

CHAPTER XXII.—PRICES*

CONSPECTUS

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NOTE.—The interpretation of the symbols used in the tables throughout the Year Book will be found facing p. 1 of this volume.

Section 1.—Index Numbers of Wholesale Prices

Wholesale prices are not restricted in this Chapter to the normal meaning of that word but may include price quotations ranging from those paid by primary producers for basic raw materials to prices paid by retailers for finished articles. Within this broad group, numerous sub-classifications are available, such as component material, degree of manufacture and special purpose series. Wholesale prices are frequently very sensitive to changing conditions and are often used to gauge the economic effect of events as well as to forecast retail price change. An example of this is the price increase that followed the outbreak of hostilities in Korea in 1950.

A new series of wholesale price index numbers, related to the base period 1935-39, was introduced in January 1951. Background material concerning the construction of this index is available in DBS Reference Paper No. 24, *Wholesale Price Indexes, 1913-1950*.

Wholesale price index numbers in Canada cover the period dating from Confederation in 1867. An intermittent decline characterized the first 30 years of this interval but, from an average of 56·8 in 1897, the general wholesale index (1935-39 = 100) advanced without appreciable interruption to 83·9 in July 1914. By November 1918, this index had reached 173·1 and continued upward to a post-war inflationary peak of 214·2 in May 1920. The subsequent deflationary period lasted about two years, and between 1922 and 1929 price levels remained comparatively stable. Annual averages in this interval held between a high of 133·8 for 1925 and 124·6 for 1929. For the four years following 1929, depressionary influences were so severe that prices fell almost to the level of those of 1913. In February 1933, the wholesale index touched an extreme low of 82·8 before turning upward again. Irregular recovery then continued until 1937, but the highest point reached, 110·6 in July 1937, was substantially below the 1926 average. The collapse of the wheat market in 1938, together with a fairly general depression in other markets, carried wholesale price levels just prior to the outbreak of war in 1939 down to about 15 p.c. above the 1913 level. The August 1939 index of 95·6 marked the extreme low of a two-year decline. The movement of prices prior to the outbreak of World War I was very different from that which preceded World War II. The relatively low level of prices in August 1939 probably influenced the sharper initial advance at the outbreak of war. However, during 1940, price levels steadied and showed

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