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INTERNAL TRADE BRANCH

AN OFFICIAL COST OF LIVING INDEX
FOR CANADA

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DOMINION BUREAU OF STATISTICS - CANADA
INTERNAL TRADE BRANCH

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AN OFFICIAL COST OF LIVING INDEX FOR CANADA

According to the new index number of the Dominion Bureau of Statistics, the level of living costs in August 1939 was almost exactly upon a par with an average for the five years 1935 to 1939 which have been chosen as the new base period for this series. The August 1939 index of 100.8, however, was slightly below indexes of 103.2 and 102.2 for August in 1938 and 1937 respectively.

After remaining at 100.8 on September 1, the index advanced sharply to 103.5 in October and continued gradually upward to 105.9 for August 1940. The rise of 5.1 p.c. in living costs since the outbreak of war has been due to general increases affecting all the principal family budget groups. The fuel index has mounted 9.5 p.c., clothing 9.0 p.c., foods 6.1 p.c., home furnishings 5.9 p.c., rents 3.0 p.c., and sundries 1.7 p.c.

Movements of the new and old Dominion Bureau of Statistics cost of living indexes have been closely parallel since the beginning of 1935. From January 1935 to August 1940 the new series advanced 10.8 p.c. as compared with 10.3 p.c. for the old series. Between August 1939 and August 1940 corresponding percentage increases were 5.1 (new) and 4.5 (old).

The new cost of living series published for the first time in this release has been prepared by the Dominion Bureau of Statistics in consultation with the Dominion Department of Labour and the Wartime Prices and Trade Board. It will replace the Department of Labour index on the base 1913=100 and the Dominion Bureau of Statistics index on the base 1926=100.

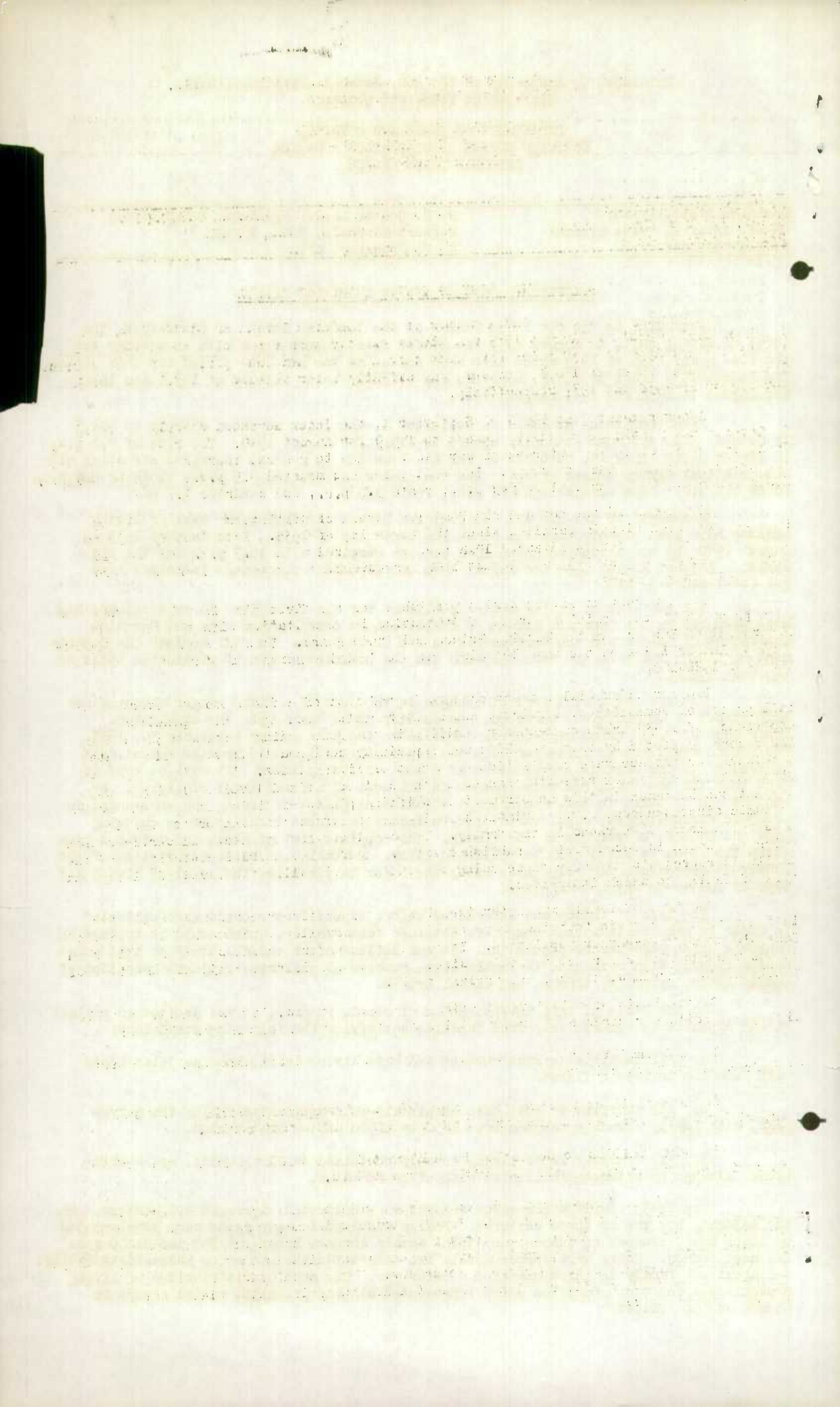
The new index will reflect changes in the cost of a fixed budget covering retail prices of commodities, services, and shelter costs based upon the expenditure experience of 1,439 urban wage-earner families in the year ending September 30, 1938. The record completed by these families was especially designed to provide budget data necessary for the accurate compilation of a cost of living index. It must be kept in mind that the new index reflects changes in the cost of a fixed level of living. No account can be taken in this measurement of shifting planes of living due to changes in economic circumstances, e.g., variations in income or direct taxation or to changing ages and numbers of persons in the family. The complete list of goods and services upon which the index is based will be published later. Meanwhile, a brief description of the family it represents may help those using the index to visualize the level of living and type of family to which it applies.

The type of family was determined before expenditure records were collected in order to make certain that they were obtained from families which would be typical of Canada's urban wage-earner population. It was defined after careful study of 1931 urban census records with reference to family size, numbers of children, conjugal condition of family heads, earnings, tenure, and racial origin.

On the basis of this investigation of census returns, it was decided to collect living expenditure records only from families satisfying the following conditions:

1. All families to have husband and wife living in the home as joint heads with from one to five children.
2. All families to have been completely self-supporting during the survey year, with family earnings ranging from \$450 to \$2500 during that period.
3. All families to be living in self-contained dwelling units, not sharing either kitchen or bathroom facilities with other families.

The 1,439 families for which records were collected, averaged 4.6 persons, and the majority had two or three children. Family earnings in many cases were supplemented by other small sources of income, and total family incomes between \$1200 and \$1600 were the most common. There were approximately two tenant families to every home-owning family, and about one family in three operated a motor car. The general distribution of living expenditures for these families which represented all the principal racial groups in Canada was as follows:



URBAN WAGE-EARNER FAMILY ANNUAL LIVING EXPENDITURES
(Year ending September 30, 1938)

Budget Group	Expenditure Averages	Percentage Distribution
	\$	
Food	443.0	31.3
Shelter	269.5	19.1
Fuel and Light	90.5	6.4
Clothing	165.8	11.7
Home Furnishings	125.7	8.9
Miscellaneous	319.4	22.6
Health	60.8	4.3
Personal Care	23.9	1.7
Transportation	79.3	5.6
Recreation	82.1	5.8
Life Insurance	73.3	5.2
Total	1,413.8 ^x	100.0

^x Directly represented in the index. Other miscellaneous outlay brought total family living expenditure to \$1,453.8.

NEW SERIES OF DOMINION BUREAU OF STATISTICS COST OF LIVING INDEX NUMBERS, 1935 - 1940.
(1935-1939=100)

Month and Year	Food Index	Rent Index	Fuel and Light Index	Clothing Index	Home Furnishings Index	Miscellaneous Index	Total Index
<u>1935</u>							
January	92.2	93.7	102.9	97.9	95.0	98.9	95.6
February	93.7	93.7	102.9	97.9	95.1	98.9	96.1
March	93.5	93.7	102.8	97.9	95.0	98.9	96.0
April	92.7	93.7	102.9	97.9	95.0	98.9	95.8
May	92.5	93.7	99.3	97.9	95.1	98.9	95.5
June	92.5	93.7	98.8	97.8	95.1	98.9	95.4
July	93.5	93.7	98.8	97.8	95.0	98.7	95.7
August	94.5	93.7	99.6	97.8	95.0	98.7	96.1
September	95.6	93.7	99.6	97.4	96.1	98.7	96.5
October	97.2	95.0	100.7	97.4	96.1	98.5	97.2
November	98.2	95.0	101.4	97.4	96.1	98.5	97.6
December	98.7	95.0	101.5	97.3	96.6	98.5	97.8
Year	94.6	94.0	100.9	97.6	95.4	98.7	96.2
<u>1936</u>							
January	98.5	95.0	102.0	97.3	96.5	98.8	97.8
February	97.6	95.0	102.2	97.3	96.4	99.1	97.6
March	97.1	95.0	102.6	98.5	97.1	99.1	97.7
April	94.6	95.0	102.3	98.5	97.1	99.2	96.9
May	94.7	96.3	102.3	98.5	97.0	99.2	97.2
June	94.8	96.3	100.7	99.5	97.2	99.2	97.2
July	97.7	96.3	100.7	99.5	97.2	99.1	98.1
August	99.0	96.3	100.6	99.5	97.1	99.1	98.5
September	99.6	96.3	101.0	99.5	97.3	99.1	98.7
October	99.5	97.2	101.2	99.5	97.3	99.0	98.9
November	100.1	97.2	101.4	99.5	97.3	99.0	99.1
December	100.0	97.2	101.4	100.0	98.5	99.1	99.2
Year	97.8	96.1	101.5	99.3	97.2	99.1	98.1
<u>1937</u>							
January	100.3	97.2	99.9	100.0	98.9	99.6	99.4
February	100.4	97.2	100.0	100.0	98.8	99.8	99.4
March	99.9	97.2	99.9	100.4	100.4	99.8	99.5
April	100.6	97.2	99.9	100.4	100.5	99.9	99.7
May	101.4	100.3	99.4	100.4	100.5	99.9	100.5
June	101.8	100.3	97.3	101.6	102.1	100.0	100.8
July	103.7	100.3	97.2	101.6	102.1	100.3	101.5
August	105.6	100.3	97.9	101.6	102.1	100.3	102.1
September	105.7	100.3	97.9	101.8	103.1	100.3	102.3
October	106.5	102.1	98.7	101.8	103.1	100.3	102.9
November	106.4	102.1	99.0	101.8	103.0	100.3	102.9
December	105.6	102.1	99.6	101.8	103.0	100.2	102.6
Year	103.2	99.7	98.9	101.4	101.5	100.1	101.2

NEW SERIES OF DOMINION BUREAU OF STATISTICS COST OF LIVING INDEX NUMBERS, 1935-1940- Co.1.

Month and Year	Food Index	Rent Index	Fuel and Light Index	Clothing Index	Home Furnishings Index	Miscellaneous Index	Total Index
<u>1938</u>							
January	104.4	102.1	98.1	101.8	103.1	101.2	102.4
February	103.9	102.1	98.1	101.8	103.1	101.2	102.3
March	105.7	102.1	98.4	101.3	102.9	101.2	102.8
April	105.9	102.1	98.4	101.3	102.8	101.2	102.8
May	103.6	103.8	97.9	101.3	102.8	101.2	102.4
June	104.1	103.8	96.8	101.3	102.3	101.2	102.4
July	104.7	103.8	96.7	101.3	102.3	101.2	102.6
August	106.2	103.8	96.9	101.3	102.3	101.3	103.1
September	103.1	103.8	97.1	100.8	101.9	101.3	102.1
October	102.0	103.4	97.6	100.8	101.9	101.2	101.7
November	101.5	103.4	98.0	100.8	101.9	101.2	101.5
December	100.5	103.4	98.0	100.2	101.7	101.2	101.1
Year	103.8	103.1	97.7	100.9	102.4	101.2	102.2
<u>1939</u>							
January	99.9	103.4	101.0	100.2	101.7	101.1	101.1
February	98.7	103.4	101.0	100.2	101.7	101.1	100.7
March	98.5	103.4	100.4	99.9	101.2	101.1	100.6
April	98.3	103.4	100.4	99.9	101.1	101.4	100.6
May	98.2	103.8	100.2	99.9	101.1	101.4	100.6
June	98.1	103.8	99.8	100.1	101.0	101.3	100.5
July	99.0	103.8	99.3	100.1	100.9	101.3	100.8
August	99.3	103.8	99.0	100.1	100.9	101.3	100.8
September	99.4	103.8	98.9	99.6	100.8	101.3	100.8
October	106.3	104.4	104.4	99.6	101.0	101.7	103.5
November	107.1	104.4	105.3	99.6	101.0	101.9	103.8
December	104.7	104.4	105.4	103.3	104.1	102.0	103.8
Year	100.6	103.8	101.2	100.7	101.4	101.4	101.5
<u>1940</u>							
January	104.5	104.4	105.5	103.3	104.3	101.8	103.8
February	104.5	104.4	105.8	103.3	104.3	101.9	103.8
March	104.8	104.4	105.7	107.8	105.9	101.9	104.6
April	104.8	104.4	105.9	107.8	106.1	101.8	104.6
May	104.4	106.9	106.1	107.8	106.2	101.8	104.9
June	103.8	106.9	106.0	109.1	106.5	101.8	104.9
July	105.3	106.9	107.9	109.1	106.9	102.2	105.6
August	105.4	106.9	108.4	109.1	106.9	103.0	105.9

Supplementary Notes

A. Price Coverage

The character of price movements for various commodities and services differs widely. For some, including certain foods, rentals and car fare, local conditions may be a governing factor, while for others, such as tobacco and periodicals, the price may be Dominion-wide. Some commodities fluctuate considerably in price, while others are characteristically stable. These considerations have led to differences in the number of cities covered and the number of reports received to build up satisfactory Dominion urban averages. One report on car fare for each city gives perfect coverage, whereas many reports are required for foods in large cities such as Montreal and Toronto. Interest in local differences has resulted in a much more complete representation than would be required for Dominion averages alone. This is true of foods, fuel, rents, and certain services. On the other hand, comparative uniformity in clothing price trends over considerable areas and a high proportion of sales by large selling organizations made it necessary to obtain a much smaller number of reports for items in this budget group. A summary of reports received and the number of cities represented follows and apparent inconsistencies should be judged in the light of the foregoing remarks.

Price Reporting Basis of the Revised Dominion Bureau of
Statistics Cost of Living Index

Budget Groups and Sub-Groups	Frequency of Reports	Number of Cities Represented	Number of Reports Received
Food	Monthly	69	1600
Rentals	May and Oct.	61	200
Fuel - Coal	Monthly	58	330
Coke	"	26	200
Gas	"	16	16
Electricity	"	109	109
Clothing and Home Furnishings	Monthly	11	24
Miscellaneous -			
Medicine	Semi-Annually	23	82
Car Fare	Monthly	18	18
Theatre Admissions	"	23	1
Insurance	Annually	All Canada	11
Tobacco	When prices change	All Canada	1
Newspapers	Monthly	22	43
Periodicals	Annually	All Canada	6
Doctor	"	22	103
Dentist	"	37	61
Hospital	"	23	57
Laundry	"	23	76
Cleaning Supplies	Monthly	23	347
Barbers' Fees	"	23	85
Toilet Articles	Quarterly	23	82
Telephones	Monthly	23	23
Motor Operating Costs	"	23	15

B. Base Period

The choice of the five year 1935-9 base period was prompted by several considerations. In selecting a new period to replace 1926, the Dominion Bureau of Statistics had to consider many types of indexes other than those for prices. Employment, industrial production, and car loadings were some of the series involved, and it was difficult to find a recent 12-month period which would provide a generally satisfactory reference level. For both prices and industrial production the years 1935-9 offered a period of rise and fall which tended to minimize differences in the base levels of various series relative to earlier periods. Although the last four months of 1939 were affected by the outbreak of war, neither prices nor industrial activity reacted sufficiently in that interval to affect a five-year average materially. The years 1935-9 provided a base which is representative of pre-war conditions, and at the same time gives a reference level for comparison with average conditions obtaining subsequent to recovery from the depression from 1929 to 1933.

Acting upon a recommendation by the United States Central Statistical Board, the United States Bureau of Labor Statistics has already adopted the 1935-9 base period for its cost of living index, and the Federal Reserve Board and Federal Departments concerned with statistical time series also have taken this step or announced their intention of doing so. There are definite advantages in direct comparability between Canadian and United States index number data.

C. Method of Construction

The method of constructing the Bureau's revised cost of living index is essentially the same as has been used in computing the old series^x. The chief difference is that the weights are applicable to expenditures of typical urban wage-earner families, whereas the old index weights were based mainly upon national consumption estimates. For both series, however, group indexes have been computed by multiplying physical quantity weights by actual price averages, obtaining group aggregates, and then compar-

^xSee Prices and Price Indexes, 1913-1938. Pp. 181-5.

ing the percentage relationship of these group aggregates with corresponding base period aggregates. Group indexes are finally combined after applying a further system of percentage weights reflecting the importance of each budget group in annual family living expenditures. In the new index a separate group has been established for home furnishings and requirements. This is a counterpart of the household effects, furnishings and hardware sub-groups included in the old index under the heading "Miscellaneous". The new group weighting system is shown in the following table:

Group Weighting Systems

Group	Revised Weights	Old D.B.S. Index Weights
	P.C.	P.C.
Food	31	30
Fuel	6	6
Shelter	19	20
Clothing	12	18
Home Furnishings	9	{ 26
Miscellaneous	23	
Total	100	100

Adjustments in 1941

As the work of revision progressed it was decided that it would be advisable to add several price series for which no records were currently being collected. Items listed following will be spliced into the new index at the beginning of 1941. They are not of sufficient importance to affect the continuity of index movements.

Strawberry Jam
Vegetable Shortening
Smoked Ham
Flannelette
Broadcloth Smock
Oil-Cloth
Chloride of Lime

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