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Dominion Statistician: R. H. Coats, LL.D., F.R.S.C., F.S.S. (Hon.)  
Chief, Internal Trade Branch: Herbert Marshall, B.A., F.S.S.  
Prices Statistician: H. F. Greenway, M.A.

PRICE MOVEMENTS, SEPTEMBER, 1939 (PRELIMINARY)

COMMODITIES

The rapid change in wholesale price levels during September was reflected by the Dominion Bureau of Statistics' sensitive index of Industrial Material Prices which rose from 65.1 for the week ending September 1 to 74.5 for the week ending September 15. All groups made relatively sharp advances. Food materials jumped from 53.3 to 71.7, and Stable and Manufacturing Materials rose from 88.5 to 89.2 and 52.9 to 64.0 respectively. Signs of reaction appeared in the final two weeks of the month. Food materials dropped to 62.5 while the advance of Manufacturing Materials was noticeably retarded. The net rise of the composite index for the month was 9.6 or approximately 15 p.c. The increase in the General Wholesale Commodity Price index was much less. Standing at 72.8 for the week ending September 1st it rose to 77.9 for the week ending September 22 and remained unchanged for the closing week to record a net gain of 5.1 or 7 p.c. Canadian Farm Products moved 3.0 higher to 64.5. Field Products fell from 53.4 to 52.9 as grains weakened, but Animal Products advanced from 75.1 to 83.8, when livestock, hides and eggs moved sharply higher.

COST OF LIVING

Moderate reductions in the prices of a few of the more important foods, partially offset by advances in clothing and fuel resulted in a decline in the Canadian cost of living index number from 83.0 on August 1 to 82.9 on September 1. The food index fell from 74.9 to 74.2, easier prices for beef, pork, mutton, onions and potatoes being of more consequence than a lengthier list of gains which included veal, eggs, milk, butter, granulated sugar and prunes. For the first time in more than a year clothing prices recorded an advance, the index for the September quarter being 73.1 as compared with 72.6 for the previous quarter. Higher prices for women's clothing and yard materials were responsible mainly for the upward movement. The fuel index changed from 83.7 to 83.8 following seasonal advances in coke prices in a few centres.

STOCKS AND BONDS

Prices on Canadian stock markets showed unusually sharp and erratic fluctuations during September as traders attempted to discount the probable effect of war upon securities. In the first session following the official declaration of war, share prices rose almost perpendicularly, in one of the broadest and sharpest advances in recent years. From 91.0 on September 1 (one point above the year's low) the Bureau's composite daily index of 95 common stocks advanced to 105.3 on the 5th. Prices then turned reactionary, and in the ensuing two weeks, slumped heavily to an index level of 93.4 on the 18th. More selective trading was noted in the latter half of the month as investors concentrated on 'war' stocks. This irregular recovery moved the general index back to 101.5 by the 30th, for a net gain of 11.5 per cent. It was paced by the pulp and paper issues, the index for which closed the month at 22.8, almost 2 1/2 times its opening level, and closely followed by the carrier stocks. Nine out of thirteen sub-groups recorded increases. Four sub-groups, led by banks, registered minor declines. In the mining section, price movements generally paralleled fluctuations in the industrial and utility section, particularly in the first half of the month. Unlike the latter groups, however, mining stocks showed relatively little recovery in the second half and the composite index for 24 mining stocks closed 3.1 points below its opening level of 139.0. Golds finished the month almost unchanged at 100.5 compared with 100.4 on September 1 while base metals moved down 16.3 points to 282.8. Price control of several base metal commodities on the London market largely accounted for weakness in base metal issues. In the bond section, Dominion of Canada long-term bond prices touched a 5 1/2 year low of 107.9 on September 13 but subsequently stiffened to close the month only 2.8 points down at 110.1. A corresponding yield index advanced from 69.3 on the 1st to 74.8 by the 30th.

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

Following the official outbreak of European hostilities on September 3, foreign exchange dealings became erratic and confused, with quotations largely on a nominal basis for several days. Restrictive measures were subsequently placed on exchange transactions, and official buying and selling rates were established for the Canadian dollar and pound sterling. At New York, sterling free rates dropped from \$4.33 on August 31 to a low of \$3.82 1/2 on September 18 but subsequently recovered to \$4.02 at the close. Canadian funds dropped from 97 7/8¢ to 89 15/16¢ in September. At Montreal, sterling rates touched a six-year low of \$4.1966 on September 14, compared with an opening level of \$4.3823. Quotations were unchanged during the latter half of the month, following the formation of the Foreign Exchange Control Board, which set daily buying and selling rates of \$4.43-\$4.47 for sterling. Daily buying and selling rates of \$1.10-\$1.11 were likewise established by the Board for United States funds. Previously the United States dollar had advanced to a premium of 11 1/4 per cent against an opening premium of 4 per cent. The French franc dropped to 2.38¢ on September 15 but later recovered to end the month 2 points above its opening level of 2.36¢.

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