

Section 2.—Consumer Price Index

The consumer price index is Canada's official measure of retail price change, the fifth in a series of Canadian index numbers of retail prices dating back to 1913. The current index was introduced by the Dominion Bureau of Statistics in October 1952 in a publication entitled *The Consumer Price Index, January 1949-August 1952*. Detailed information on such aspects of the index as purpose, family coverage, base period, items included and their relative importance, is contained in this publication. It also shows the formula used in calculating the index, outlines methods of price collection and explains special features, such as methods of incorporating seasonal variations in food consumption, and changes in the price element of home-ownership costs.

Consumer Price Index Movements.—The fourteen years of almost continuous economic growth following the end of the Second World War have experienced several distinct periods of retail price behaviour, the latest of which was in evidence throughout 1958.

The gradual relaxation of price controls in 1946 combined with consumer demands far in excess of supply brought on a period of rapidly advancing prices, so that between 1946 and 1948 the consumer price index advanced more than 25 p.c. A significant exception to these general price increases was the behaviour of rents which, continuing under some degree of control, increased only 7 p.c. in the same period.

Toward the end of 1948, production appeared to be matching consumer demands and, during the slight recession of 1949, consumer prices levelled off. Between the latter months of 1948 and May 1950, retail prices increased only slightly more than 1 p.c. However, with the outbreak of war in Korea in June 1950 came a resurgence of pressure on prices and in the course of the next 18 months, further major upward movements took place. The consumer price index rose from 102.7 in July 1950 to 118.1 by December 1951, an increase of 15 p.c. Food advanced sharply from 102.6 to 122.5 or by 20 p.c. The shelter index, based on both home-ownership and rents—the latter freed from most of the wartime controls—moved from 107.4 to 118.2 or by about 10 p.c. Clothing experienced a more substantial rise of 16 p.c. from 99.1 to 115.2. Household operation, covering such items as furniture, appliances and fuel, rose about the same degree, from 101.6 to 116.4. The wide variety of goods and services covered in the other commodities and services index followed a somewhat similar pattern, moving from 102.4 to 115.0.

The peak in consumer price levels was reached in January 1952 when the index stood at 118.2, dropping off gradually in the first half of 1952 to reach 115.9 in May, mainly as a result of a drop of about 5 p.c. in the food index. From this point a plateau in retail prices was established which lasted for four years. Over this period, the consumer price index displayed noteworthy stability, ranging narrowly from a low of 114.4 to a high of 116.9. Though the general level of prices remained almost unchanged during this lengthy period, significant variations were taking place around a stable average. Foods recorded mostly seasonal movements during 1953, 1954, 1955 and the first half of 1956. Non-food commodities experienced a decline of about 3 p.c. in a steady gradually downward movement, much of it accounted for by appliances, which moved down 17 p.c. On the other hand, rents advanced steadily to stand 13 p.c. higher in May 1956 than in May 1952. The entire group of service items also experienced continuous increases throughout this period.

From May 1956 a distinct change occurred in price patterns. A trend toward higher prices continued throughout the remainder of 1956 and the first ten months of 1957 and the total index moved up steadily from 116.6 to a new postwar peak of 123.4 in October 1957. Food, which was the component responsible for most of the upward movement