

The principal source of basic price material is industrial firms, the majority of prices being collected by mail. As the objective is to measure pure price change unaffected by such factors as quality change and size of shipment, detailed specifications for price quotes are provided on the mailed schedules. Price movements which result from a changed basis of quotation, such as f.o.b. to c.i.f., are thus eliminated.

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. Thus special wholesale groupings and commodity price relatives are now considered to be of greater importance than the general index itself.

Component 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. Business firms abroad use them in connection with sales and purchases in Canada.

Demands resulting from hostilities in Korea caused sharp advances in wholesale prices in late 1950. The general wholesale index reached 243.7 in July 1951, an alltime peak. The trend reversed in the latter part of the year reflecting declines in animal products and textile products. This downward movement continued until October 1952 and ensuing movements were fractional until the index receded to 219.5 in April 1953. Weakness continued to be felt most strongly in primary and secondary farm products. Lumber prices were also easier, particularly West Coast descriptions, while fibres, textiles and textile products receded slowly.

In general, 1954 was a relatively stable year for wholesale price movements although the general index exhibited a slow decline throughout most of the year, reaching a low of 214.3 in October and registering 215.4 in December. Diverse movements occurred in component groups during 1954: animals and animal products fell about 10 p.c. from a level of 245.0 in June to 221.8 in October caused mainly by the downward price movement of livestock and related meat prices; fibres, textiles and textile products also exhibited a general price decrease but wood, wood products and paper, and non-ferrous metals and their products began a steady increase. Noteworthy were the advances in cedar and fir, zinc and its products and solder and lead and its products.

The year 1955 was the first in which wholesale prices showed any strength since the end of the inflation associated with war in Korea. The steady decline from the July 1951 peak was reversed throughout 1955 as the index moved upward from the October 1954 low point. Between December 1954 and December 1955 the general wholesale index advanced 2.8 p.c.; non-ferrous metals, iron products, and wood products show increases of 17.6, 7.2 and 5.0 p.c. respectively while farm products continued to decline. In general terms, non-farm prices increased on average about 6 p.c. over the year and farm prices declined about 7 p.c.