

PRICE OF COMMODITIES

The "Statist's" Index-Numbers

We are indebted to the Editor of the "Statist" for the following copy of its "Annual and International Banking Section," dealing with the treatment of the World's Currency and Exchange Positions and the Course of Commodity Prices in all important countries:—

This month we have to record a further recession in wholesale prices of commodities, and the new level is lower than that ruling a year ago. Only twice before since the commencement of the War—in March and again in April of last year—did a similar position obtain. Our index-number for November is 223.8, as compared with 231.0 in

November, 1919, a fall of 3.1 per cent., and is the lowest since September of last year. The downward movement again accelerated last month, the decline being 6.7 per cent., as compared with 3.5 per cent. in October, and 1.9 per cent. in September, and was more extensive, indeed, than for any month since last April. The end-of-November level is 163.3 per cent. above the average for 1913, and 13.2 per cent. above that of October, 1918. The following table affords a comparison of the latest group and general index-numbers with those for October, 1920, November, 1919, and June, 1914.

	Monthly Index-Nos.			June 30 1914	+ or - %		Nov. 1920 on	
	Nov. 30 1920	Oct. 30 1920	Nov. 30 1919		Oct. 1920	Nov. 1919	Nov. 1919	June 1914
Veg. Food	214.4	232.0	185.2	66.5	- 7.7	+15.6	+222.0	
Animal Food	292.1	288.7	225.3	97.5	+ 1.2	+29.6	+199.6	
Sugar, Coffee & Tea	127.7	137.8	178.0	51.8	- 7.3	-28.3	+146.5	
Foodstuffs	224.7	233.4	193.8	74.8	- 3.7	+13.0	+200.4	
Minerals	293.0	305.5	249.8	96.7	- 4.1	+17.5	+203.0	
Textiles	178.0	219.6	273.7	80.6	-18.9	-35.0	+120.8	
Sundries	211.4	224.0	243.4	82.5	- 5.6	-13.1	+156.2	
Materials	223.1	244.6	254.4	85.7	- 8.8	-12.3	+160.3	
Totals	223.8	239.9	231.0	81.2	- 6.7	- 3.1	+175.6	

It will be noted that foodstuffs, with the exception of animal food, declined during November, though the movement was not as great as in the minerals group. This, as we pointed out last month, is but in accordance with the world conditions of food production as indicated by the harvest results. The rise in the animal food group was due to an increase in mutton values. Of the whole 45 commodities mutton and leather were the only ones to show a rise. Rice, Friesland butter, beef and pork, among foodstuffs; and iron, olive oil, petroleum, soda crystals, and indigo, among materials, remained unchanged; all the others are lower on the month. The fall was greatest in the textile group, cotton, flax, jute, and wool falling heavily. American maize, in the vegetable food group, also shows a considerable decline.

At this stage of the decline in prices it is becoming apparent that the period of trade depression attendant on the lowering of money values is being unnecessarily prolonged by attempts on the part of retailers to maintain selling prices to the public. Our monthly index-numbers show that the general level of wholesale prices has fallen steadily since last April, when the peak of high prices was reached, the total decline during those seven months being 15.9 per cent. It is true that during the same period the cost to the consumer has been correspondingly lowered in some lines, notably textiles, but it is notorious that in a great many cases the retail prices have actually increased, while the general level of retail prices has not by any means shown a fall parallel to the movement in

wholesale prices. This desire of the retail dealer to avoid price-cutting is, of course, easy to understand; but it argues a false appreciation of the trend of events.

The present depression was brought about by a restriction of banking credits dictated by motives of prudence on the part of bankers, and was greatly helped by a marked abstention on the part of the consumer. Under the level of prices ruling at the beginning of the current year an undue proportion of the wealth of the community gravitated to those actually engaged in the production and marketing of commodities. Other classes of the community forming the bulk of the consumers had perforce to restrict their consumption, while banking interests also found the prevailing price-level too high to be consistent with healthy finance. The present decline in the price-level may then be regarded as a natural reaction from the abnormal and, to a great extent, artificial enhancement of money values that began soon after the Armistice. When terminated, industry and finance will be in a much sounder position than previously, if the liquidation does not assume a more violent movement than it has shown up to the present. It will continue until prices have been reduced to a level that will make banking resources again sufficient for the ordinary requirements of trade. This may mean that prices will return to the Armistice level, but nothing definite can be said in this regard, as the powerful influence on the progress of events which must be exercised by the national finances is of a very uncertain nature.

It is clear, at any rate, that the

course of prices is as yet beyond the control of industry, and any attempts on the part of retailers to check the movement, while they cannot bring relief to trade, will only delay the period of recovery. Events would proceed much smoother if dealers, instead of trying vainly to prevent the present economic readjustment, were to act with courage and foresight and dispose of their stocks by reducing prices. By selling, if necessary, at a loss, the painful but necessary period of deflation would be

rendered more even, and manufacturers and wholesale houses would feel the depression less severely.

If retailers continue to oppose themselves to the march of events it is possible that wholesale firms here will, as in the United States, be compelled to take control of the situation by getting directly into touch with the public.

A comparison of the movements in the United Kingdom with those in some of the leading foreign countries is afforded by the subjoined table.

International Wholesale Prices.

	Index-Numbers			Expressed as a Percentage of 1913				
	U.K. ("Statist")	America (Brad- street's)	Japan (Bank of Japan)	France	United Kingdom	States	Japan	France
1913	85.0	9.2115	132.2	115.6	100.0	100.0	100.0	100.0
1914	85.0	8.9034	126.3	117.9	100.0	96.7	95.5	102.0
1915	108.0	9.8530	127.8	161.6	127.1	107.0	96.7	139.8
1916	136.0	11.8237	154.9	217.6	160.0	128.4	117.2	187.0
1917	175.0	15.6385	196.4	302.4	205.9	170.0	148.5	261.6
1918	192.0	18.7117	259.0	392.1	225.9	203.2	195.9	339.2
1919	206.0	18.6683	316.6	411.8	242.4	202.7	239.5	355.6
1919.								
June	199.4	18.8964	295.0	380.0	235.0	205.2	223.1	329.0
July	206.4	20.0017	319.0	403.0	242.8	217.2	241.3	349.0
Aug.	212.7	19.4720	324.0	401.7	250.2	211.5	245.1	347.0
Sept.	214.8	19.5215	332.0	415.9	252.7	211.9	251.1	359.8
Oct.	224.3	19.9026	352.1	441.1	264	216.1	266.3	382.0
Nov.	231.0	20.1756	370.2	428.5	272	219.0	280.0	405.0
Dec.	235.2	20.3638	381.5	488.6	276	221.1	288.6	422.7
1920.								
Jan.	245.3	20.8690	397.9	562.7	288	226.6	301.1	486.9
Feb.	260.4	20.7950	413.8	603.3	306.3	225.7	313.6	521.9
Mar.	261.8	20.7124	425.0	641.0	308	224.9	321.5	554.5
April	266.1	20.7341	396.6	679.2	313.1	225.1	300.0	587.5
May	260.0	19.8752	328.0	635.9	305.9	215.8	248.1	553.0
June	255.7	19.3528	337.0	569.6	300.8	210.1	254.9	492.7
July	254.6	18.8273	317.0	572.9	299.5	204.4	239.8	495.6
Aug.	253.5	17.9746	311.0	579.5	298.2	195.1	235.3	501.3
Sept.	248.7	16.9094	305.0	607.7	292.6	183.6	230.7	525.7
Oct.	239.9	15.6750	298.5	531.5	282.2	170.2	225.8	503.0
Nov.	223.8	—	—	—	263.3	—	—	—

It is worthy of particular notice that the course of price movements changed again in France during October, the index-number for that month, as compiled by the *Bureau de la Statistique Generale de la France*, being 4.3 per cent. below that for the previous month. As

compared with the highest level reached the October figure shows a decline of 14.4 per cent.

A comparison of the November index-number with previous monthly and annual figures is afforded by the following table:—

Year	Annual Numbers	End-Month Numbers.
1809	[Jevons' 189	June '14 81.2
1810	adjusted 171	Dec. 118.4
1818	Figures] 159	Jan. '16 123.6
1873	111	Mar. " 130.4
1880	88	Oct. " 141.5
1896	61	Dec. " 154.3
1911	80	Jan. '17 159.3
1912-13-14	85	Feb. " 164.0
1915	108	April " 173.0
1916	136	June " 180.4
1917	175	Aug. " 175.7
1918	192	Oct. " 180.6
1919	206	Dec. " 185.1
		Jan. '18 186.2
		Apr. '18 189.8
		May " 191.1
		July " 192.9
		Aug. " 195.9
		Nov. " 195.3
		Dec. " 196.0
		Jan. '19 192.1
		Feb. " 187.5
		Mar. " 184.7
		May " 194.6
		June " 199.4
		July " 206.4
		Aug. " 212.7
		Sept. " 212.7
		Oct. " 214.8
		Nov. " 224.3
		Dec. " 231.0
		Jan. '20 235.2
		Feb. " 245.3
		Mar. " 260.4
		Apr. " 261.8
		May " 266.1
		June " 266.0
		July " 255.7
		Aug. " 254.5
		Sept. " 253.5
		Oct. " 248.7
		Nov. " 239.9
		Dec. " 223.8