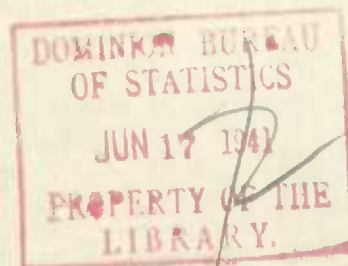


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CANADA  
DEPARTMENT OF TRADE AND COMMERCE  
DOMINION BUREAU OF STATISTICS  
INTERNAL TRADE BRANCH

PRICE MOVEMENTS IN 1940

Wholesale Prices  
Retail Prices  
Security Prices  
Exchange

-----+ + +-----

Published by Authority of the Hon. James A. MacKinnon, M.P.,  
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DOMINION BUREAU OF STATISTICS - CANADA  
INTERNAL TRADE BRANCH

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PRICE MOVEMENTS, CANADA, 1940.

SUMMARY OF COMMODITY PRICES

Wholesale and retail prices moved gradually higher during 1940 in continuance of an advance dating from the outbreak of war. The 1940 increase of 4.0 p.c. in the cost of living index was slightly in excess of the wholesale price index increase of 3.1 p.c. However, from August 1939 to December 1940, the general wholesale price index rose 16.5 p.c. as compared with 7.1 p.c. for the cost of living index.

WHOLESALE PRICES (1926=100)

After a mild reaction in the summer months of 1940, wholesale price levels again turned upward, but the net advance of 3.1 p.c. during the year was much less than the increase registered in the last four months of 1939. During the first quarter of 1940 the composite index for 567 commodity prices moved up to a peak of 83.2 in March from 81.7 in December, 1939. In the ensuing three months a general price recession lowered the index to 81.6 for June, which proved to be the turning point for the year. Summer price declines coincided with the German invasion of the Lowlands and culminated with the collapse of France late in June. Among price quotations showing the most serious losses at this time were grains, and on May 18th the Canadian Wheat Board established minimum quotations for wheat futures.

A second advance in prices commenced in July, reflecting an upturn in basic commodities, new taxation of imports for non-war purposes, and an acceleration of national defense activity. During its spring session the Dominion Government placed a 10 p.c. tax on all import items from non-Empire countries except those for war purposes, while at the same time a processing tax of 15¢ per bushel was placed on wheat milled for domestic consumption. In addition an 11 p.c. exchange premium had obtained on all import settlements in terms of New York funds or related currencies since September 1939.

Among the various component material groups, increases for 1940 ranged between 3.1 p.c. for fibres, textiles and textile products and 7.3 p.c. for wood, wood products and paper. Only vegetable products showed a net loss for the year, amounting to 1.7 p.c. Price increases in the second half of 1940 were more important among fully and chiefly manufactured articles than for basic commodities. From June to December 1940, the rise in fully and chiefly manufactured articles was 3.9 p.c. compared with a 3.0 p.c. increase in raw and partly manufactured goods.

CANADIAN FARM PRODUCTS (1926=100)

Erratic fluctuations featured Canadian Farm Product wholesale prices during 1940. A rise dating from the declaration of war continued until April when the Farm Product index was 72.1, as compared with 69.0 in December 1939 and 58.4 in August 1939. From this point, however, a sharp decline carried the index back to 62.7 in August. Practically the whole of this drop occurred in the field products section, due to the rapid decline in the grain price index from a peak of 65.1 in April to 50.2 in August. Later a sharp decrease in the potato index from a seasonal peak of 84.5 in July to 43.1 in October, contributed to further weakness in this section. Prices for animal products as a group during 1940 were comparatively steady, though sharp seasonal advances for hides and skins and egg prices in the latter half of the year contributed to a firm close. The December index for Animal Products was 91.6 as compared with 85.4 in January and a low of 83.3 in August. As the year ended, the average level of Canadian Farm Product wholesale prices stood at 67.1 p.c. of the 1926 base average, or 2.8 p.c. below the final 1939 figure.

IMPORTS AND EXPORTS (1926=100)

While net increases were noted for both import and export wholesale price indexes over closing 1939 levels, the relative margin of imports over exports continued to widen. At the end of 1939 the import index was 32.4 p.c. above the export index; this margin rose to 36.8 p.c. in June 1940 and narrowed only fractionally during the second half of the year to 36.1 p.c.



For December 1940, the import index of 98.0 was 3.5 p.c. above its January level. Among imports showing the sharpest percentage increases were raw rubber, fresh fruits, tobacco, rice and chicle in the vegetable products group, along with electrolytic copper wire, coal, glass, petroleum products and artificial fertilizers. Small declines were noted for raw silk and a few lesser items.

Among exports, price movements were more diverse. While the composite index recorded a net annual increase of 0.7 p.c., several sub-group indexes were lower. Notable among these were vegetable products, with sharp losses occurring for grains, milled products and potatoes. Animal products, fibres, textiles and textile products, wood, wood products and paper and iron and its products were all considerably higher, while minor increases were recorded for non-ferrous metals and non-metallic minerals. Chemicals were unchanged.

WHOLESALE PRICE INDEX NUMBERS MARKING PEAKS AND DEPRESSIONS SINCE 1913.  
(1926=100)

	1913	1920	1922	1929	1932	1937	Dec. 1940
General Wholesale Index .....	64.0	155.9	97.3	95.6	66.7	84.6	84.2
Raw and Partly Manufactured Goods...	63.8	154.1	94.7	97.5	55.0	84.3	76.2
Fully and Chiefly Manufactured Goods	64.8	156.5	100.4	93.0	69.8	80.5	83.2
Producers' Goods .....	67.7	164.3	98.8	96.1	62.4	86.1	79.3
Consumers' Goods .....	62.0	136.1	96.9	94.7	71.3	79.5	85.2
Canadian Farm Products .....	64.1	160.6	88.0	100.8	48.4	87.1	67.1
Imports .....	73.0	158.8	100.4	94.2	70.5	89.8	98.0
Exports .....	64.7	158.1	94.7	92.2	54.9	81.1	72.0

COST OF LIVING (1935-1939=100)

According to the Bureau's new cost of living index on the base 1935-1939=100, living costs advanced 4.0 p.c. during 1940. The index of 108.0 for December 1940 compared with 103.8 and 100.8 for December and August 1939, respectively. While all constituent groups contributed to the 1940 increase, the greatest advance was noted for the clothing group which rose 9.9 p.c. to an index level of 113.5; home furnishings mounted 6.3 p.c. to 110.7. Since August 1939 indexes for these two series have advanced 13.4 p.c. and 9.7 p.c. respectively. The retail food price index rose 4.2 p.c. in 1940, compared with a 9.9 p.c. increase since August 1939, while residential rentals advanced 3.2 p.c. and 3.8 p.c. in these same intervals. The December 1940 fuel and lighting index was 9.6 p.c. above the August 1939 level, of which 2.9 p.c. was added in 1940. Showing the smallest net advance, by December 1940 an index of miscellaneous items had moved up only 1.5 p.c. over pre-war levels, with about one-half of this amount added since December 1939.

SECURITY PRICES (1926=100)

Movements in security prices, with the exception of long-term bonds, closely reflected Allied war fortunes of the year. During the first six months of 1940 industrial and utility common stocks showed substantial declines, more especially during May and June. On June 26 an average of industrial and utility stocks was 32.3 p.c. lower than the 1939 closing level, and approximated averages in the early months of 1933. Industrial stocks showed much the greatest drop between January and June, an index for this group falling 36.2 p.c. to 105.6 on June 26, while a similar utility series declined 24.5 p.c. to 34.4, and an index for 8 banks, 14.8 p.c. to 71.9. Subsequent recovery was gradual and failed to extend beyond the early part of September. Thereafter market averages fluctuated narrowly until the end of the year. The December 31 index of common stocks at 77.5 showed an increase of some 13.1 p.c. from mid-year lows, but indicated a net decline of approximately 23.4 p.c. when compared with the final 1939 index of 101.2. Among group indexes, declines for the year were led by a 38.9 p.c. drop in pulp and paper, while the smallest decrease of 1.1 p.c. was registered by beverage stocks.

In the mining section the pattern of stock price movements over the year was broadly similar to industrials and utilities. At the end of 1939 an index of 25 representative mining issues stood at 145.6, but from this level it declined almost steadily to a 1940 low of 86.2 for a loss of 40.8 p.c. in the final week of June. Base metal issues showed a slightly sharper drop of 42.9 p.c. during this period, while golds were down 39.4 p.c. In the ensuing six months mining issues showed a much stronger recovery than did industrial and utilities. As the year closed the average index of mining stocks at 115.2 indicated a recovery of about one-half of earlier losses as compared with one-quarter for industrials and utilities.



In the domestic market Dominion of Canada long-term bond prices showed continued strength despite absorption by public subscription of two war loans totalling half a billion dollars. For December 1940 the Bureau's price index of two representative Dominion long-term bonds was 117.1 or 4.3 p.c. above the corresponding 1939 figure. A comparable index for yields dropped from 75.5 to 69.3 in the same interval. Provincial financing in 1940 also assumed substantial proportions and prices in this section generally were well maintained when compared with levels of the preceding year.

Preferred stock price movements closely paralleled those of industrial and utilities. From 91.3 in December 1939, an index for 25 representative preferred stocks dropped to a 1940 low of 72.1 in June, a level unequalled since October 1935. From this point the index moved generally upward to reach 84.3 in December; it recorded a net loss of 7.7 p.c. during 1940, or about one-third that noted for industrials and utilities.

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

In terms of the Canadian dollar, both sterling and United States funds held unchanged throughout 1940 at buying and selling rates of \$4.43-\$4.47 and \$1.10-\$1.11 respectively. These rates which were set by the Canadian Foreign Exchange Control Board ~~have~~ been maintained since the middle of September, 1939. At New York there were sharp fluctuations for both sterling free market rates and the Canadian dollar. Following comparative steadiness at approximately \$3.95 during January and February, sterling free market rates dropped sharply in the ensuing two and one-half months to a 1940 low of \$3.16 on May 10. Weakness in Canadian dollar rates during this same period lowered quotations from a final 1939 figure of 88 5/8¢ to 78¢ on the 21st of May. Subsequently both rates stiffened gradually from these levels until by the close of the year sterling was quoted at \$4.04 and Canadian funds at 86 1/8¢. Movements of these units have been of little significance in the latter half of 1940 due to their restricted use.

At Montreal there was a sharp drop during the year in the number of units quoted. First to disappear from trading lists were the Danish and Norwegian kroner, for which no rates have been quoted since April 8th. On May 9th, rates for the Belgian belga and Netherlands florin were discontinued, while in the first half of June the French franc and Italian lira were dropped from quotation lists.

Among Latin-American currencies, most rates were steady to higher in terms of the Canadian dollar. Many of these countries, however, suffered a serious shortage of foreign exchange owing to loss of European export markets. To ease conditions caused by this loss, substantial loans were granted by the United States Export-Import bank. Rates for the Argentine free peso, following mid-summer weakness stiffened to close the year more than one cent higher at 26.14¢, while unofficial rates for the Brazilian milreis eased fractionally from 4.61¢ at the end of 1939 to 5.57¢ on December 31, 1940.

Far eastern currencies, except for Chinese units, were steady throughout 1940. The Japanese yen which was linked to the United States dollar late in 1939, indicated no net change during the year, quotations remaining at 26.02¢. Over the same period the Indian rupee showed little change, the closing rate of 33.59¢ for 1940 comparing with 33.63¢ at the end of 1939. Both the Shanghai dollar and Hong Kong dollar showed substantial losses. The former closed at 6.01¢ for a net decline of more than 2 2/5¢ while the latter unit eased slightly more than a cent to 26.22¢. However, both of these units showed considerable increases over mid-year lows, supported by loans from both Great Britain and the United States.

- 4 -  
CANADIAN WHOLESALE PRICE INDEX NUMBERS, 1913-1940  
(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 .....	75.4	70.4	75.9	89.7	67.4	75.3	64.3
1940							
January .....	82.6	79.0	82.3	94.0	75.3	81.7	70.0
February .....	82.8	79.1	82.7	94.0	75.9	81.8	70.3
March .....	83.2	80.0	83.0	94.7	76.4	82.0	71.3
April .....	83.1	80.4	82.4	95.1	76.8	81.7	72.1
May .....	82.1	78.9	82.0	95.3	75.3	80.6	68.0
June .....	81.6	77.3	82.3	95.2	74.0	80.1	64.3
July .....	82.4	77.6	83.4	96.0	74.7	80.6	64.6
August .....	82.7	78.0	83.7	97.4	73.9	81.6	62.7
September .....	83.1	78.3	84.1	97.9	74.3	81.8	63.8
October .....	83.3	78.3	84.2	98.2	74.8	82.0	64.6
November .....	84.0	78.9	84.9	98.5	76.2	82.7	66.9
December .....	84.2	79.3	85.2	98.3	76.2	83.2	67.1

CANADIAN LIVING COST INDEX NUMBERS, 1913-1940  
(1935-39=100)

	Total Index	Food Index	Rent Index	Fuel and Lighting Index	Clothing Index	Home Furnishings and Miscellaneous Index	
1913 .....	79.7	88.3	74.3	76.9	88.0	70.3	
1920 .....	150.5	188.1	100.2	119.9	213.1	110.3	
1926 .....	121.8	133.3	115.9	116.8	139.1	106.1	
1927 .....	119.9	130.8	114.5	114.4	135.6	105.1	
1928 .....	120.5	131.5	117.3	113.2	135.5	104.8	
1929 .....	121.7	134.7	119.7	112.6	134.8	105.0	
1930 .....	120.8	131.5	122.7	111.8	130.6	105.4	
1931 .....	109.1	103.1	119.4	110.0	114.3	103.3	
1932 .....	99.0	85.7	109.7	106.8	100.6	100.4	
1933 .....	94.4	84.9	98.6	102.5	93.3	98.2	
1934 .....	95.7	92.5	92.8	102.5	96.9	97.7	
1935 .....	96.2	94.6	94.0	100.9	97.6	Home Furnish- ings Index	Miscell- aneous Index
1936 .....	98.1	97.8	96.1	101.5	99.3	95.4	98.7
1937 .....	101.2	103.2	99.7	98.9	101.4	97.2	99.1
1938 .....	102.2	103.8	103.1	97.7	100.9	101.5	100.1
1939 .....	101.5	100.6	103.8	101.2	100.7	102.4	101.2
1940						101.4	101.4
January .....	103.8	104.5	104.4	105.5	103.3	104.3	101.8
February .....	103.8	104.5	104.4	105.8	103.3	104.3	101.9
March .....	104.6	104.8	104.4	105.7	107.8	105.9	101.9
April .....	104.6	104.8	104.4	105.9	107.8	106.1	101.8
May .....	104.9	104.4	106.9	106.1	107.8	106.2	101.8
June .....	104.9	103.8	106.9	106.0	109.1	106.5	101.8
July .....	105.6	105.3	106.9	107.9	109.1	106.9	102.2
August .....	105.9	105.4	106.9	108.4	109.1	106.9	103.0
September .....	106.4	105.4	106.9	108.5	112.4	108.9	102.8
October .....	107.0	106.1	107.7	108.0	113.5	109.7	102.8
November .....	107.8	108.7	107.7	108.5	113.5	110.0	102.8
December .....	108.0	109.1	107.7	108.5	113.5	110.7	102.8



**SECURITY PRICE INDEX NUMBERS AND EXCHANGE RATES, 1932-1940**  
(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 <sup>x</sup>					
	Total	Indus- trials	Util- ities	Total	Gold	Base Metals		Prices	Yields	Ster- ling	U.S. Dollar	Swiss Franc	Hong Kong Dollar	Japanese Yen	Argentine Peso (free rate)
1932 - December .....	52.2	58.9	45.7	63.1	62.7	-	50.2	101.9	100.6	3.7866	1.1544	.2226	.2495	.2423	.2982
1933 - December .....	75.3	111.4	47.8	105.1	100.4	127.1	60.2	104.3	96.0	5.0957	.9954	.3022	.3729	.3083	.2874
1934 - December .....	86.2	125.6	47.5	124.9	124.7	129.6	71.4	116.3	74.6	4.8865	.9878	.3202	.4189	.2855	.2483
1935 - December .....	107.4	178.2	50.1	133.6	116.9	201.7	73.8	113.1	78.5	4.9755	1.0093	.3273	.3240	.2902	.2749
1936 - December .....	129.2	212.8	62.8	167.7	131.3	317.8	93.9	119.1	67.2	4.9042	.9993	.2297	.3047	.2850	.2975
1937 - December .....	103.7	167.7	49.5	134.3	115.5	213.1	81.0	115.8	72.0	4.9985	1.0004	.2313	.3121	.2910	.2930
1938 - December .....	106.8	179.4	44.0	159.0	121.6	313.0	86.9	118.7	67.7	4.7133	1.0092	.2283	.2945	.2747	.2297
1939															
January .....	102.9	171.4	42.7	158.0	121.4	307.0	85.0	118.6	67.4	4.7060	1.0079	.2276	.2923	.2742	.2311
February .....	104.1	174.0	42.9	158.8	121.1	315.1	84.4	118.8	67.5	4.7086	1.0049	.2279	.2934	.2744	.2311
March .....	103.7	171.4	44.4	155.0	118.2	305.6	83.9	119.6	66.3	4.7044	1.0041	.2271	.2917	.2742	.2316
April .....	96.2	157.7	41.9	143.7	110.1	282.6	78.9	118.8	67.5	4.7038	1.0050	.2254	.2881	.2742	.2323
May .....	99.2	163.0	43.2	151.4	114.6	303.3	79.0	118.1	68.4	4.6981	1.0036	.2256	.2899	.2738	.2323
June .....	97.0	157.6	43.7	153.9	116.5	308.6	81.9	119.1	67.0	4.6923	1.0021	.2259	.2899	.2734	.2326
July .....	97.3	159.2	42.7	155.8	117.7	314.7	83.0	119.2	66.8	4.6885	1.0015	.2258	.2876	.2733	.2320
August .....	94.2	154.2	40.9	151.4	112.8	310.3	81.0	118.1	68.1	4.6327	1.0047	.2268	.2881	.2703	.2321
September .....	100.1	168.2	42.2	137.7	99.6	298.3	83.3	109.6	78.3	4.4090+	1.0948+	.2478	.2735	.2575	.2566
October .....	106.0	177.0	45.7	144.7	106.6	299.6	89.0	111.3	76.5	4.4500+	1.1050+	.2491	.2783	.2612	.2604
November .....	103.6	171.9	44.7	144.7	106.3	304.1	90.1	113.5	74.0	4.4500+	1.1050+	.2490	.2723	.2603	.2574
December .....	101.2	165.3	45.7	142.4	105.0	298.0	91.3	112.7	75.1	4.4500+	1.1050+	.2490	.2716	.2602	.2527
1940															
January .....	99.7	162.1	45.7	144.7	107.3	298.8	91.8	113.2	74.4	4.4500+	1.1050+	.2489	.2736	.2602	.2515
February .....	99.0	161.1	45.3	137.9	101.8	288.1	91.0	114.0	73.4	4.4500+	1.1050+	.2489	.2730	.2602	.2573
March .....	99.1	159.2	47.1	132.6	96.5	281.8	90.2	114.0	73.4	4.4500+	1.1050+	.2489	.2588	.2602	.2598
April .....	97.0	154.8	47.1	130.7	95.7	276.7	90.3	114.9	72.4	4.4500+	1.1050+	.2489	.2425	.2602	.2550
May .....	80.4	125.8	39.4	106.8	79.6	221.1	80.1	115.4	71.8	4.4500+	1.1050+	.2471	.2256	.2602	.2514
June .....	71.9	111.3	35.8	90.9	67.9	186.6	72.1	114.4	73.0	4.4500+	1.1050+	.2491	.2487	.2601	.2438
July .....	72.5	113.9	35.5	92.9	69.6	187.7	73.8	114.6	72.8	4.4500+	1.1050+	.2518	.2620	.2601	.2403
August .....	76.0	119.6	37.1	101.8	76.0	209.0	77.9	115.2	72.0	4.4500+	1.1050+	.2526	.2505	.2601	.2492
September .....	83.2	132.9	39.3	111.1	83.4	227.3	82.2	115.7	71.3	4.4500+	1.1050+	.2528	.2515	.2601	.2575
October .....	81.4	129.6	38.8	113.6	85.8	228.0	83.5	115.9	71.0	4.4500+	1.1050+	.2569	.2566	.2602	.2604
November .....	81.7	129.6	39.4	118.2	89.8	236.0	85.4	116.3	70.5	4.4500+	1.1050+	.2575	.2602	.2602	.2606
December .....	77.1	119.8	38.5	115.0	88.2	224.8	84.3	116.8	69.8	4.4500+	1.1050+	.2575	.2619	.2602	.2614

<sup>x</sup> Bank of Montreal, 1932-34, Bank of Canada, 1935-40. <sup>+</sup>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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