

Price changes are measured from month to month and applied to the cost of the Index budget. The budget is often described as a market basket of goods and services. The physical content of this basket is kept constant and only changes in retail prices are allowed to influence its cost over time. A comparison between the current cost and the base-period cost of the same constant basket yields the Index, that is, a measure of the average percentage change in all retail prices from the base period to date. For some of the food items entering into the basket, the quantities are allowed to vary as between months but not as between years, in order to take account of seasonal variations in consumption.

Because the Index refers to a post-war level of living it was fitting that a post-war year be selected as the reference level of prices. Of the post-war years, 1949 was considered the most suitable because price levels were relatively stable. The fact that 1949 is a satisfactory reference level for other index number measurements, such as those related to industrial production, agriculture, imports and exports, was another important consideration.

The percentage distribution of the main group weights as of the base period is as follows:—

<i>Budget Group</i>	<i>1949 Base Weight</i>
Food.....	31·7
Clothing.....	11·5
Shelter.....	14·8
Household operation.....	17·3
Other commodities and services.....	24·7
TOTAL.....	<u>100·0</u>

Consumer Price Index Movements.—From a post-war peak of 118·2 in January 1952, the Consumer Price Index declined 2·1 p.c. in 1952, to reach 115·7 on Jan. 2, 1953. Most of the decrease occurred during the early part of the year, but the summer and autumn months were noticeably stable. The first four months of 1953 witnessed a further drop of slightly more than 1 p.c. which brought the index to 114·4 on May 1. A series of five consecutive monthly increases moved the index up to 116·7 by Oct. 1, but was followed by three decreases which placed the index for January 1954 at 115·7, the same level as a year earlier. The first significant change during 1954 occurred between May and June, when the index rose 0·5 p.c. from 115·5 to 116·1.

In contrast with the two-year period from June 1950 to June 1952 which revealed a general upward movement in prices followed by a sharp fall, the period June 1952 to June 1954 was characterized by the absence of any trend and by diverging movements between the components of the index. Between June 1952 and June 1954, food prices fluctuated seasonally over a wide range and were down 3·2 p.c. over the entire period. Non-food commodities were practically unchanged, but services, including shelter, moved up gradually for a gain of more than 5 p.c. As a result, the index for June 1954 stood only 0·1 point above the level of June 1952.