

PART IV.—PRICES*

Section 1.—Index Numbers of Wholesale Prices

General Wholesale Index.—The term “wholesale prices” refers in this Section to sales transactions that occur below the retail level; it has more of a connotation of bulk purchase than of any homogeneous level of distribution. Ingredients for the general wholesale price index are obtained mainly from manufacturers but include prices from wholesalers proper, assemblers of primary products, agents and the other types of commercial enterprises who trade in commodities of a type or in quantities characteristic of primary marketing functions. Wholesale price indexes are grouped according to a commodity classification scheme based on chief component material similarities. In addition, indexes classified according to degree of manufacture are available. For the latter, however, because significant groups of manufactured products are not directly included, tabulations are not attempted on narrower bases than “Raw and Partly Manufactured” and “Fully and Chiefly Manufactured” commodity groups. Wholesale price indexes are regularly released in the DBS monthly publication *Prices and Price Indexes* (Catalogue No. 62-002) which contains related current series on retail and security prices. Volume 23 of that publication is a historical summary reaching back to the year 1867 for some series and, together with DBS Reference Paper No. 24, *Wholesale Prices Indexes 1913-1950*, contains an explanation of index construction and meaning.

The number and identity of commodities contained in the index has been virtually fixed since 1951 when the index was placed on a 1935-39 base. Commodities were included either because they bulked large in total marketings at that time or because they were 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.

During 1960, the general wholesale index increased moderately to a peak of 232.4 in June, its highest point since 1952, and then eased to 230.4 in December, only slightly above the December 1959 index level of 229.7. As a result, the annual average level of prices in 1960 was practically unchanged from that of 1959. Compared with a year earlier, the December 1960 indexes were lower for five of the eight principal component groups within the general index. The movements of the component indexes during the year were mixed.

* Revised in the Prices Division, Dominion Bureau of Statistics.