

1.—Wholesale Prices.

The Dominion Bureau of Statistics issues monthly in a press letter, entitled "Prices and Price Indexes," the official index number of wholesale prices in Canada. This index, while constructed with a view to giving continuity with that issued from 1910 to 1917 by the Department of Labour, has been improved by the adoption of several ideas developed in the science of index number making since the old index was first computed, and by the substitution of new commodities or price series for those which have ceased to be representative as a result of the passage of time. A description of the method used in making this index number, as published in the last annual report on prices and price indexes, is appended.¹

The Index Number.—The chief problems which enter into the making of an index number are (1) the choice and grouping of commodities, (2) the selection of a base period, (3) the collection of prices, and (4) the method of weighting and the formula used.

Choice of Commodities.—The number and kind of commodities to be included have been determined on the basis of the relative importance of the various groups in the general trade of the country. The group of Grains, Fruits and other Vegetable Products was estimated to have a relative importance in trade of 28.1 p.c.; Animals and their Products, 21.1 p.c.; Textiles, 11.8 p.c.; Wood and its Products, 8.8 p.c.; Iron and Steel, etc., 10.9 p.c.; Non-Ferrous Metals, 6.3 p.c.; Non-Metallic Minerals, 7.1 p.c.; and Chemicals, 5.9 p.c. On this basis the number of price series allotted to each group was as follows: Vegetable Products (grains, fruits, etc., except wood, fibres and chemicals), 67; Animals and their Products (except chemicals and fibres), 50; Fibres, Textiles and Textile Products, 28; Wood, Wood Products and Paper, 21; Iron and its Products, 26; Non-Ferrous Metals and their Products, 15; Non-Metallic Minerals and their Products (except chemicals), 17; Chemicals and Allied Products, 14; Total, 238.

It is, of course, essential to select commodities which do not change in character. This is difficult in the case of many manufactured articles, but the list included has been chosen with a view to securing continuity in the quality of each commodity. Most raw materials readily measure up to this requirement, as well as a considerable number of partly or fully manufactured lines. Many index numbers are constructed from a much smaller list of price series, but the larger list increases the general usefulness of the index for purposes of reference and better reveals the changes in the general level of prices. It also facilitates continuity with the former official index number.

The method of grouping the items is in conformity with the general plan adopted throughout the Bureau in presenting commodity statistics, so that co-ordination will be possible between the statistics of prices and those of imports and exports, production, transportation, etc. The items are grouped on three distinct principles which are each applied separately—"Chief Component Material" (vegetable, animal, wood, iron, etc.), "Use or Purpose" (food, clothing, producers' goods, etc.) and "Origin" (farm, forest, mineral, marine, etc.). By this method, each group has a degree of comprehensiveness and accuracy which it is difficult to secure in a classification scheme which adopts more than one of these principles within the same category. In the case of the Purpose classification a few important commodities have been included twice, so as to appear in both Consumers' and Producers' goods. In the Origin classification, despite uncertainties of degree, all

¹See also *Prices and Price Indexes, 1913-1923*, published by the Dominion Bureau of Statistics.