

Section 2.—Consumer Price Index

The consumer price index is Canada's official measure of retail price change. Detailed information on the main aspects of the index is contained in the DBS publication, *The Consumer Price Index, January 1949-August 1952*.

The purpose of the index is to measure changes in retail prices of goods and services bought by a representative cross-section of the Canadian urban population. The families covered by the index lived in 27 Canadian cities of 30,000 population or over, ranged in size from two adults to two adults with four children and had annual incomes ranging from \$1,650 to \$4,050 during the survey year ended Aug. 31, 1948. The budget of the index represents the postwar level of consumption of those families. A list of 224 of the principal goods and services they purchased in the survey year forms the pricing sample and the relative amounts they spent on those and similar categories of items determine the relative importance, or weight, given to each item.

The monthly index number is calculated from a sample of more than 50,000 retail price quotations. Prices are collected by field representatives in 16 cities across Canada and are obtained by mailed questionnaires in 17 other cities. All cities covered, except Charlottetown, had a population of 30,000 or over at the date of the 1951 Census.

Price changes are measured from month to month and applied to the cost of the index budget. The budget is often described as a market basket of goods and services, the physical content of which is kept constant, only changes in retail prices being allowed to influence its cost over time. A comparison between the current cost and the base period cost of the same constant basket yields the index, that is, a measure of the average percentage change in all retail prices from the base period to date. For some of the food items entering into the basket the quantities are allowed to vary as between months but not as between years, in order to take account of seasonal variations in consumption.

Because the index refers to a postwar level of living a postwar year was selected as the reference level of prices and 1949 was considered most suitable because price levels in that year were relatively stable. For the same reason 1949 is used as a reference level for other index number measurements such as those related to industrial production, agriculture, imports and exports.

The percentage distribution of the main group weights as of the base period is as follows: food 31·7; clothing 11·5; shelter 14·8; household operation 17·3; and other commodities and services 24·7.

Consumer Price Index Movements.—The consumer price index (1949=100) rose steadily during 1950 from 100·1 in January to 106·6 in December and continued increasing at an increasing rate throughout 1951 until it reached a postwar peak of 118·2 in January 1952. Four successive monthly declines between brought the index to 115·9 in May 1952 but from that date to December 1955, a period of three and one-half years, the index was remarkably stable, moving between a low of 114·4 and a high of 116·9. This plateau of retail prices occurred during a period of rising wages and salaries with a consequent significant increase in the real purchasing power of wage and salaried earners. During the period 1951 to 1955 an index of average weekly earnings in manufacturing, adjusted for changes in retail prices to indicate change in the purchasing power of such earnings, increased 18·6 p.c.

Though the general average of prices remained practically unchanged from the middle of 1952 to the end of 1955 there were significant variations around this average. Prices of services, led by increasing rents, continued to advance while prices of commodities declined or remained unchanged. The rent component advanced steadily throughout the whole postwar period and between May 1952 and December 1955 moved up 12·1 p.c. Other services increased steadily, rising 7·7 p.c. but foods declined 2·7 p.c. and all commodities other than foods decreased 3·2 p.c. Most of the decline in food and in non-food commodities occurred during 1952, with foods, except for seasonal changes, remaining extremely steady during 1953-55.