

(1) Prices of commodities which enter into international trade are usually on a lower level than prices of domestic commodities.

(2) Prices used in an index number of wholesale prices are for identical grade<sup>s</sup> of commodities throughout the whole period under investigation. In an index number of import and export valuations the prices used are the result of dividing total values by total quantities imported or exported and are, therefore, average values of all grades traded in a particular year. A change in average value in one year as compared with another may be due, therefore, to a change in price or to a change in the character of the grades traded. A lower level in index numbers may be due to the predominance of lower priced grades.

(3) Index numbers of wholesale prices are based on prices charged by wholesalers in the country making the index, including all charges on imports, such as customs duty, insurance, freight, brokerage and so on. Customs valuations, on the other hand, are the fair market values as sold for home consumption in the country of origin. In the case of imports, movements in freight rates, insurance rates, customs duties, special taxes, such as sales tax, etc., would not directly affect the import valuations, but they would all be reflected in wholesale prices.

An index number of export and import valuations is a needful supplement to index numbers of wholesale prices. Very frequently total export and import valuations are corrected by wholesale prices index numbers in order to eliminate the influence of price fluctuation and enable a comparison to be made on a quantity basis. But wholesale price index numbers are not really suitable for this purpose, since they frequently show a considerable difference from index numbers of export and import valuations. In Canada there are now two better means of making a quantitative comparison of export and import movements. First, figures are computed by the External Trade Branch of the Dominion Bureau of Statistics showing the total values of exports and imports for the fiscal years, commencing with the year ended Mar. 31, 1921, on the basis of average values in the fiscal year ended March, 1914. That is to say, in this calculation prices do not change from year to year but are taken as constant while the quantities change. Thus changes in the total value figures from year to year indicate changes in quantities of commodities imported and exported and not changes in prices. Secondly, index numbers of export and import values are computed by the Prices' Division of the Bureau. These index numbers are so constructed as to eliminate the influence of changes in the quantities of exports and imports. The basis in this case is the calendar year and not the fiscal year. Fixed quantities of exports and imports are multiplied by the average values of each calendar year and the aggregate amounts turned into index numbers. The quantities selected refer to the year 1913, but if the quantity in that year was not considered sufficiently representative for the period investigated, it was amended by reference to later years. The result is to eliminate the influence of changing quantities and to secure measurement of changing valuations. Index numbers were also computed for group as well as total valuations. These index numbers may be used for correcting total import and export valuations on a calendar year base so as to eliminate the influence of price changes.

Index numbers of import and export valuations, however, have other important uses, which may be enumerated.

(1) They tend to corroborate the measurement of wholesale prices. Though they move on a lower level than wholesale price indexes, the direction of their movement follows a parallel course.