

CHAPTER XXIII.—PRICES*

CONSPECTUS

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NOTE.—The interpretation of the symbols used in the tables throughout the Year Book will be found facing p. 1 of this volume.

Section 1.—Index Numbers of Wholesale Prices

Wholesale prices are not restricted in this Chapter to the normal meaning of that word but may be loosely defined as including all prices paid in commercial transactions in goods, except for prices received by retailers for goods sold to consumers. Within this broad group, indexes for numerous sub-classifications are available such as those for component materials, degree of manufacture and special purpose series. Wholesale price indexes, as well as indicating price dispersion between commodities and groups of commodities, are frequently sensitive to changing conditions and have been used to anticipate retail price movements, such as the increase that followed the outbreak of hostilities in Korea in 1950.

The series of wholesale price index numbers related to the base period 1935-39 was introduced in January 1951. Background material concerning the construction of this index is available in DBS Reference Paper No. 24, *Wholesale Price Indexes 1913-1950*. The source of current price information is the DBS monthly publication *Prices and Price Indexes* which includes wholesale prices, retail prices, security prices and exchange rates. Historical data are presented in considerable detail in *Prices and Price Indexes 1949-1952*. The general wholesale price index is available from 1867.

The purpose of wholesale price index number construction is to provide an indicator of changes in the level of prices by comparing the aggregate cost of a bill of goods at one period with the aggregate cost of the same goods at other dates; this is accomplished by expressing the price of a commodity as a relative (the price at a given date or for a given period serving as a base equalling 100) and then combining all commodity relatives together so that each reflects its importance in all transactions. This operation is known as weighting and in the wholesale index the weights for each commodity are the values of quantities marketed (sales—domestic and export, plus imports) in the base period. The movement of the total index is thus determined by the movements of individual commodity price relatives whose effect on the total index is, in turn, determined by their respective weights.

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