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PRICE MOVEMENTS, JANUARY, 1940 (PRELIMINARY)

COMMODITIES:

Commodity markets were quiet during January. An index of industrial material prices (on the base August 1939-100) stood at 121.0 for the week of December 29th, rose to 122.3 for the week of January 26th, and declined again to 121.0 for the week of February 2nd. This indicated an increase of 21 p.c. over the levels of last August, and 21.5 p.c. above the final week of January 1939. The Stable price group recorded a substantial increase from 106.9 to 111.2 due mainly to a rise in the price of woodpulp. The Sensitive index, however, dropped from 131.4 to 127.9, as both Manufacturing and Food Materials reacted from late December highs. The former receded irregularly from 132.4 to 130.1, but Food Materials rose from 128.9 to 130.1 before dropping to 128.2 in the final week. This was still 13.4 above the recent low in the week of November 10th.

The General Wholesale Commodity Price index closed at 82.2 for the final week of January which was also the opening level. Variations in the main groups were mostly fractional. Wood Products and Non-Metallic Minerals were slightly stronger, but the other six groups failed to maintain their positions.

Canadian Farm Products during January declined from 70.2 to 69.4. This index stood at 65.0 for the week of February 3, 1939.

COST OF LIVING

Moderate recessions for foods were responsible for a slight decline in the Dominion Bureau of Statistics' cost of living index from 85.5 in December to 85.3 in January. The comparative figure for January 1939 was 83.3. An index for foods fell from 79.3 to 78.5, due principally to decreases in eggs, creamery butter, lard, salmon and codfish. These were of greater consequence than increases in meats, canned vegetables, potatoes, tea and coffee. An increase in the coal sub-group from 88.0 to 88.5 and in that for coke from 85.9 to 86.2 resulted in a rise in the fuel index from 86.1 to 86.4.

STOCKS AND BONDS

Accompanied by a light turnover Canadian common stock prices registered moderate declines in practically all sections in the opening month of 1940. After a minor advance which lifted the Bureau's composite index for 95 common stocks from 101.2 on December 30th to 102.3 on January 2nd, prices moved almost steadily lower to finish at the month's low of 97.7 for a net loss of 3.5 p.c. With the exception of three sub-groups all component indexes were lower, losses ranging between 8.3 p.c. for pulp and paper to 1.0 p.c. for power and traction issues. Textile stocks finished 2.3 p.c. higher while the bank and telephone and telegraph groups each added 0.2 p.c. In the mining section, stocks followed the pattern set by industrials and utilities. An index for 22 golds, after rising from 107.6 on December 30th to 109.6 on January 3rd subsequently weakened to 104.8 on the 31st for a net loss of 2.6 p.c. A similar series for 3 base metals stiffened from 303.2 to 307.0 but later dropped back to close at 290.6 for a loss of 4.2 p.c. There was a decline of 3.9 p.c. to 140.9 in the composite index for golds and base metals. In the bond market, prices were stronger as indicated by the Bureau's revised index for Dominion of Canada long-term bond prices which gained 2.0 points on the month to finish at 114.3. A corresponding yield index closed at 72.9 compared with 75.5 a month earlier.

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

There was no change in daily buying and selling rates set by the Canadian Foreign Exchange Control Board for sterling and United States funds during January. These remained at \$4.43-\$4.47 and \$1.10-\$1.11 respectively. At New York a revision in the Bank of England's official buying and selling rate for sterling was announced on January 8th which reduced the spread from \$4.02-\$4.04 to \$4.02 1/2-\$4.03 1/2. Further restrictions were placed on the transfer of sterling balances at the same time. Strength was shown by sterling free rates during January, quotations rising from \$3.95 7/8 at the end of December to \$3.99 1/2 on January 31st. With the exception of quotations for the two previous days month-end levels were the highest since the first week of November. Discounts on 90-day sterling futures, New York on London, stiffened from 5 1/8¢ under spot to 3 3/4¢ during the month. On the other hand, Canadian funds at New York showed an easier tendency, final quotations at 87 5/8¢ being 1¢ under levels of a month earlier. At Montreal French francs closed 1 point higher at 2.51¢ while neutral currencies were mixed. Belgian belgas moved up from 18.63¢ at the end of December to 18.83¢ on January 31st while the Netherlands florin eased 14 points to 58.92¢ after previously touching a mid-month peak of 59.44¢. It was reported in the latter part of January that the Netherlands Government would vote shortly on a bill to revalue its gold reserves 18 p.c. higher. This measure would bring the price of gold to within 4 p.c. of the 22 p.c. depreciation of the florin which followed abandonment of the gold standard. There was a net rise of more than 1/4¢ in the Argentine peso (free rate) to 25.31¢ during the month due mainly to seasonal strength.

