

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 index moved up 3.2 points or 1.4 p.c. during 1958 after falling and rising uncertainly over the year from 226.1 in December 1957 to 229.3 a year later. Thus it reached a point practically unchanged from January 1957 when it stood at 229.2. From the first of 1957 a downward tendency persisted, despite some short-lived gains in early 1958, until the autumn of that year when the index rose from 227.2 in October to 229.3 at the end of the year.

Of the five major groups showing increases during 1958, the animal products group recorded the most significant gain. Higher prices for livestock, steers, fresh meats and cured meats caused this index to rise sharply from 240.1 in January to 259.8 in May. Prices fell off between May and October but losses were largely recovered at the close of the year. The non-ferrous metals group, which dropped more than 26 points in the course of a steady decline throughout 1957 and the first seven months of 1958, regained almost ten points in the last half of the year rising from 163.0 to 172.7. Higher prices for copper, tin and zinc were the main contributors. The iron and its products group remained virtually unchanged between January and October, when higher prices for scrap iron and steel moved the index to a point about 1 p.c. above that of December 1957. The chemical products group increased also, moving gradually about 1 p.c. over the year, and in December stood at 184.5 the highest point it has reached since March 1952. Vegetable products varied within narrow limits during the year, ending up at 197.9 in December 1958, less than 1 p.c. higher than December 1957.

Lower prices for raw wool and raw cotton contributed substantially to a further downward movement in the textile products group, which had been declining steadily with few exceptions since August 1957 after having risen from 234.3 to 237.8 between January and July 1957. As a result, the December 1958 index of 227.0 was 3.8 p.c. below the previous year's average of 236.0. Non-metallic minerals moved lower between March and April but remained fairly steady in the remaining months and ended the year about 1 p.c. below the previous December index. The wood products group, recovering from lower prices experienced in mid-year, reached a level of 298.5 in December, only slightly lower than the 1957 average of 299.4.