

Section 2.—Consumer Price Index*

The purpose of the consumer price index is to measure the movement from month to month in retail prices of goods and services bought by a representative cross-section of the Canadian urban population. For a particular article or service, a price index number is simply the price of the article in one period of time expressed as a percentage of its price in a reference period, usually called a base period. However, indexes for individual goods may be combined to form indexes representing prices of broad groups of goods and services. Thus, the consumer price index relates to the wide range of goods and services bought by Canadian urban families. The index expresses the combined prices of such goods each month as a percentage of their prices in the base period 1949.

The group of goods and services represented in the index is called the index "basket" and "weights" are assigned to the price indexes of individual items for purposes of combining them into an over-all or composite index. The weights reflect the relative importance of items in expenditures of middle-size urban families with medium incomes. The basket is an unchanging or equivalent quantity and quality of goods and services. Only prices change from month to month and the index, therefore, measures the effect of changing prices on the cost of purchasing the fixed basket. The basket and weights now used in the index are based on expenditures in 1957 of families of two to six persons, with annual incomes of \$2,500 to \$7,000, living in cities of 30,000 population or over.

6.—Consumer Price Index Numbers, 1936-63

(1949=100)

| Year | Index | Year | Index | Year | Index | Year | Index |
|-----------|-------|-----------|-------|-----------|-------|-----------|-------|
| 1936..... | 61.1 | 1943..... | 74.2 | 1950..... | 102.9 | 1957..... | 121.9 |
| 1937..... | 63.0 | 1944..... | 74.6 | 1951..... | 113.7 | 1958..... | 125.1 |
| 1938..... | 63.7 | 1945..... | 75.0 | 1952..... | 118.5 | 1959..... | 126.5 |
| 1939..... | 63.2 | 1946..... | 77.5 | 1953..... | 115.5 | 1960..... | 128.0 |
| 1940..... | 65.7 | 1947..... | 84.8 | 1954..... | 116.2 | 1961..... | 129.2 |
| 1941..... | 69.6 | 1948..... | 97.0 | 1955..... | 116.4 | 1962..... | 130.7 |
| 1942..... | 72.9 | 1949..... | 100.0 | 1956..... | 118.1 | 1963..... | 133.0 |

The behaviour of the consumer price index during the years of almost continuous economic growth following the end of the Second World War up to 1959 is discussed in the 1962 Year Book at pp. 928-929 and the movement during 1959 and 1960 in the 1963-64 edition, p. 900.

In 1961, the index ranged from a low of 128.9 in February to a high of 129.7 in November. Two factors in price movement during the year were (1) the introduction of the 3-p.c. sales tax in Ontario in September, which was taken into account, and (2) the change in the exchange rate of the Canadian dollar. Although the latter was considered likely to result in higher prices on imported goods and ultimately in higher consumer prices, no evidence of this was available up to December 1961 as the index stood at just about the same level as in December 1960.

Relative price stability continued throughout 1962 for the fourth consecutive year. The annual average was 1.2 p.c. higher than the 1961 figure. Increases of 1.8 p.c. and 1.9 p.c. in the food, and health and personal care groups were the largest of the year. Lesser upward movements occurred in the other components with the exception of transportation, in which a slight decline was noted. In 1963, prices increased slightly more than in any of the previous few years, the annual average being 1.8 p.c. higher than the 1962 average. The largest increases occurred in the food (3.2 p.c.), health and personal care (2.6 p.c.), and clothing (2.5 p.c.) groups.

* A comprehensive description of the index is contained in the publication *The Consumer Price Index (1949=100)*—Revision Based on 1957 Expenditures (Catalogue No. 62-518).