favouring sterling were offset by continued reports of unfavourable British export trade balances and by increased tension over the European political situation. Demand for gold and United States dollars mounted steadily while recessions in sterling rates were checked from time to time only by the intervention of equalization funds. On the withdrawal of this support, the pound broke through its former parity to reach \$4.8650 on August 30th and fell still lower to \$4.8628 on the 31st netting a loss of 6.6¢ for the month. The French franc declined almost steadily from 2.77¢ on August 1st to 2.73¢ on the 15th, then steadied at 2.74¢ subsequent to official denial of further devaluation. Later intimation of the government's intention to modify the 40-hour week was followed by a rise to 2.75¢, but this was not sustained and the franc closed easier at 2.73¢. Premiums on United States funds reached a high for the month of 7/16 of 1 p.c. between the 12th and 16th and again on the 18th, but were reduced by irregular downward movements to 1/8 of 1 p.c. during the closing days.

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