

considered reliable indicators of price change for commodity groups that did. Price movements displayed by the commodities priced are combined in such a way that they influence composite indexes in the proportions of total marketings including imports and exports during the base period.

General wholesale price indexes have been calculated by most countries for many years but the question "What does a general wholesale price index measure?" cannot be given a precise answer. A retail price index can be identified with consumer expenditure, but a general wholesale index covers a much wider range; yet it is not a measure of the purchasing power of money since it does not include prices of land, labour, securities or services, except in so far as prices of these things enter into commodity prices. As a conventional summary figure its use has tended toward a reference level against which to observe the behaviour of particular price groups such as farm products, raw materials and building materials. Thus, special wholesale groupings and commodity price relatives are now considered to be of greater importance than the general index itself.

Component indexes and individual price series have numerous uses. One of the most important is in escalator contracts which contain a price adjustment clause. Other major uses include: studies of replacement and construction costs in investment projects; analysis of price movements of both individual items and commodity groups in relation to purchases and sales; industrial planning and market analysis; valuation for tax purposes and inventory analysis; and studies in changes of physical volume. They are also used by business firms abroad in connection with sales and purchases in Canada.

The general wholesale price index declined moderately during 1957 after a continuous climb beginning in December 1954 and culminating in a postwar peak of 229.2 in January 1957. However, in the last month of the year the index showed some strength, rising to 226.1 from 224.1 in November.

Lower prices for vegetable products, animal products and non-ferrous metals were mainly responsible for the downward movement. Vegetable products began falling off gradually, followed by sharp losses in August to November. The December index, though, was two points above November. Animal products showed little change until June, and then rose to 246.0 in August, the highest point since October 1953. From then until November, lower prices for livestock and meats caused a sharp decline in the index. Prices of copper, lead and zinc have been tumbling since their postwar peak reached in 1956, as indicated by a drop in the group index from 190.4 in December 1956 to 169.3 in December 1957.

Textile products moved slightly higher in the first half of 1957 but lower prices for raw wool at the end of the year brought the index down a little below the December 1956 level. Wood products experienced somewhat the same adjustment but ended slightly above the December 1956 level. Higher steel prices at mid-year resulted in the index for the iron group reaching a peak of 256.5 in September, but a gradual decline placed the December index slightly below that for December 1956. Non-metallic minerals registered slight advances throughout the year, and chemical products changes, while higher on balance, were insufficient to have any effect on the total index.