

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 baskets and weights on which the index is based from 1961 to April 1973 relate to 1957 spending patterns. From April 1973 forward, the index basket and weights will be based on expenditures in 1967 of families ranging in size from two to six persons, with annual incomes of \$4,000 to \$12,000, living in urban centres with metropolitan populations exceeding 30,000.

The movement of the consumer price index during the period 1961-71 is described in previous editions of the *Canada Year Book*. From 1971 to 1972, the annual average consumer price index increased by 4.8% which compares with an average increase in the preceding five years of 3.7%. On the basis of the movement in consumer prices, the purchasing power of the 1961 consumer dollar dropped from 75 cents in 1971 to 72 cents in 1972.

The major cause of the above-average increase in the consumer price index from 1971 to 1972 was a sharp rise in the rate of advance of the heavily weighted food component. The movements in the other components from 1971 to 1972 were roughly similar to the average increases of recent years. Table 21.16 presents indexes for major components and the all-items index for the period 1961 to 1972. In this classification, the index items are grouped according to broad categories of use by the consumer.

Items in the index may also be grouped by type of commodity and service, which permits another view of the incidence of changes in prices (Table 21.17). From 1971 to 1972 the goods index rose 4.6%, compared with an average rise of 2.7% for the preceding five years. The main cause of the above-average increase was a 7.6% rise in food prices, which was considerably more than the 2.4% rise on average for the preceding five years. Prices of non-durable goods excluding food, semi-durable goods, and durable goods increased 2.9%, 2.4% and 1.2%, respectively. The average increase over the preceding five years for these goods groupings were 3.4%, 2.8% and 1.7%, respectively. The services index rose 5.2% between 1971 and 1972 with the five-year average being 5.6%.

Table 21.18 presents regional consumer prices for 12 cities or city combinations. These indexes do not show whether it costs more or less to live in one city than in another and should not be used for such comparisons. Their function is to measure percentage changes in retail prices — over a certain time in each city or city combination — of a fixed basket of goods and services representing the level of consumption of a particular group of families. Indexes which compare price levels among major Canadian cities are given in Section 21.3.2.

In order to place movements in Canadian retail prices in perspective they may be compared with price changes occurring elsewhere in the world. This is done in Table 21.19, which indicates the percentage changes over the previous year in the consumer price index for each country specified. For purposes of comparison countries are listed alphabetically, by region. It should be noted that all percentages are rounded to the nearest whole number.

### 21.3.2 Intercity retail price differentials

As noted in the previous section, the regional city price indexes given in Table 21.18 measure the movements of consumer prices within each city and cannot be used to compare levels of prices between cities. Indexes that do compare levels of prices among 11 major Canadian cities are given in Table 21.20. These indexes express prices in each city as a percentage of prices in Winnipeg as at May 1971, with Winnipeg prices at that date set equal to 100. The selection of Winnipeg as the base city has no special significance; the indexes may be expressed on the base of any of the individual cities included. The selected commodity groupings shown make up about three quarters of the average urban consumer budget, the most important omissions, for technical reasons, being shelter (rented and owned), fuel, light and water, and restaurant meals.

The retail prices from which the indexes were derived are largely those collected in each city for production of the consumer price index. The main exception to this is food at home where the retail prices were obtained from a special ad hoc survey in May 1971. Comparability between cities was achieved by matching, as far as possible, quotations for similar qualities of goods and services and types of retail outlets. Since prices compared include sales and excise taxes as applicable, variations between provinces in the scale of sales taxes imposed on a wide range of non-food commodities can be of significance in explaining intercity price differentials for these items.