

Subsection 2.—Cost-of-Living Index

Purpose and Interpretation.—The Dominion Bureau of Statistics cost-of-living index measures the influence of changes in retail prices of goods and services upon the cost of a representative urban wage-earner family budget.

It should be clearly understood that the index is a measurement of price change. Many people use the term "living costs" to indicate the total cost of things they buy. Used in this sense, living costs may include different things from year to year as well as different quantities of the same things. A cost-of-living index based upon this idea would reflect the value of total purchases made by everyone. It could be measured by the total consumer expenditure item as published in the Bureau's national income and expenditure estimates.* The cost-of-living index is based upon a quite different idea. It measures changes in the cost of a family budget which includes the same amounts of the same commodities and services for considerable periods of time. It is essentially an index that measures changes in prices. Minor adjustments are necessary to take account of quality changes and to enter new specifications or new items from time to time, as is explained below. At longer intervals a completely new survey of family budgets is undertaken. A new survey was begun in October, 1948. It will provide the basis for a new cost-of-living index, which will be tied-in with the one covering the earlier period.

Each monthly figure is a percentage which compares the present dollar cost of the index budget with the cost of the same budget in a reference period. The Bureau's reference period now is the five-year interval 1935 to 1939, and the average cost of the index budget for this period is represented by 100. The comparable cost at Aug. 2, 1948, was 157·5 of its base-period cost. This figure of 157·5 becomes the cost-of-living index for Aug. 2, 1948.

Cost-of-Living Index in 1947.—An advance of 18·9 points in the official cost-of-living index during 1947 was reminiscent of price behaviour in the years 1919 and 1920. The only important wartime consumer control remaining at the end of 1947 was that on residential rents and an increase of 10 p.c. in this field had been authorized during the year. Although food prices showed the sharpest increases, clothing and home furnishings also advanced substantially, and all group indexes contributed in some measure to the change recorded. Changes in the different budget groups during 1947 were as follows:—

| <u>Item</u> | <u>December, 1946</u> | <u>December, 1947</u> | <u>Point Change</u> |
|-----------------------|---------------------------|---------------------------|-------------------------|
| Food..... | 146·4 | 178·7 | +32·3 |
| Fuel..... | 109·2 | 120·3 | +11·1 |
| Rent..... | 113·4 | 119·9 | + 6·5 |
| Clothing..... | 131·2 | 159·3 | +28·1 |
| Home furnishings..... | 129·4 | 154·9 | +25·5 |
| Miscellaneous..... | 114·1 | 119·8 | + 5·7 |
| TOTAL INDEX..... | <u>127·1</u> | <u>146·0</u> | <u>+18·9</u> |

* See National Accounts and Related Economic Statistics, Chapter XXVI.