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PRICE MOVEMENTS, OCTOBER, 1939 (PRELIMINARY)

COMMODITIES

The general rise in commodity prices proceeded at a much slower rate during October and the Dominion Bureau of Statistics index of Industrial Materials, on the base August 1939=100, showed a relatively small increase from 115.2 for the week ending September 29 to 118.1 for the week ending October 27. Reactionary tendencies in the food group, apparent following the rapid rise in the first two weeks of September, continued into October. However, both Stable and Manufacturing Materials advanced, the former moving from 102.7 to 104.3, and the latter from 126.6 to 133.0, while Food Materials fell from 118.8 to 115.6. Industrial Material Prices, on the base 1926=100, rose from 74.7 to 76.6. This was the highest point reached since October 1937.

The General Wholesale Commodities index during the same interval increased from 77.9 to 79.0. Advances were general in all the major groups, with the exception of Vegetable Products, which receded slightly under pressure by grains. The index for Wood Products has risen sharply since mid-August, and at 84.2 for the week of October 27 touched the highest point since December 1930.

Canadian Farm Products were off fractionally, easing from 64.5 to 64.4, when declines in Field Products proved of more consequence than advances in Animal Products.

COST OF LIVING

Sharp increases in food prices augmented by unusual seasonal advances in fuels, caused the Dominion Bureau of Statistics cost of living index number for Canada to rise from 82.9 on September 1 to 84.7 on October 1. Not since the spring of 1932 has the index shown a monthly change of such magnitude. The food price index moved up from 74.2 to 79.8 between September and October. Of the 46 food commodities comprising the index 38 showed gains, notably meats, butter, eggs, flour, sugar, tea and coffee. Codfish, finnan haddie, bread, evaporated apples, jam, peaches and marmalade recorded no change, while onions, the only food item to register a decline, fell from 4.1¢ to 3.8¢ per pound. Widespread increases in prices of coal and coke resulted in an upward movement in the fuel index from 83.8 to 85.1. Rentals changed from 90.0 to 89.9. Although this index hastended steadily downward during the past two years, the decline covering the entire period was less than a half of one per cent.

STOCKS AND BONDS

The advance in Canadian security prices initiated in the opening week of September continued through October, though at a more moderate rate. Closing the month at 107.1 the Bureau's composite index for 95 common stocks showed an October net rise of 5.5 per cent which compared with a 11.5 per cent increase in September. All but two of the thirteen sub-groups included in the composite index shared in the advance, gains ranging between 12.7 per cent for beverages and 3.0 per cent for machinery and equipment issues. Transportation issues, which had shown the second largest advance in September dropped 19.7 per cent during October to close at 17.5. Milling stocks were down 1.1 per cent at 105.8. Most sub-group indexes were well above 1939 opening levels as the month closed and in several instances were at new peaks for the past year or longer. Mining stocks also were higher, though tending to lower levels as the month ended. Daily indexes showed a net gain of 9.3 per cent for base metals at 309.2 on October 31 and 6.6 per cent for golds at 107.1. The general index for 25 mining stocks was 7.7 per cent higher at 146.3 and compared with the month's peak of 149.9 touched on October 25. Unlike industrials and utilities, mining issues were still ruling well below 1939 opening levels, this being especially noticeable in the gold section. Bonds paralleled the rising trend in other security markets and a daily index for Dominion of Canada long-term bond prices moved up from 110.1 on September 30 to a high of 113.2 on October 28, where it remained for the balance of the month. A corresponding yield index declined from 74.8 to 68.6 during the same interval.

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

Foreign exchange transactions were less erratic in October. Daily buying and selling rates set by the Canadian Foreign Exchange Control Board for sterling and United States funds remained unchanged throughout the month at \$4.43-\$4.47 and \$1.10-\$1.11 respectively. At New York sterling rates advanced to \$4.05 1/4 early in the month but declined to a low of \$3.96 1/2 on the 13th. Rates were steadier in the second half and the close at \$4.00 was only 2¢ below the final September figure. Canadian funds dropped from 89 15/16¢ on September 30 to a six-year low of 88 3/8¢ on the 13, but subsequently recovered to 89 3/4¢ on October 31. In continuation of an easy money policy the Bank of England announced a second reduction within the month in its re-discount rate. The rate was lowered to its pre-war level of 2 per cent on October 26, which compared with a peak of 4 per cent in September. An eight year tie between sterling and the Japanese yen was broken in the last week of October when the yen was linked to the United States dollar at \$23 7/16 per 100 yen.

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