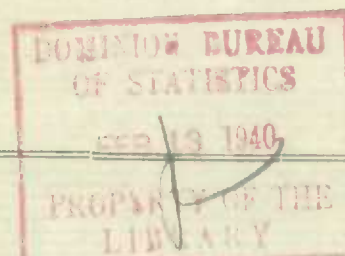


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CANADA
DEPARTMENT OF TRADE AND COMMERCE
DOMINION BUREAU OF STATISTICS
INTERNAL TRADE BRANCH

PRICE MOVEMENTS, IN 1939

Wholesale Prices
Retail Prices
Security Prices
Exchange

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Published by Authority of the HON. W.D. EULER
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1940

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DEPARTMENT OF TRADE AND COMMERCE
DOMINION BUREAU OF STATISTICS - CANADA
INTERNAL TRADE BRANCH

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PRICE MOVEMENTS, CANADA, 1939

SUMMARY OF COMMODITY PRICES

The course of commodity prices in 1939 was unusually even until the middle of August. Two weeks prior to the outbreak of war, markets turned upward and basic commodities advanced steadily for seven weeks, carrying the general level of wholesale prices 8.5 p.c. higher. Early in October, markets tended to level off, but wholesale price indexes continued to edge gradually upward until the beginning of December. Then, led by grains, commodities again recorded fairly broad advances.

The net advance in the general wholesale price level for 1939 was 11.5 p.c., while the increase from the year's low in August amounted to 12.8 p.c. In the retail price field, only foods and a few clothing items showed an early response to the September rise in wholesale markets. Advances became more general, however, for clothing and household needs during November and December. The December cost of living index was 3.0 p.c. higher than that for August and 2.3 p.c. above the level of December 1938. As the year closed, both wholesale and retail price levels were above 1938 averages. The latter have been edging irregularly upward since 1933, but December 1939 wholesale price levels were still appreciably below their 1937 peak. Both groups remained substantially below pre-depression levels of 1929.

WHOLESALE PRICES - GENERAL

From January to August 1939, the Dominion Bureau of Statistics' index number of general wholesale prices fluctuated narrowly between 73.7 and 72.4. Then from the latter level in August it jumped to 78.2 in September, and thereafter mounted more gradually to 82.2 in the final week of December. The net advance of 11.5 p.c. during 1939 in the general index compared with the following percentage increases in component groups: Vegetable Products 19.2, Animal Products 11.5, Textiles 23.3, Wood Products 11.7, Iron and Its Products 4.0, Non-Ferrous Metals 5.3, Non-Metallic Minerals 0.2, and Chemicals 9.5. Net price increases for the year for individual commodities were with few exceptions less than 25 p.c. Increases exceeding this amount, however, were recorded for raw silk, wool, grains, rubber, leather, groundwood pulp and tin. Advances ranging from 10 to 25 p.c. included cattle, granulated sugar, cheese and pig iron, while copper and gasoline moved up less than 10 p.c. Steel bars, bituminous coal and sulphuric acid showed no change, while hogs, eggs, and anthracite coal were slightly lower.

CANADIAN FARM PRODUCTS

Movements in the Canadian Farm Products index of wholesale prices were somewhat narrower during 1939 than for commodity wholesale prices in general. This was due in part to the use of minimum prices established by the Canadian Wheat Board when market prices of wheat were below the Board's minimum levels. The composite index for Canadian Farm Products advanced from 64.8 in January to 65.5 in April and then receded to 58.4 in August. The subsequent rise in prices did not cancel summer declines until December, when the index reached 69.1. The Animal section held at substantially higher levels throughout 1939 than the Field Product section. Annual averages for these two groups were 81.4 and 54.3 respectively.

IMPORTS AND EXPORTS

Wholesale prices of principal import and export products were affected in like degree by advances between August and December 1939. The import index mounted from 80.6 to 93.8, while the export series moved up from 59.9 to 71.5 during the same interval. Although these increases were approximately parallel, the relative price margin of imports over exports was greater in 1939 than for any other year since 1913. It was most pronounced in the price groups for Vegetable Products, Iron, and Non-Ferrous Metals, but for all component material groups 1939 import wholesale price indexes were above corresponding export series. Annual average indexes in 1938 and 1939 were 83.1 and 84.4 for imports and 70.9 and 63.5 for exports.

RETAIL PRICES AND THE COST OF LIVING

Living costs as represented by the Dominion Bureau of Statistics' index of retail prices, rents, and costs of services averaged 83.6 in 1939 as compared with 84.1 in 1938. As in the case of wholesale prices, retail commodity prices showed little movement until the closing months of the year. An index of food prices after holding between 75.2 and 74.2 from January to September 1st, advanced from 74.2 on the latter date to 79.3 for December 1st. Fuels also moved higher during the same period from 83.8 to 86.1. This was slightly more than the usual seasonal increase for the fall and early winter season. Special surveys of clothing and household furnishings prices showed moderate advances in November and December, which placed year-end levels about 3.8 p.c. over September 1st levels for clothing and 8.4 p.c. for furniture and furnishings. Changes in residential rentals during 1939 were generally small. An index of rentals based on a survey in May was 90.0, and the corresponding October 1939 index was 89.9. The 1938 average index for rentals was 89.8.

SECURITY PRICES

The outbreak of European hostilities at the beginning of September found Canadian common stock prices at or near low points for 1939. From the year's opening level of 107.5, the Bureau's daily index for 95 industrial and utility common stocks declined about 16.3 per cent to 90.0 on August 24th. Recessions were common to almost all sections of the market during this period. After the declaration of war on September 3rd, the industrial and utility share price average mounted within four days to approximately 17 p.c. above the year's low. A decline, almost as sharp, cut more than 80 p.c. off this advance within the ensuing two weeks. A sizable rally developed from this point which moved this index back to 108.7 by the final week of October. The closing weeks of the year again found quotations moving lower, though this reaction was in marked contrast to the substantial improvement in Canadian industrial activity in the final quarter. Closing at 101.2 the composite index of industrials, utilities and banks showed a net loss of 6.9 p.c. from the corresponding level of a year ago. Industrial stocks paced by a 19.6 p.c. decline in the industrial mines sub-group index, dropped 9.8 p.c. during the year to 165.4. An index for 19 utilities, on the other hand, moved 3.2 p.c. higher to 45.6. Bank stocks finished up 0.7 p.c. at 84.4.

Mining issues, while following the major price fluctuations of industrials and utilities, showed some noteworthy differences. Chief among these was the slump in an index for 22 golds, which fell to a 1939 low of 92.8 on September 11th. Prices strengthened moderately from this point due partly to the establishment of a 10 p.c. premium on United States funds, thus raising the United States official gold price of \$35.00 per ounce to \$38.50 in Canadian funds. Compared with the final 1938 daily index of 123.6, the 1939 closing level of 107.6 showed a percentage loss of 12.9. An index of 3 base metal stocks touched a yearly peak of 338.5 on September 5th but within the space of two weeks had fallen to a 1939 low of 270.0. This sharp decline followed the announcement that British Control Boards would be set-up, which were to establish quotations for various non-ferrous metals considerably below current levels. The Year's closing index of 303.2 was down 4.8 p.c. from the final level of 1938. There was a decline of 9.8 p.c. to 145.6 in the Bureau's composite index for 25 mining issues between December 31, 1938, and December 30, 1939.

An index of Dominion of Canada long-term bond prices ended the year approximately 5.3 p.c. lower, falling from 118.8 for the final week of 1938 to 112.5 for the week ending December 28, 1939. The year-end index indicated that bonds had recovered approximately one-half of severe September price declines when the index touched a five-year low of 108.7.

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

Foreign exchange trading, outside of the United States, was subject to a marked increase in official control in 1939. Soon after the outbreak of hostilities in September, belligerents took action to safeguard the position of their currencies and foreign exchange reserves.

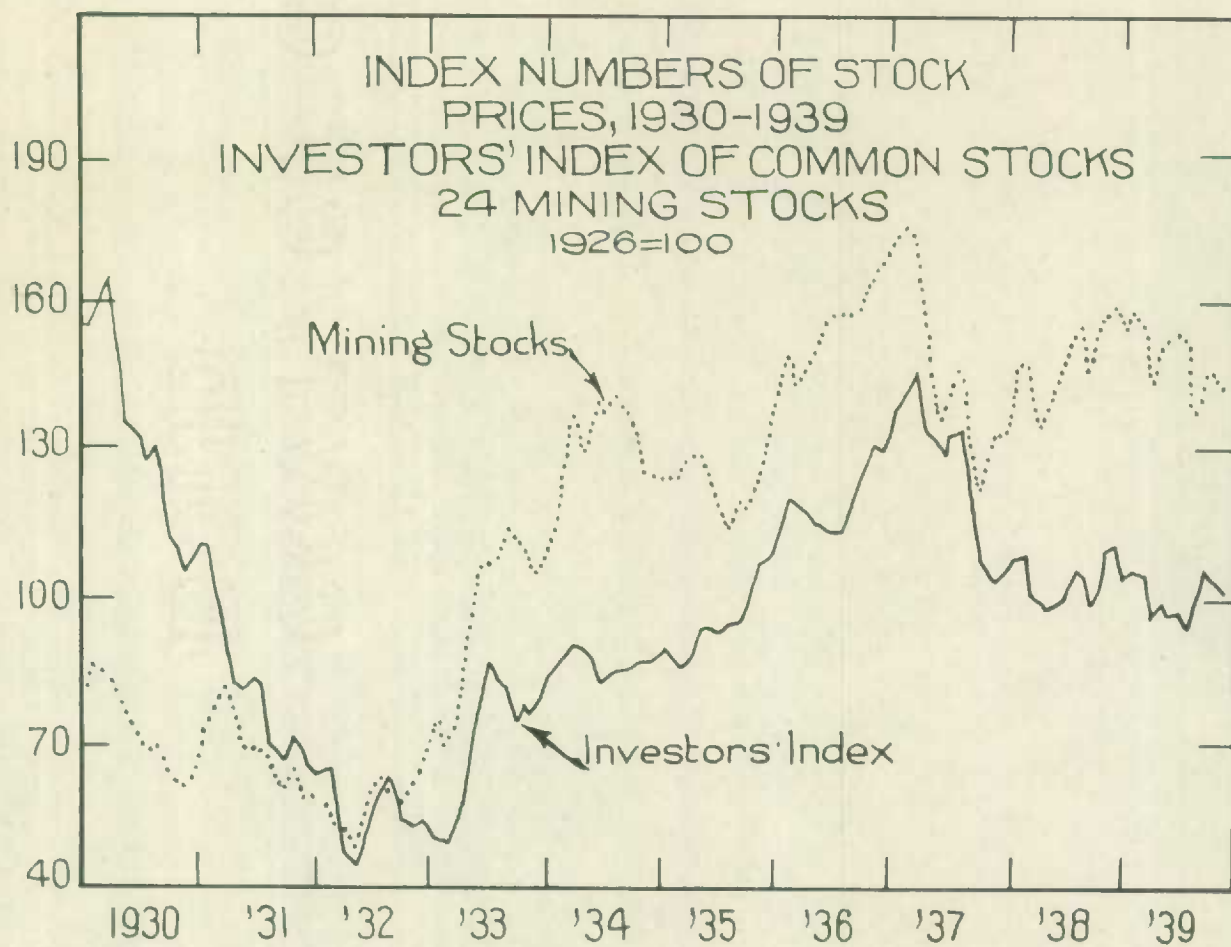
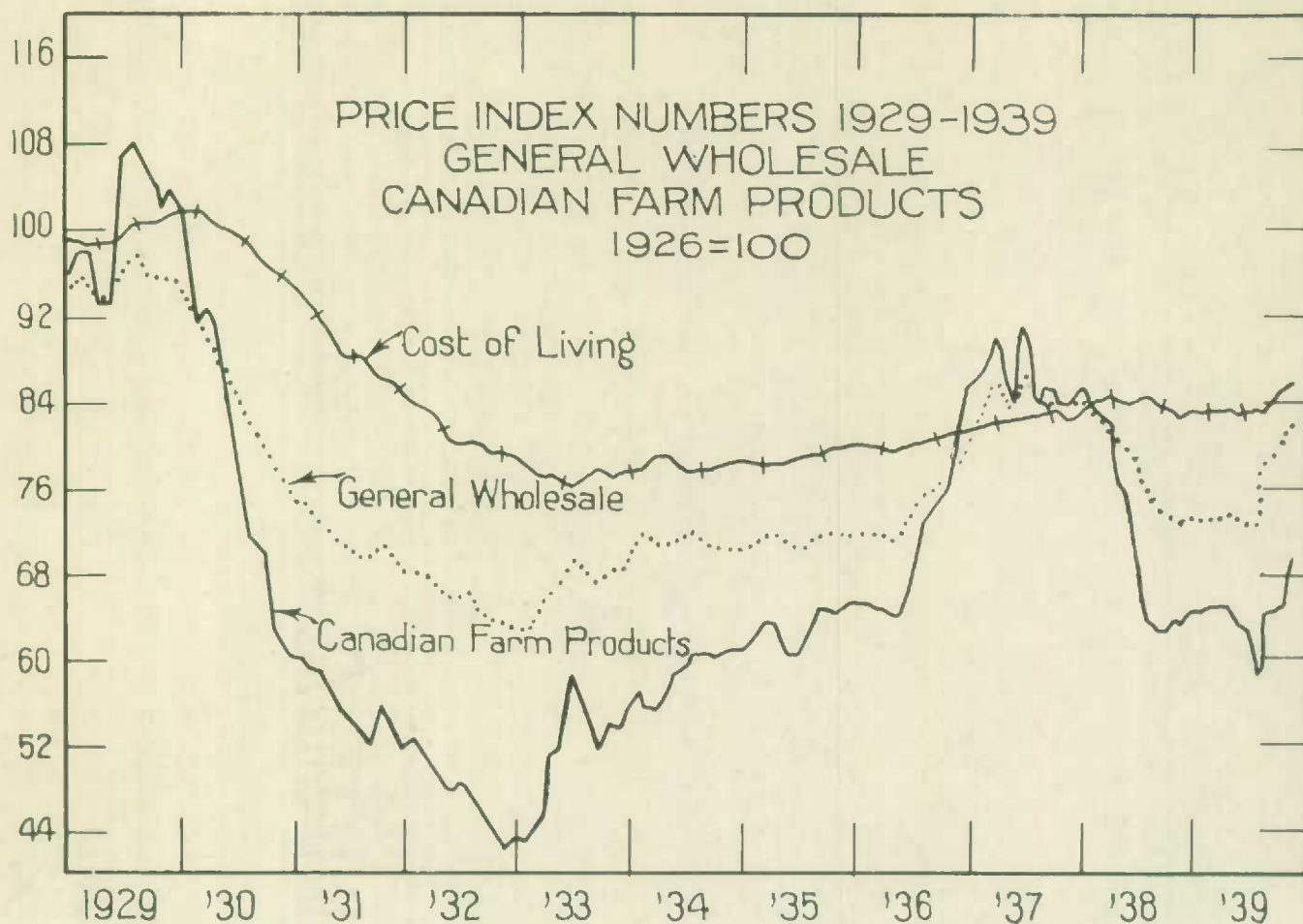
From the beginning of the year until the latter part of August, sterling rates at Montreal held comparatively steady at approximately \$4.69, being supported intermittently by the British Exchange Equalization Fund. Following withdrawal of this support sterling rates dropped to a 1939 low of \$4.1966 on September 14th. Various restrictive measures were imposed by the British Treasury at this time. Rediscount rates were raised from 2 to 4 per cent by the Bank of England and limitations were placed on capital exports. Bar gold at London advanced from around 148s. 6d. in August to 168s. per fine ounce on September 5th, the latter figure being a fixed buying price set by the Bank of England. About the middle of the month official sterling buying and selling rates of \$4.02-\$4.06 were set for New York funds. At the same time the Bank of England

transferred practically its entire gold reserves amounting to approximately £280 millions to the Exchange Equalization Fund. On September 18th, with the formation of the Canadian Foreign Exchange Control Board, sterling buying and selling rates at Montreal were set at \$4.43-\$4.47 while at New York rates were revised by the Bank of England to \$4.02-\$4.04. Rates on United States funds were set by the Canadian Foreign Exchange Control Board at \$1.10 buying and \$1.11 selling on the same date. These rates remained unchanged for the balance of the year. Prior to their establishment United States funds, which had been ruling at par in August, moved up to a 1939 peak premium of 11 1/4 p.c. on September 15th. This compared with a premium of 7/8 of one per cent at the beginning of the year. During the last three and one-half months of 1939, free market rates at New York for sterling generally fluctuated at levels considerably below the official rate. A low of \$3.82 1/2 was touched on September 18th while a peak of \$4.05 1/4 occurred on October 4th. Generally, however, free rates averaged about 10¢ below the lower official limit. During the same period Canadian funds at New York moved between a high of 91¢ on September 20th and a low of 86¢ on November 22nd. French francs remained linked to sterling throughout the year and reflected sterling movements. Repatriation of French gold and securities during 1939 was substantial and brought Bank of France gold reserves (measured in metric tons) to their highest level in history. Quotations on the French franc at Montreal closed the year at 2.50¢ compared with a low of 2.34¢ on September 18th and an opening level of 2.64¢. A noteworthy event in connection with the sterling-franc relationship was the announcement on December 12th that the Governments of the United Kingdom and France had signed a financial agreement which stabilized Anglo-French currencies at the rate of 176 1/2 francs to the £ sterling until six months after the signature of a peace treaty.

Major European neutral units generally scored sharp gains at Montreal following the outbreak of war. Exchange rates on Far Eastern countries for the most part continued to move with sterling and consequently showed weakness at Montreal. After allowing the yen to decline with sterling for the first two months of the current European war, Japanese authorities severed an eight-year tie with the pound and linked the yen to the United States dollar at \$23 7/16 per 100 yen. The yen ended the year at 26.02¢ in terms of the Canadian dollar compared with an opening figure of 27.19¢. Operations of various controls tended to keep South American currencies relatively steady during 1939 though there was some relaxation of the regulations in one or two instances. Due to its new link with United States funds established in September, Argentine pesos (free rates) moved about 2¢ higher at Montreal in the final quarter, closing the year at 25.09¢.

WHOLESALE PRICE INDEX NUMBERS MARKING PEAKS AND DEPRESSIONS SINCE 1913.
(1913=100)

	1913	1920	1922	1929	1932	1937	December 1939
General Wholesale Index	100.0	243.5	152.0	149.3	104.2	132.1	127.6
Raw and Partly Manufactured Goods.	100.0	241.6	148.5	152.8	86.2	132.1	116.3
Fully and Chiefly Manufactured							
Goods	100.0	241.5	155.0	143.5	107.7	124.2	125.1
Producers' Goods	100.0	242.7	146.8	142.6	93.7	127.9	115.7
Consumers' Goods	100.0	226.3	153.6	152.7	114.9	128.3	131.1
Canadian Farm Products	100.0	258.8	138.5	158.8	75.1	139.3	110.3
Imports	100.0	217.5	137.5	129.0	96.6	123.0	128.5
Exports	100.0	244.4	146.4	142.5	84.9	125.3	110.5



CANADIAN WHOLESALE PRICE INDEX NUMBERS, 1913-1939
(1926=100.0)

	General Whole- sale Prices	Pro- ducers' Goods	Con- sumers' Goods	Building and Con- struction Materials	Raw and Partly Manu- factured Materials	Fully and Chiefly Manu- factured Materials	Canadian Farm Products
1913	64.0	67.7	62.0	67.0	63.8	64.8	64.1
1920	155.9	164.8	136.1	144.0	154.1	156.5	160.6
1926	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1927	97.7	98.5	95.7	96.1	99.9	96.5	102.1
1928	96.4	96.7	95.6	97.4	97.4	95.0	100.7
1929	95.6	96.1	94.7	99.0	97.5	93.0	100.8
1930	86.6	82.5	89.3	90.8	82.2	87.3	82.3
1931	72.1	67.1	76.2	81.9	61.9	74.8	56.3
1932	66.7	62.4	71.3	77.2	55.0	69.8	48.4
1933	67.1	63.1	71.1	78.3	56.6	70.2	51.0
1934	71.6	67.8	74.1	82.5	63.5	73.4	59.0
1935	72.1	69.5	73.6	81.2	66.0	72.8	63.5
1936	74.6	72.4	74.7	85.3	70.8	73.6	69.4
1937	84.6	86.1	79.5	94.4	84.3	80.5	87.1
1938	78.6	75.8	77.2	89.1	72.7	78.2	73.6
1939 ^x							
January	73.2	68.1	74.4	87.3	64.8	73.5	64.8
February	73.2	68.2	74.4	87.3	64.9	73.6	64.7
March	73.2	68.1	74.1	87.4	65.1	73.2	65.1
April	73.4	68.3	74.1	87.6	65.5	73.3	65.5
May	73.7	69.0	73.9	88.0	66.5	73.2	65.2
June	73.3	68.1	73.7	88.5	65.0	73.1	63.3
July	72.6	66.7	73.4	88.6	63.1	73.0	62.7
August	72.4	66.7	72.8	90.3	62.8	72.8	58.4
September	78.2	74.1	77.2	91.5	70.7	77.5	64.2
October	79.3	74.0	79.4	92.5	71.2	78.8	64.5
November	80.3	75.2	81.2	93.2	71.9	80.2	65.1
December	81.7	77.9	81.3	94.2	74.2	81.1	69.1

CANADIAN LIVING COST INDEX NUMBERS, 1913-1939
(1926=100.0)

	Total Cost of Living Index	Food Index	Fuel Index	Rent Index	Cloth- ing Index	Sun- dries Index	Retail Index of Foods, Fuel, Clothing, Household Require- ments	Retail Index of Fuel, Clothing, House- hold Re- quire- ments
1913	65.4	66.2	65.8	64.1	63.3	66.2	-	-
1920	124.2	141.1	102.6	86.5	153.2	104.0	-	-
1926	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1927	98.4	98.1	97.9	98.8	97.5	99.1	97.9	97.9
1928	98.9	98.6	96.9	101.2	97.4	98.8	97.9	97.3
1929	99.9	101.0	96.4	103.3	96.9	99.0	98.9	96.9
1930	99.2	98.6	95.7	105.9	93.9	99.4	96.7	94.9
1931	89.6	77.3	94.2	103.0	82.2	97.4	82.5	87.3
1932	81.3	64.3	91.4	94.7	72.3	94.6	72.6	80.3
1933	77.5	63.7	87.7	85.1	67.1	92.6	70.1	76.2
1934	78.6	69.4	87.7	80.1	69.7	92.1	73.7	77.7
1935	79.1	70.4	86.8	81.3	69.9	92.2	74.1	77.5
1936	80.8	73.4	86.4	83.7	70.5	92.8	75.9	78.0
1937	83.1	77.3	84.9	86.9	72.7	93.4	78.6	79.8
1938	84.1	78.0	85.1	89.8	73.3	94.1	79.3	80.6
1939 ^x								
January	83.3	75.2	85.7	90.1	72.8	94.2	77.8	80.3
February	83.1	74.5	85.4	90.1	72.8	94.2	77.5	80.3
March	83.1	74.5	85.3	90.1	72.8	94.1	77.4	80.2
April	83.1	74.5	85.1	90.1	72.8	94.3	77.4	80.2
May	83.1	74.6	84.5	90.0	72.8	94.3	77.4	80.1
June	82.9	74.3	84.3	90.0	72.6	94.1	77.1	79.8
July	83.1	75.1	83.9	90.0	72.6	94.1	77.5	79.8
August	83.0	74.9	83.7	90.0	72.6	94.1	77.4	79.7
September	82.9	74.2	83.8	90.0	73.1	94.1	77.2	80.0
October	84.7	79.8	85.1	89.9	73.1	94.4	80.2	80.5
November	85.0	80.5	86.1	89.9	73.1	94.5	80.6	80.7
December	85.5	79.3	86.1	89.9	75.9	95.7	81.3	83.2

^x Subject to revision.

SECURITY PRICE INDEX NUMBERS AND EXCHANGE RATES, 1932-1939
(1926=100)

Canadian Stocks, Bonds and Foreign Exchange Quotations															
	Industrial and Utility Common Stock Prices			Mining Stock Prices			Pre- ferred Stock Prices	Dominion Long- Term Bonds		Noon Rates at Montreal ^x					
	Total	Indus- tri-als	Util- ities	Total	Gold	Base Metals		Prices	Yields	Ster- ling	U.S. Dollar	French Franc	Belgian Belga	Japanese Yen	Argentine Paso (free rate)
1932 - December	52.2	58.9	45.7	63.1	62.7	-	50.2	101.2	99.4	3.7866	1.1544	.0451	.1604	.2423	.2982
1933 - December	75.3	111.4	47.8	105.1	100.4	127.1	60.2	103.6	95.1	5.0957	.9954	.0611	.2173	.3083	.2874
1934 - December	86.2	125.6	47.5	124.9	124.7	129.6	71.4	115.2	71.3	4.8865	.9878	.0652	.2312	.2855	.2483
1935 - December	107.4	178.2	50.1	133.6	116.9	201.7	73.8	112.5	75.5	4.9755	1.0093	.0666	.1702	.2902	.2749
1936 - December	129.2	212.8	62.8	167.7	131.3	317.8	93.9	118.2	64.1	4.9042	.9993	.0466	.1689	.2850	.2975
1937 - December	103.7	167.7	49.5	134.3	115.5	213.1	81.0	115.6	67.4	4.9985	1.0004	.0340	.1699	.2910	.2930
1938															
January	107.7	177.0	48.4	144.1	121.0	241.7	83.4	116.1	66.3	5.0003	1.0001	.0334	.1693	.2906	.2918
February	107.1	177.7	46.8	147.7	124.3	246.9	82.1	116.6	65.4	5.0165	.9997	.0329	.1697	.2903	.2661
March	99.2	164.0	43.1	134.9	111.4	225.3	77.5	116.8	64.7	4.9984	1.0028	.0313	.1693	.2896	.2569
April	97.9	160.5	43.7	133.9	110.5	229.5	78.2	117.3	63.7	5.0061	1.0054	.0312	.1694	.2916	.2557
May	99.7	163.5	44.5	139.5	114.1	243.0	80.1	118.2	61.7	5.0081	1.0082	.0284	.1698	.2918	.2630
June	100.0	163.5	45.1	145.8	119.2	259.5	81.8	118.1	61.8	5.0116	1.0107	.0281	.1714	.2920	.2632
July	106.9	175.1	48.6	151.1	119.8	282.1	87.2	117.6	62.7	4.9562	1.0054	.0278	.1701	.2887	.2610
August	105.2	172.8	47.1	156.0	123.8	289.2	86.8	117.6	62.7	4.8970	1.0034	.0274	.1692	.2854	.2586
September	98.6	162.2	42.7	144.0	113.6	269.8	81.3	116.6	65.3	4.8335	1.0062	.0271	.1698	.2818	.2546
October	109.7	182.7	46.9	157.4	121.3	308.2	88.0	116.9	63.2	4.8120	1.0093	.0269	.1706	.2806	.2542
November	110.4	184.9	46.2	159.6	121.1	319.3	87.5	117.8	61.5	4.7413	1.0072	.0265	.1703	.2762	.2369
December	101.8	179.4	44.0	159.0	121.6	313.0	86.9	117.7	61.8	4.7133	1.0092	.0266	.1700	.2747	.2297
1939															
January	101.9	171.4	42.7	158.0	121.4	307.0	85.0	117.5	62.1	4.7060	1.0079	.0266	.1703	.2742	.2311
February	101.1	174.0	42.9	158.8	121.1	315.1	84.4	117.6	61.9	4.7086	1.0049	.0266	.1694	.2744	.2311
March	101.7	171.4	44.4	155.0	118.2	305.6	83.9	117.9	61.1	4.7044	1.0041	.0266	.1689	.2742	.2316
April	96.2	157.7	41.9	143.7	110.1	282.6	78.9	116.8	63.0	4.7038	1.0050	.0266	.1692	.2742	.2323
May	91.2	163.0	43.2	151.4	114.6	303.3	79.0	117.0	62.4	4.6981	1.0036	.0266	.1708	.2738	.2323
June	91.0	157.6	43.7	153.9	116.5	308.6	81.9	118.0	60.1	4.6923	1.0021	.0266	.1704	.2734	.2326
July	91.3	159.2	42.7	155.8	117.7	314.7	83.0	117.9	60.1	4.6885	1.0015	.0265	.1702	.2733	.2320
August	84.2	154.2	40.9	151.4	112.8	310.3	81.0	116.3	62.9	4.6327	1.0047	.0263	.1704	.2703	.2321
September	101.1	168.2	42.2	137.7	99.6	298.3	83.3	109.3	76.5	4.4090+	1.0948+	.0248	.1871	.2575	.2566
October	106.0	177.0	45.7	144.7	106.6	299.6	89.0	112.0	71.0	4.4500+	1.1050+	.0252	.1858	.2612	.2604
November	103.6	171.9	44.7	144.7	106.3	304.1	90.1	113.1	69.0	4.4500+	1.1050+	.0247	.1832	.2603	.2574
December	101.2	165.3	45.7	142.4	105.0	298.0	91.3	113.1	68.8	4.4500+	1.1050+	.0247	.1841	.2602	.2527

^x Bank of Montreal, 1932-34 Bank of Canada, 1935-39. + Since September 16, 1939, quotations used are the average of the daily buying and selling rate set by the Canadian Foreign Exchange Control Board. The current buying and selling rates for sterling are \$4.43 and \$4.47 and for U.S. funds \$1.10 and \$1.11.

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