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PRICE MOVEMENTS, MAY, 1939(PRELIMINARY)

COMMODITIES

A slightly higher level was maintained by Industrial Material prices during May and the Bureau's index of 65.2 for the week ending June 2 showed a net gain of 0.4 over that for the week ending April 28. The rise, which began in the early days of April, continued with little interruption until nearly the middle of May, but thereafter a period of unsettlement ensued which persisted for the remainder of the month. Food Material prices showed increasing instability. Raw sugar markets were somewhat erratic, and fluctuations were unusually sharp. Quotations for both steers and raw sugar were lower by the end of the month, whereas those for wheat, oats and hogs had advanced. Price movements in the Manufacturing Materials and Stable groups were generally more restrained. Firmer positions were taken by cotton, wool and raw silk, while pulp, steel sheets and crude oil moved moderately lower. Changes among the non-ferrous metals were of a mixed nature, with increases in zinc and tin opposed to reductions in lead and copper. The General Wholesale Commodity index rose moderately in the opening week of May, but closed unchanged at 73.5. Animal Products, Textiles and Wood Products advanced, while reductions occurred in Vegetable Products, Iron, Non-Ferrous Metals, Non-Metallic Minerals and Chemicals. Canadian Farm Products fell from 65.6 to 64.7, with both Field and Animal Products closing at slightly lower levels.

COST OF LIVING

The stability which has characterized the Bureau's cost of living index for Canada during the past few months, was apparent again in May when the index stood at 83.1, the same as for each of the three previous months. Not since 1926 has the index remained stationary for this length of time. Wholesale prices also have been extremely steady during 1939, although they ended slightly upward during April and May. Following a three-month period of inactivity, retail foods moved slightly upward from 74.5 in April to 74.6 in May. Decreases were reported for butter, eggs, lard, veal, salt pork, cooked ham, and pepper, while moderate gains occurred in sugar, potatoes, onions, beef, mutton, bacon and finnan haddie. Seasonal declines in coal and coke prices caused the fuel index to recede from 85.2 in April to 84.6 in May. Rentals for May were slightly easier, being 90.0 as compared with 90.1 in the month of October, 1938.

STOCKS AND BONDS

The recovery movement on Canadian security markets, which had its inception following the drastic declines in the first eleven days of April, was well maintained through May. This was especially noticeable in the mining section. An index for 25 mining issues rose from 145.3 on April 29 to 154.6 at the end of May, indicating a net gain of 6.4 per cent. Base metal shares were in the forefront, the index for this series advancing 8.3 per cent during the month to 310.7. A similar index for 22 gold issues closed 5.3 per cent higher at 117.0. In the industrial and utility section all sub-groups, with the exception of banks and oils, were higher. Index gains ranged between 0.9 per cent for telephone and telegraph to 19.4 for transportation issues. Banks closed unchanged at 84.4 while an index for oils dipped 2.9 per cent to 162.2. Practically all of the loss in oil shares was concentrated in the last day of the month, the index level dropping from 170.2 on May 30 to 162.2 on the following day. The general index level of 95 common stocks closed the month 1.8 per cent higher at 99.1. It has moved 7.0 per cent above its 1939 low point of April 11. Paralleling the upward tendency in other security markets, an index of Dominion of Canada long-term bond prices advanced almost steadily from 116.3 at the end of April to 117.9 on May 31.

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

Foreign currency rates, with the exception of the Netherlands florin declined almost steadily in terms of the Canadian dollar during May. Quotations on the British pound receded almost $3/4\%$ from \$4.7011 on April 29 to \$4.6935 at the end of May. Sterling quotations at New York, on the other hand, were firmer, rising from \$4.6806 at the end of April to \$4.6825 on May 31. Substantial reductions in New York discounts on sterling futures reflected an improvement in the international situation. Discounts on 90-day sterling forward rates narrowed from $2\ 17/32\%$ at the beginning of the month to $1\ 7/16\%$ at the close. The premium on the New York dollar which had been ruling approximately $7/16$ of one per cent above the Canadian unit during early May receded to almost one-half that amount or $15/64$ at the close. Erratic fluctuations in the Netherlands florin featured continental European currencies. From an opening level of 53.43¢ the florin rose to 54.07¢ on May 15. It subsequently reacted from that level to 53.83¢ at the close. Banking quarters credited repatriation of Dutch capital coupled with short covering as the principal source of strength. Belgian belga rates displayed continued firmness, closing unchanged at 17.07¢. A nominal rate of 11.05¢ was quoted for the Spanish peseta on May 15 which compared with the last previous quotation of 4.33¢ on January 24, 1939.



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