

PART IV.—PRICES*

Section 1.—Index Numbers of Wholesale Prices

The term "wholesale prices" refers in this Section to transactions that occur below the retail level. It has more of a connotation of bulk purchase and sale than of any homogeneous level of distribution.

Wholesale price 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.

General Wholesale Index.—The General Wholesale Index includes prices mainly of manufacturers but also included are those of wholesalers proper, assemblers of primary products, agents and operators of other types of commercial enterprises who trade in commodities of a type, or in quantities characteristic of primary marketing functions. In the General Wholesale Index, prices 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. In Table 1, the General Wholesale Index is presented for the period 1952-61. Also presented are price indexes for three major price groups of commodities within the General Wholesale Index—raw and partly manufactured, fully and chiefly manufactured, and non-farm products.

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, for which separate price indexes have been constructed. These more specific indexes and the General Wholesale Index are published regularly in the DBS monthly publication *Prices and Price Indexes* (Catalogue No. 62-002), which also contains current series on retail and security prices. Vol. 23 of that publication is a historical summary reaching back to the year 1867 for some series.

Recently, the DBS introduced a new system of wholesale price indexes called *Industry Selling Price Indexes 1956=100*, referring exclusively to manufacturing industries. The foremost objective of this system is to provide measurements of price movements that occur in industries as defined under the Standard Industrial Classification. Thus, they are co-ordinated with the many other statistical series organized according to this classification. In addition, the system includes series for the most important products of the industries concerned. There are approximately 100 industry and 175 commodity indexes published. Consequently, the indexes are too numerous to re-publish here, but interested readers may consult DBS Reference Paper No. 62-515 which contains tables, explanatory text, charts and weights relating to these indexes. Current Industry Selling Price Indexes are published monthly in *Prices and Price Indexes* (Catalogue No. 62-002).

The General Wholesale Index rose 1 p.c. from 230.9 in 1960 to 233.3 in 1961. Thus, there was a return to the gradual annual increase which stalled between 1959 and 1960 when the index remained virtually unchanged.

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