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PRICE MOVEMENTS, JANUARY, 1939 (PRELIMINARY)

COMMODITIES

Underlying weakness in commodity markets continued during January and was reflected in the Dominion Bureau of Statistics' index of wholesale prices which drifted from 73.5 for the week ending December 30 to 73.2 for the week ending January 27. This was approximately 12 p.c. below the levels of a year ago when the index stood at 83.6 for the fourth week of January. In contrast to the downward movement, which carried Vegetable Products, Textiles, Iron, Non-Ferrous Metals and Chemicals to lower ground, the Animal group received considerable support from greatly increased exports of livestock and fowl. Other commodities to move up included potatoes, cured meats, butter and raw silk, while recessions were noted in grains, raw rubber, hides, eggs, wool and some of the non-ferrous metals.

The Bureau's index of industrial material prices displayed more buoyancy and finished January unchanged at 64.5, after dropping to 64.0 for the week ending January 13. The Stable price group remained at 88.1 throughout the month, while the Sensitive group, consisting of manufacturing and food materials, fell from 52.4 to 51.7, before rising again to 52.4. Manufacturing Materials were firmer, advancing from 50.6 to 50.8, but Food Materials declined from 57.1 to 56.8, due to reductions in wheat and hogs.

COST OF LIVING

A moderate recession in food prices was reflected in a decline in the Canadian cost of living index number from 83.5 in December to 83.1 in January. Although the trend of the index has been steadily downward since August, 1938, the decline over the entire period was only 2 per cent. The food index fell from 76.2 in December to 75.2 for January, owing to declines for a lengthy list of commodities including eggs, butter, milk, cheese, lard, flour, bread, bacon, cooked ham, codfish and pepper. Most meats recorded advances as did also potatoes and evaporated apples. Indexes for other budget groups remained unchanged in January. It is of note that the decided upward movement displayed by the wholesale food index in December, has not yet been reflected in retail price levels.

STOCKS AND BONDS

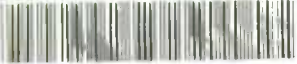
Moving in line with the easier tendency in evidence on leading foreign stock exchanges, Canadian share prices during the opening month of 1939 were carried down to new low levels since the collapse late last September. Sharply lower quotations were accompanied by heavy liquidation which reached a climax on January 26, induced principally by mounting political apprehensions in Europe. The Bureau's index for 95 common stocks receded from an opening level of 107.5 to a low of 97.0 on the 26th but a subsequent recovery movement brought the index back to 104.3 at the close of the month. Practically all groups suffered losses of varying degree but the industrial section bore the brunt of the selling pressure with pivotal issues being down as much as 10 p.c. These losses were partially erased by the sharp rally which later ensued. In the mining section base metal shares and secondary golds recorded the sharpest declines. The sub-group index for base metals dropped from an opening figure of 318.6 to 283.1 on the 26th, while a similar index for golds receded from 123.5 to 114.3 in the same period. Month-end indexes were 311.9 and 121.2 respectively. A general index for 24 mining issues closed at 158.3, down 3.2 for the month. Dominion of Canada long-term bond prices reflected to a lesser extent the tense European situation as measured by the Bureau's index for this series which dropped to a low of 116.7 on January 26, from 117.9 at the beginning of the month. The closing figure was 116.8.

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

Sterling opened at \$4.6671 on January 3, which proved to be its low for the month, and on the following day bar gold at London touched a new all-time high of 150s. 5d. This weakness led, on January 6, to a transfer by the Bank of England of gold totalling £350,000,000 (at the current market price) to the Exchange Equalization Fund and sterling rates immediately recovered to about \$4.72 as extensive covering of short positions occurred. Rates remained comparatively firm for the balance of the month and closed at \$4.7067. The French franc held relatively steady in terms of both the Canadian dollar and sterling, though repatriation of French capital was substantially reduced in January. Recurrence of European political disturbances coincided with sharp breaks in the Netherlands florin which dropped 70 points during January to close at 54.15¢. Easier quotations were noted for United States funds at Montreal, the premium on the dollar recording a net decline of 1/4 to 5/8 of one per cent on the final day.

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