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STATISTICAL RESEARCH BRANCH, INDIA

REVIEW

OF THE

TRADE OF INDIA

IN

1937-38

Published by order of the Governor-General in Council

DELHI : MANAGER OF PUBLICATIONS
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CONTENTS.

Part I—Report.

CONTENTS—*continued.*

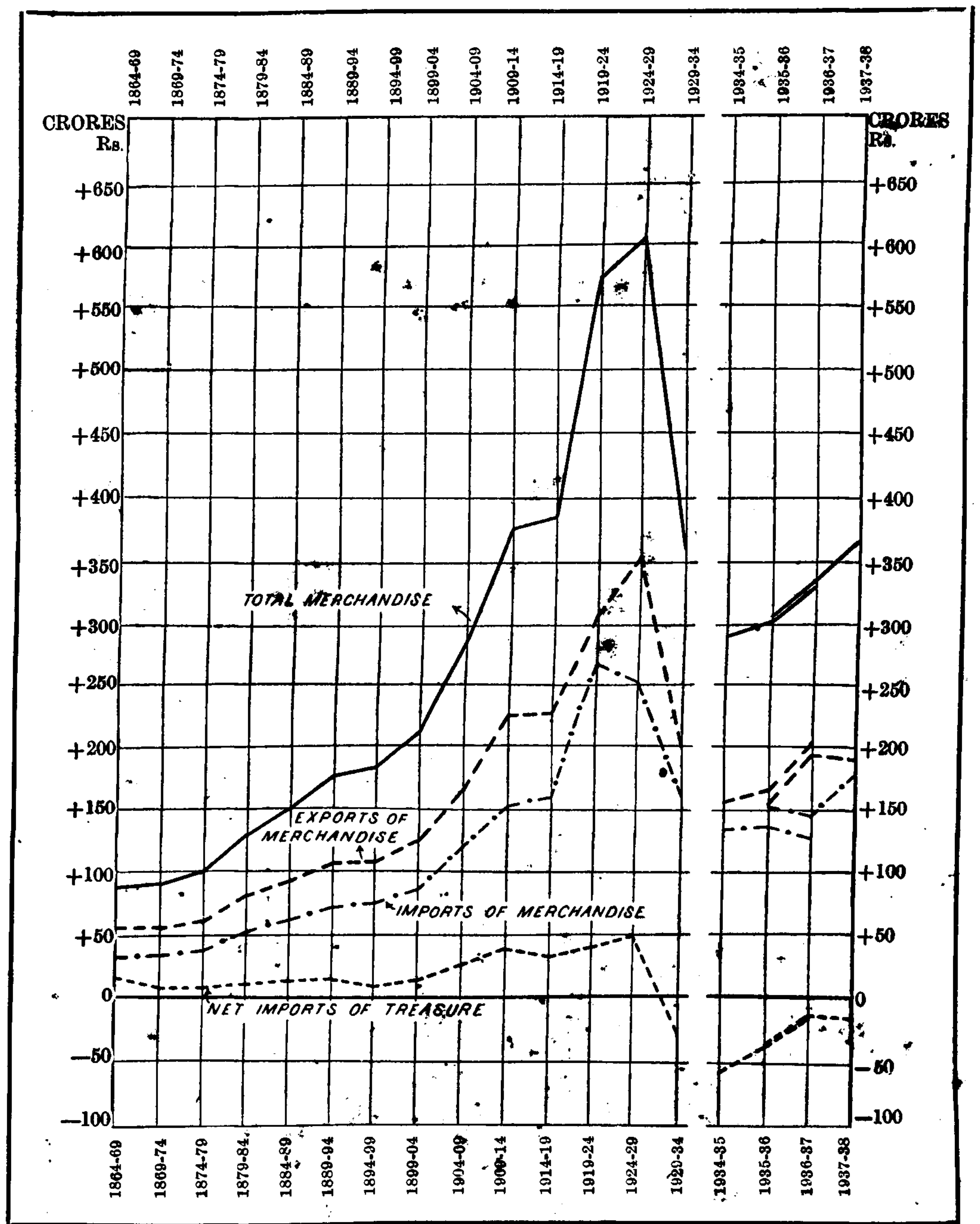
Part II—Tables.

CHART A

Foreign Sea-borne Trade of British India.

Quinquennial averages during the seventy years (1864-69 to 1929-34) and the annual trade for the last four years.

(Private and Government.)

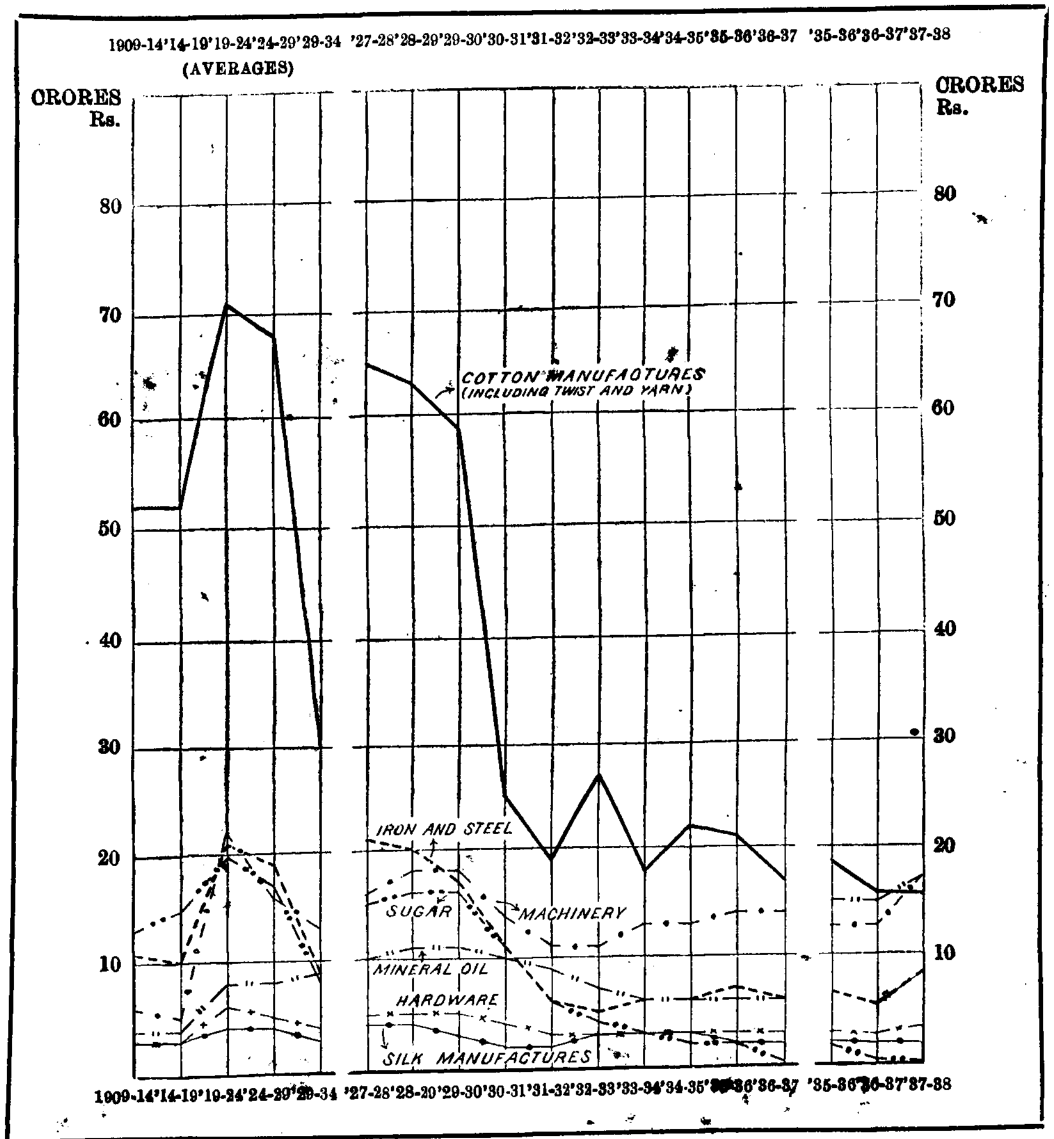


NOTE.— (i) The space after 1929-34 separates the several quinquennia and the annual figures.
(ii) The *three* points starting from *1934-35* represent unadjusted figures which include Burma.
(iii) The *three* points starting from *1935-36* represent adjusted figures excluding Burma for 1935-36 and 1936-37 and actual figures for 1937-38.

CHART B

(i) Variations in the values of principal articles in the import trade of British India during the five quinquennia ending 1929-34 and the last eleven years.

IMPORTS.



NOTE.—(i) The space after 1929-34 separates the several quinquennia and the annual figures.

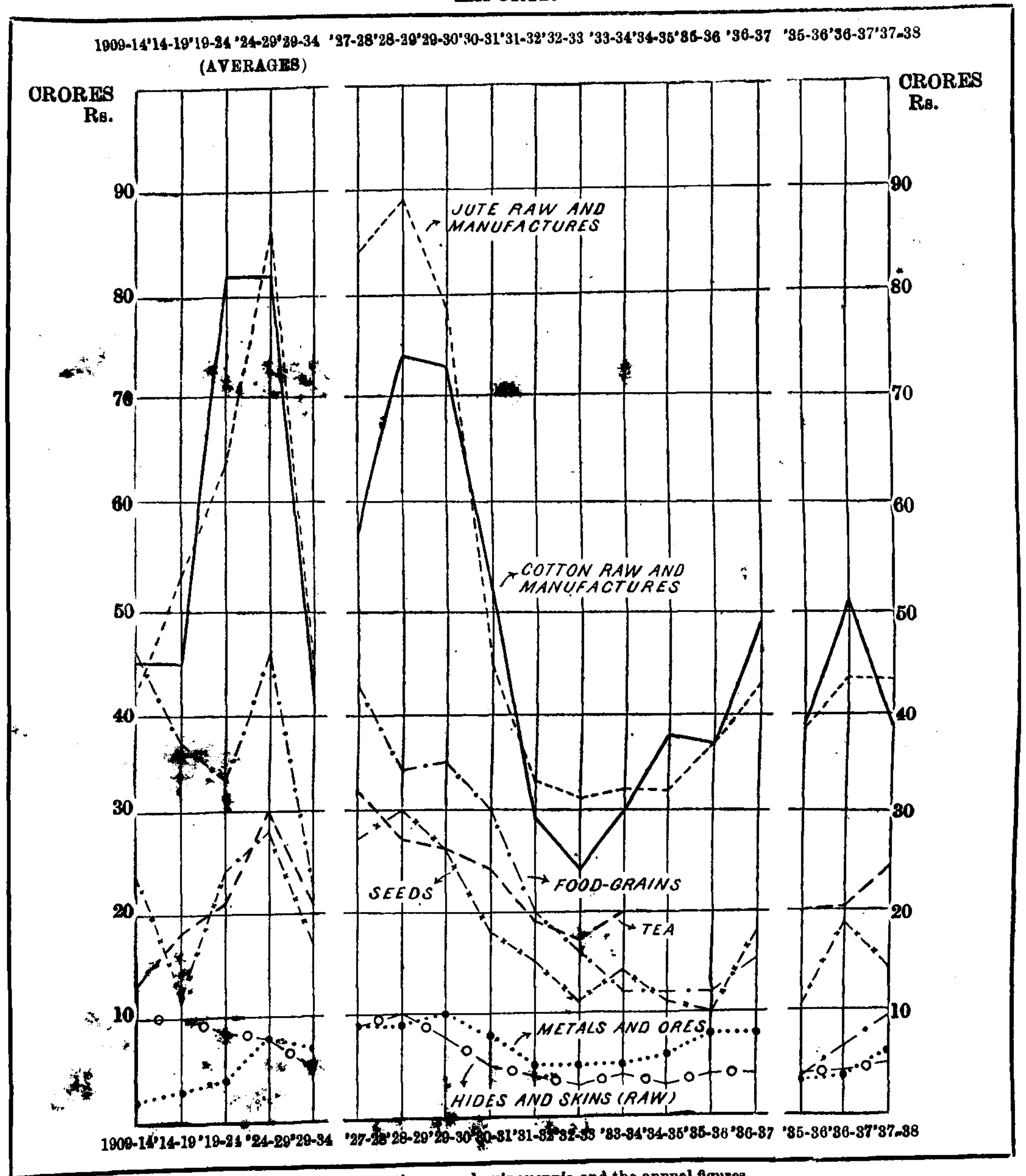
(ii) The points starting from 1927-28 and ending in 1936-37 represent figures for India including Burma.

(iii) The three points starting from 1935-36 represent adjusted figures for 1935-36 and 1936-37 and actual figures for 1937-38.

CHART B

(ii) Variations in the values of principal articles in the export trade of British India during the five quinquennia ending 1929-34 and the last eleven years.

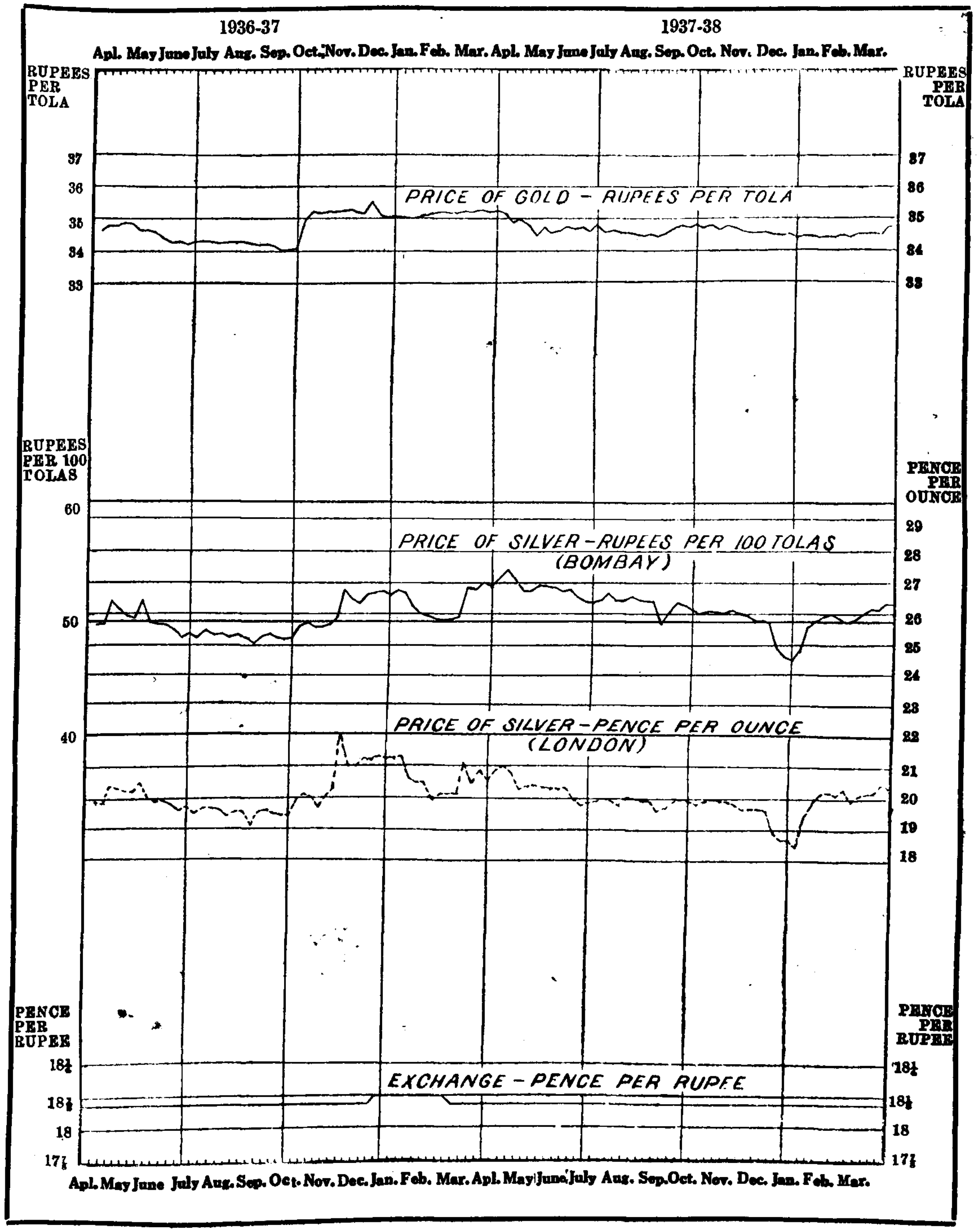
EXPORTS.



NOTE.—(i) The space after 1929-34 separates the several quinquennia and the annual figures.
(ii) The points starting from 1927-28 and ending in 1936-37 represent figures for India including Burma.
(iii) The three points starting from 1935-36 represent adjusted figures for 1935-36 and 1936-37 and actual figures for 1937-38.

CHART C

Price per tola of English bar gold in Bombay, price of silver in London per standard ounce, price of silver in Bombay rupees per 100 tolas and the telegraphic transfer rate in Calcutta on London at the end of each week during the years 1936-37 and 1937-38.



NOTE.

Consequent upon the separation of Burma the foreign trade statistics of British India for 1937-38 include the trade of British India with Burma but exclude the trade of Burma with foreign countries other than British India. Direct comparison with the figures recorded for the years prior to 1937-38 is therefore vitiated. With a view to remedying this defect attempts have been made to adjust the figures for the years 1935-36 and 1936-37 so as to afford a comparison with those for 1937-38 and the results are embodied in this Review. It should be distinctly understood that these adjustments have been carried out in so far as the available data permit and the figures for the years 1935-36 and 1936-37, thus revised, are necessarily approximate, but sufficiently accurate to provide a basis for analysing the trade in essential details.

REVIEW OF THE TRADE OF INDIA IN 1937-38.

PART I—REPORT.

CHAPTER I.

General.

The period of time covered by this issue of the Review of the Trade of India has witnessed the culmination of a long period of recovery in world trade, world production and the international price-level. In view of the close inter-connections which still exist between economic phenomena in different parts of the world, it is desirable to present a broad picture of the world situation in the recent past as a suitable background to the more detailed account of Indian conditions which follows in succeeding chapters.

The year 1936 had been one of rapidly expanding production and of equally growing optimism. The well-known indices of the League of Nations enable the course of development to be followed. World stocks of primary commodities (12 foodstuffs, 12 raw materials: base 1929=100) which at the end of 1935 still remained above the level of 1929 fell to 93 at the end of 1936. The world index of industrial production (not including Soviet Russia: base 1929=100) which stood at 85·4 in 1935 rose to 95·5 in 1936. The quantum of world trade (1929=100) rose from an average of 81·6 for 1935 to an average of 85·4 for the following year. The index of primary production (79 basic commodities: base 1925-29=100) was already five per cent above the pre-depression average in 1935: during 1936 it rose to 110. The impression conveyed by these figures is reinforced, though perhaps somewhat less forcefully, by the indices of employment published by the International Labour Office. During 1936 the World Index of the number of workers in Employment (16 countries not including the Soviet Republic, basis 1929=100) had reached [illegible], the unadjusted monthly index during the course of the year showing a practically unbroken rise. This index is primarily based upon social insurance statistics. An alternative method of measuring the growth of employment is to utilise statistics of unemployment. On this basis, the degree of employment (1929=100) rose from 89 in 1935 to 92 in 1936 (unadjusted for seasonal variation) and again the index shows an almost unbroken rise throughout the year.

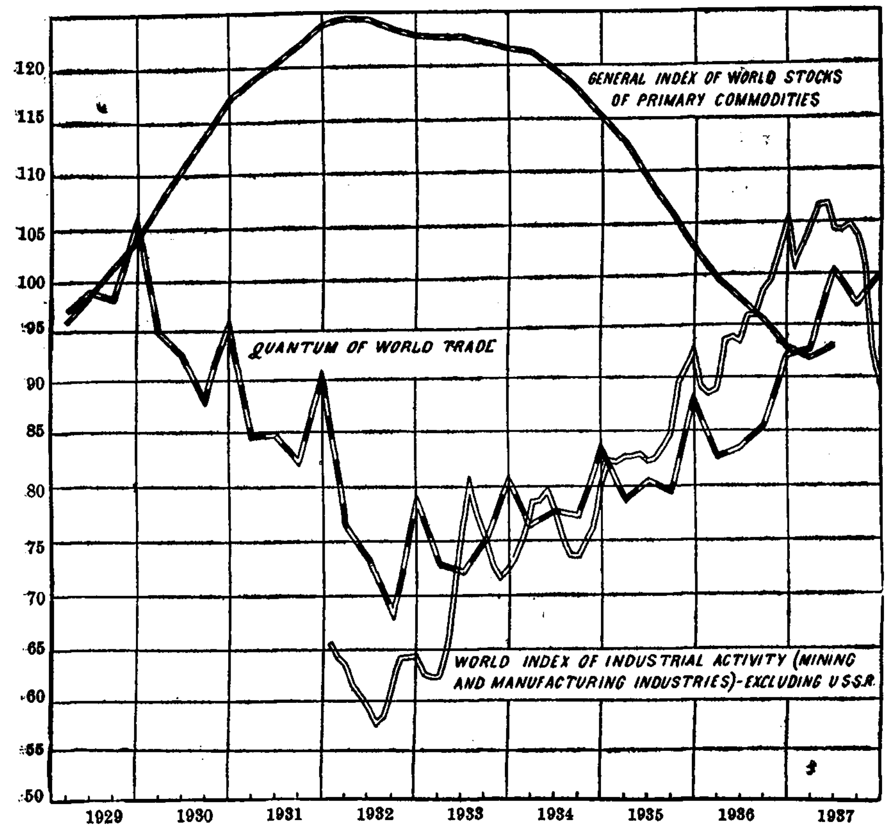
To most observers at the beginning of 1937, therefore, the outlook appeared bright. Regrettable though the acceleration of re-armament might be from the standpoint of humane sentiment, it promised to intensify an already active demand, or, at the worst, it held out hopes that, even if the general economic situation deteriorated, the average level of production and consumption could be held up. For re-armament in itself represented a large and growing demand for basic materials and finished products of many kinds : it generated employment and incomes, and so sustained the demand for consumers. goods, and thus the level of employment in the industries producing such goods. So rapid indeed was the growth of demand at the beginning of 1937, that, as is usual in the advanced state of a trade cycle, fears of acute shortage began to be expressed. These fears reacted both upon the raw material markets and upon the capital-markets and brought with them some of the usual phenomena of a boom, *i.e.*, rapidly rising prices, large forward purchases and mounting stock-prices.

This boom phase was, however, destined to be of short duration. The price-level of sensitive primary commodities attained its maximum in the first week of April 1937. Thereafter prices fell sharply till the middle of June and maintained themselves at that level (some 20 points below the maximum) till the middle of September, when a further period of sharply falling prices set in which continued to the end of November. After a temporary rally during the next two months prices continued to fall from the beginning of February but much less sharply, until the middle of June 1938. Thereafter the trend was decidedly upwards, though it is not yet possible to decide whether that month will have marked a real turn in the cycle of prices and of activity. It is interesting to note that whilst the successive phases of price-history in 1937-38 are the same in the United Kingdom and in the United States of America (the two countries of greatest importance to the overseas world), yet prices fell much more in the latter than in the former country—the behaviour of primary commodity prices thus reflecting very accurately the relative position of the two economies generally.

It is now necessary to depict the more salient features of the year 1937 in greater detail.

CHART I.

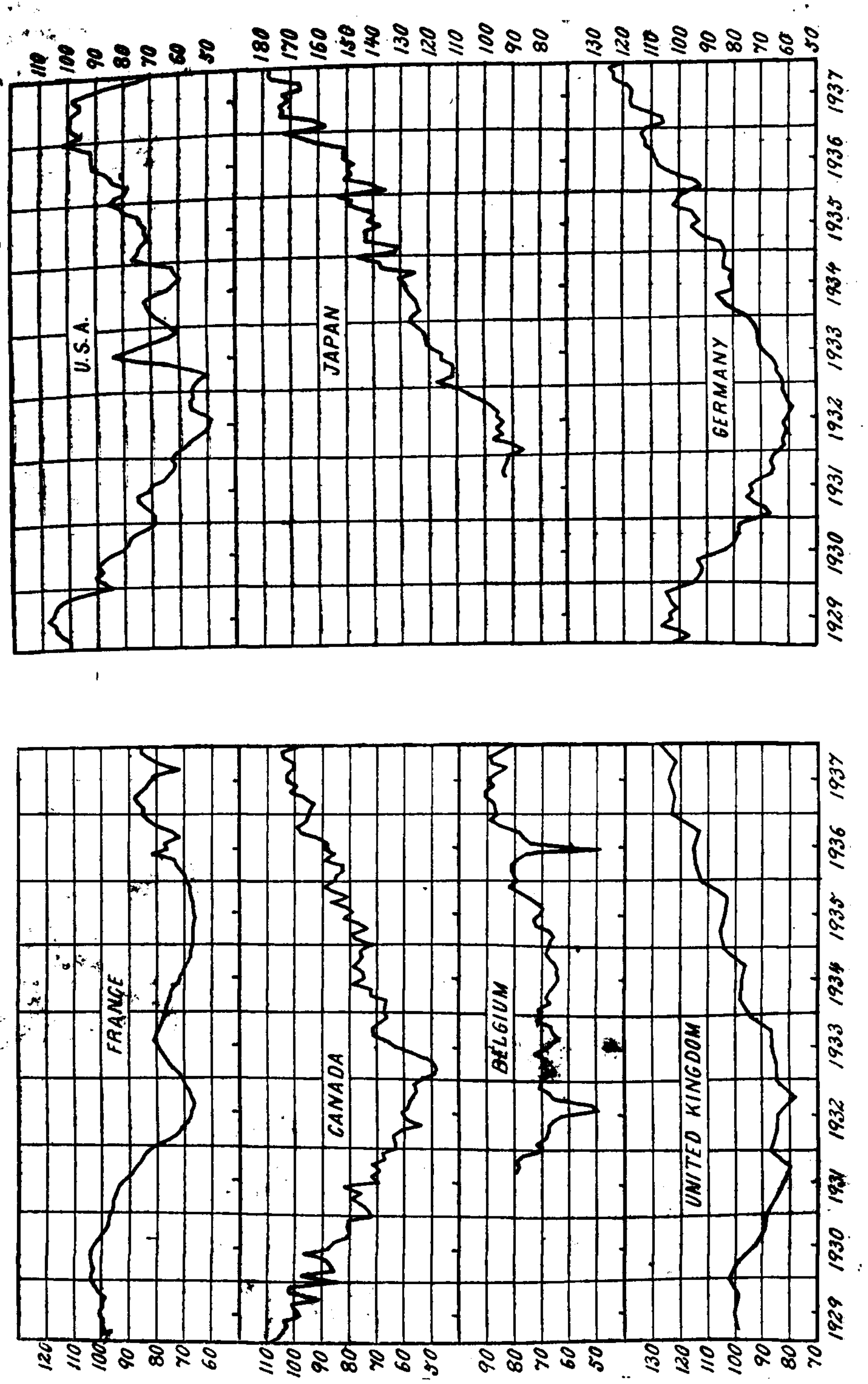
[Base: 1929=100.]



The World Situation Generally (Chart I).—The main feature which stands out in the chart is the reversal during recent months of the trend of the three indices covered by it, *i.e.*, the tendency for world stocks to *rise* and for world trade and production to *fall*. World stocks continued to fall until the first quarter of 1937, when the adjusted index stood at 92 (Base 1929=100). In the second quarter the index had already mounted to 93 and by the third quarter of the year, to 96. World-production, on the other hand, continued to rise for some time after world-stocks were beginning to mount, attaining a maximum of 106·8 in May, 1937. The fall thereafter was at first very slow, the index-figure being still over 100 in October, but by December the index stood at 92 and in March 1938 had fallen to 88·8. World trade continued to increase even after world-production had begun to decline, attaining its maximum quantum by the end of the year, when for the first time the pre-depression level (1929=100) was reached, though the average for the year 1937 was 96·6. By the end of the first quarter of 1938 the quantum of world trade had receded to 88·0.

CHART II.

General Indices of Industrial Production.



The position of individual countries (Chart II).—The preceding discussion was based in terms of the world situation, but that situation is the compound result of the position in a large number of different economies, where the underlying tendencies manifested are very different from case to case. The centre of disturbance in 1937 was the United States of America, where production began to fall from the middle of the second quarter of the year, as a result of mounting inventories and the shock given to market psychology by the rumours that the dollar value of gold would be revised upwards. The recession developed an accelerating rate of fall as the year wore on, so that at the end of the year the index (1929=100) stood at 70·6 whilst the decline continued into and beyond the first quarter of 1938, though the *rate* of decline fell off. In the United Kingdom the year 1937 was, regarded as a whole, one of great industrial activity, the index for the year as a whole rising from 116 in 1936 to 124 in 1937. Nevertheless, in spite of the upward impetus imparted by the constant acceleration of the re-armament programme, there were distinct signs of recession in certain directions and in the first quarter of 1938 the index stood at 123·6, with the declining tendency still uppermost. France, in consequence of her unbalanced currency situation throughout the years of recovery elsewhere, had never attained the pre-depression level of activity and the successive drastic devaluations of 1936 and 1937 failed to overcome the other adverse factors in the situation—loss of confidence, "flight" from the currency and an unsuitable cost structure, due to over-hasty social reform legislation. The decline of activity in the Netherlands was marked from the middle of the year: on the other hand, the rate of decline in the Scandinavian countries, as in Canada, was much less apparent. In general, it may be said that taking the industrial states as a whole, the tendency to recession has been more marked in the case of the countries associated with the "Dollar-Sterling area" than in the case of the totalitarian states, where a variety of reasons—their re-armament activity and the pressure on the labour supply through efforts at self-sufficiency, coupled with rigid control of wage-rates and of the capital market—have kept economic activity at a very high level, though at the cost of declining standards of living. Nevertheless, the Sino-Japanese hostilities are exerting great pressure upon the economy of Japan and in the early part of 1938 the index of production showed a sharp fall from the high levels of 1937.

General.

Whilst the world-situation at the beginning of 1938 was thus not as satisfactory as it had been in 1937, it is not desirable to exaggerate the absolute extent of the recession. In the great majority of the countries examined above, economic activity is still considerably above the peak attained in 1929, though this is unfortunately far from being the case in the United States of America. In Great Britain, for example, the index of industrial production during the first quarter of 1938 was still nearly 24 per cent above that of 1929. Whilst serious recession in the United States of America must always be of grave significance for the raw material producing countries, it remains the case that the continuance of a high, even if diminished level of activity in Great Britain, is also of great moment to them, for, as was pointed out recently by an authoritative American Journal, "The country...........that exerts the greatest influence on the course of developments in the raw material countries and upon American export trade directly is the United Kingdom, which is the leading consumer of foreign raw materials and in which are centred most of the world's great commodity markets". (24 Federal Reserve Bulletin, page 431).

The position of the raw material producing areas.—The previous discussion has primarily concerned the position in the more industrialised countries. But the ebb and flow of economic activity in such areas affects the economic position in the primary producing areas, and that disproportionately, for it is well known that the prices of primary commodities are more sensitive to cyclical fluctuations than are the prices of finished goods. A period of increasing demand therefore tends to force up primary commodity prices more rapidly than the average of all prices and a set-back causes them to fall more rapidly. In this respect primary commodity prices behave much as the prices of equity shares do, the movements of both reflect not only the *de facto* situation but as it is expected to be in the immediate future. Thus, in 1937 both primary commodity prices and stock market prices tended to anticipate the general movement. Charts showing the movements of wholesale prices in general, share prices and prices of primary commodities are given below.

General.

CHART III.

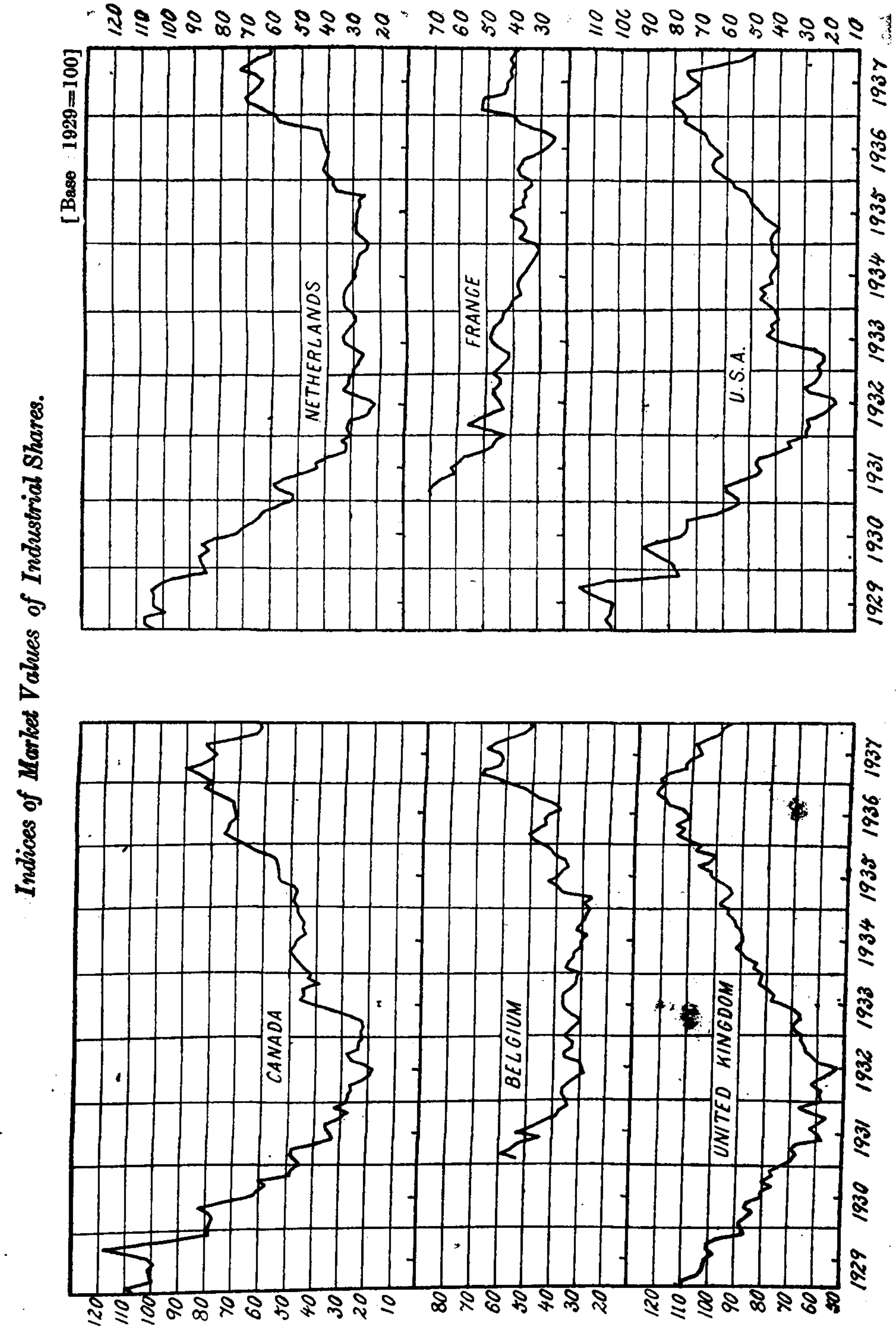
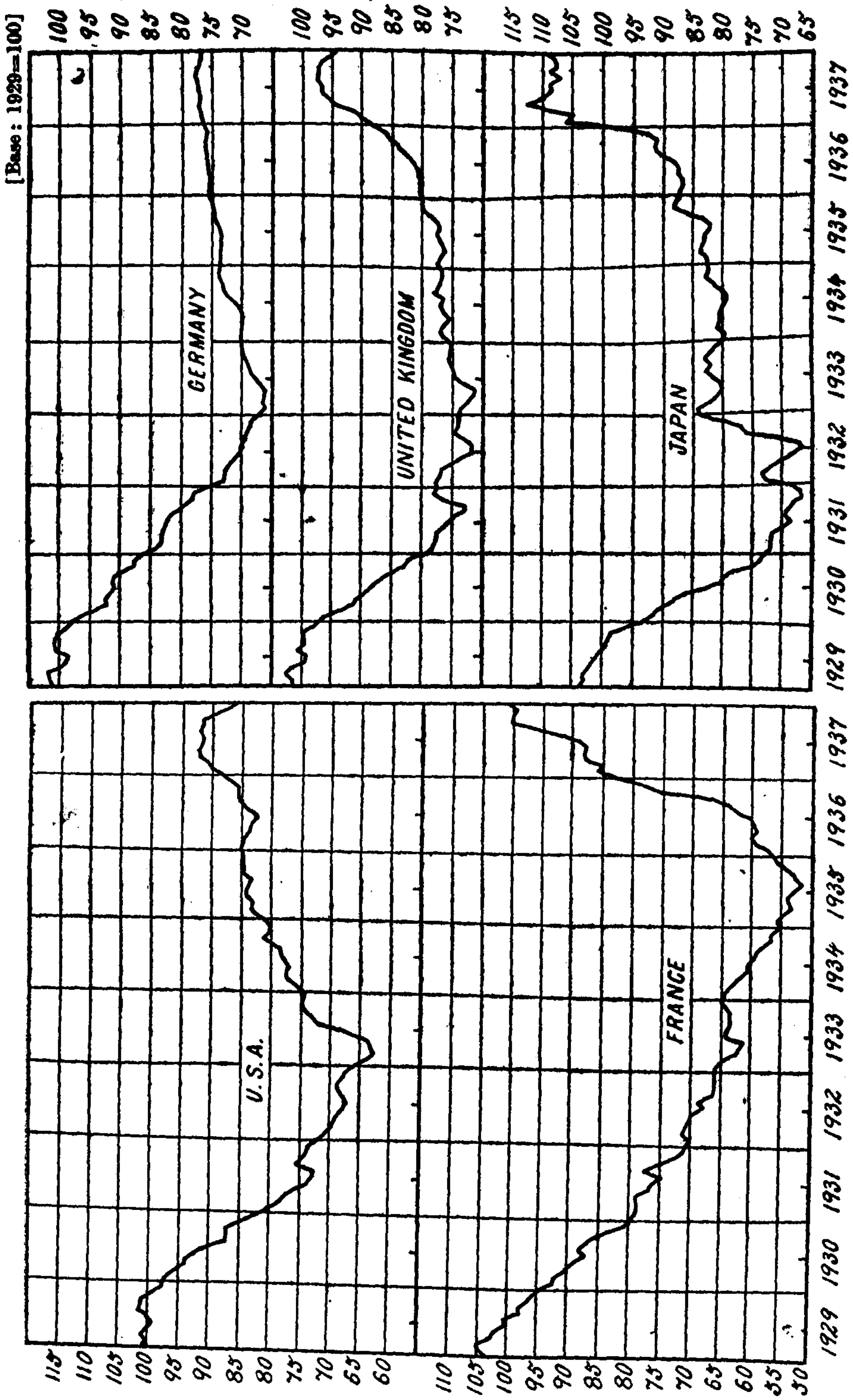


CHART IV.



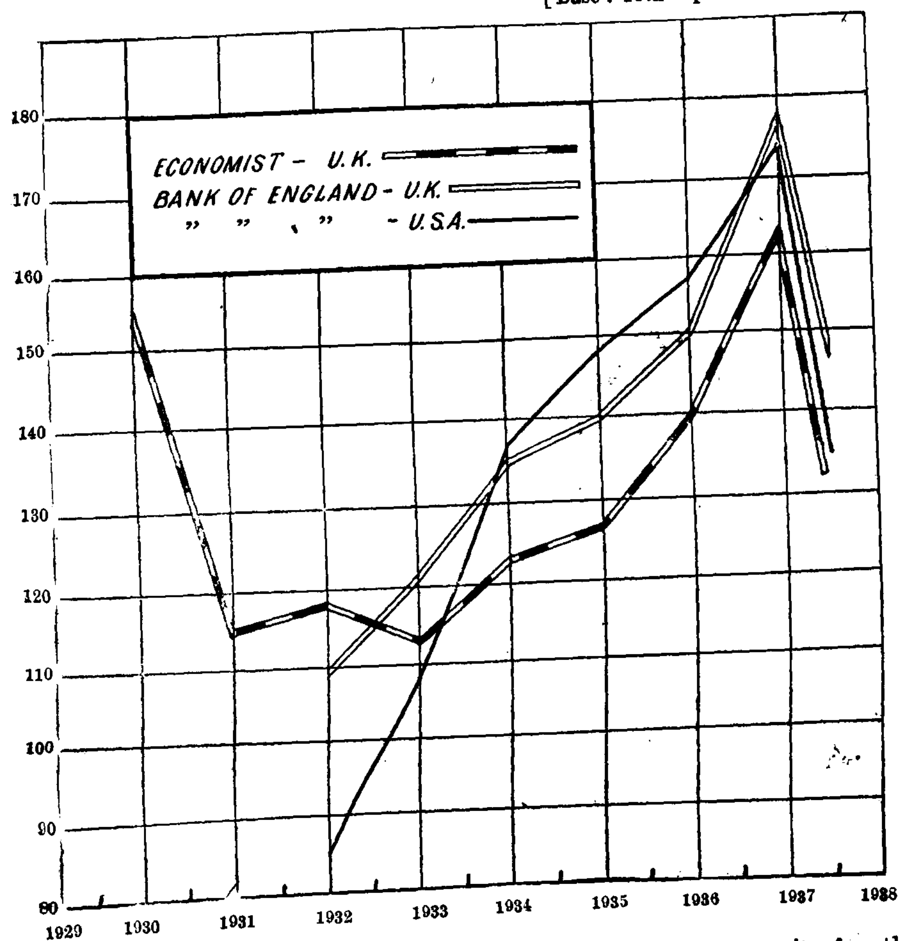
Indices of Wholesale Prices.

[Base : 1929=100]

CHART V.

Index Numbers of Primary Commodity Prices.

[Base : 18th September 1931=100]



The year 1937 as a whole was undoubtedly one of great prosperity for the primary producing countries, due to a combination of high (and for part of the time, rising) prices and increased output and sales. Recent calculations in a semi-official German publication (18 Wirtschaft und Statistik, No. 11, issued by the German Statistical Office) illustrate the above. During 1937 the aggregate value of finished goods entering into international trade increased by 22·8 per cent over the previous year, whilst the value of raw materials and semi-finished goods increased by 28·9 per cent and the value of foodstuffs and beverages increased by 15·5 per cent. The unit prices of finished goods, however, increased by only 6·3 per cent, whilst the unit prices of raw materials increased by 15·6 per cent. and those of foodstuffs and beverages by 11·3 per cent. Owing to the base-periods being different, it is not possible to compare the League of Nations' index of Primary Production directly with the League's index of Industrial Production, but the following figures show how rapidly raw material and other forms of primary production increased in recent years :—

Base 1925-1929=100.

World (79 basic commodities)	1933	1934	1935	1936	1937
General Index	101	103	105	110	116
Agricultural products	104	104	104	107	111
Non-agricultural products	86	98	107	121	136
Foodstuffs	105	105	105	107	109
Raw materials	90	97	106	118	138

Although prognostications concerning the future course of development would be out of place in a publication of the present nature, it may nevertheless prove useful in surveying the recent past, at a time when the world economic situation is somewhat uncertain, to draw attention not only to the more obvious facts, but to devote a few paragraphs to some of the underlying factors which have been at work.

It has long been known that, for at least two centuries, economic life has displayed a rhythmic tendency, to distinguish which from other elements the terms "trade-cycle" or "credit-cycle" are generally employed. But it has also long been a common-place among observers of those rhythmical tendencies that no two trade or credit-cycles are alike, either as regards their duration, the magnitude of the oscillation exhibited, or the specific factors which, in any given case, appear to have played the predominant rôle. For these reasons it has been doubted whether it is legitimate to speak of the "cause" of the trade-cycle at all in the sense of assigning to any one single factor or group of factors, any unique significance : it may well be that a combination of fortuitous factors, varying from cycle to cycle, may produce all the phenomena which in the aggregate constitute the cycle. However that may be, the cycle which appears to have culminated in 1937 shows some marked features of its own.

In the past, considerable attention was devoted to movements in the capital and money markets. An increase in industrial activity tended to be accompanied by larger offers of new capital to the public—indeed the capital issues financed the upward movement of production which took the form of a relative increase in the output of producers' goods as well as an absolute increase of activity in all industries. Thus the trade-cycle was construed in terms, primarily, of the constructional industries. At the same time, rates of interest, both upon long and short-term capital, tended to rise : the volume of investment tended to outstrip the current volume of savings and the increase in incomes, generated by increased industrial activity, resulted in pressure upon the cash-reserves of the banking system, so that loan-rates

tended to go up. Thus, whilst "cheap-money" characterized the depression-stage of the normal trade-cycle, recovery brought into play factors making for dear, or, at least, dearer money.

In all these respects, the cycle which has just run its course presents marked differences from the cycles of the past. In the leading money markets cheap money has prevailed throughout the recovery phase. Thus, the Bank of England's minimum Rate of Discount has stood at 2 per cent since 1933 : the discount-rate of the Federal Reserve Bank of New York, which stood at 2·56 per cent on the average of 1933, fell to 1·5 per cent in 1934 and, when recession began to develop in 1937, was reduced to 1 per cent, the lowest rate ever charged by a Central Bank. In Sweden, Holland and Switzerland also (relatively small but important money-markets) bank-rates remained both low and unchanged for long periods of time. In the open money market, unprecedentedly low rates have prevailed and showed practically no sign of hardening as recovery proceeded. Loan rates, *e.g.*, in the United States of America were much below those ruling in 1929, in spite of the very considerable rate of growth in the volume of accommodation granted. Similarly, the yield on fixed-interest-bearing securities, though somewhat more responsive to cyclical factors, in certain cases tended to fall rather than to rise throughout the period ; yields showing some improvement in particular cases during the final stages of the recovery in 1937, as in the United States of America and the United Kingdom. In Sweden and Switzerland, on the other hand, bond yields actually fell between 1936 and 1937. Since the recession began this falling tendency of bond yields has become more general. It is significant also that in some important countries the volume of issues on the capital market (leaving out of account altogether refunding issues which do not represent "new" money for capital-construction purposes) has failed to reach the pre-depression levels even approximately : this is particularly true of the United States of America, but in many other cases issues of private capital appear not to have kept pace with the degree of recovery.

These phenomena point to elements of monetary management and to changes in the financial structure of great interest and perhaps of lasting importance. In the United Kingdom, before the intensification of the re-armament programme, the recovery was largely carried by the sustained activity in the building trades, the necessary finance being to a considerable extent provided outside the capital market proper. In the United States of America governmental expenditure was at times the main direct source of the additional funds involved—thus governmental borrowing took the place of private borrowing. In Germany and Italy governmental expenditure on public works and on re-armament, has, similarly, been the dynamic factor of primary importance. These differences in the financing agency reflect differences of policy and naturally have influenced the relative degrees of improvement in different branches of economic activity. In Germany and Japan, for example, the index-numbers of the production of investment-goods (1929=100) were, in 1937, 124·4 and 264 respectively, whilst the index-number of the production of goods for current consumption stood at 105 and 154. These figures may be compared with those of the United States, *viz.*, 89 and 95, or with those of the Netherlands, *viz.*, 77 and

108. Up to the end of 1936 Sweden was one of the countries showing a high degree of balance between the development in both branches of economic activity, but during the course of 1937 "investment" production outran production of goods for current consumption. Previous experience has thus in part been confirmed, in part contradicted, by the events of the last few years.

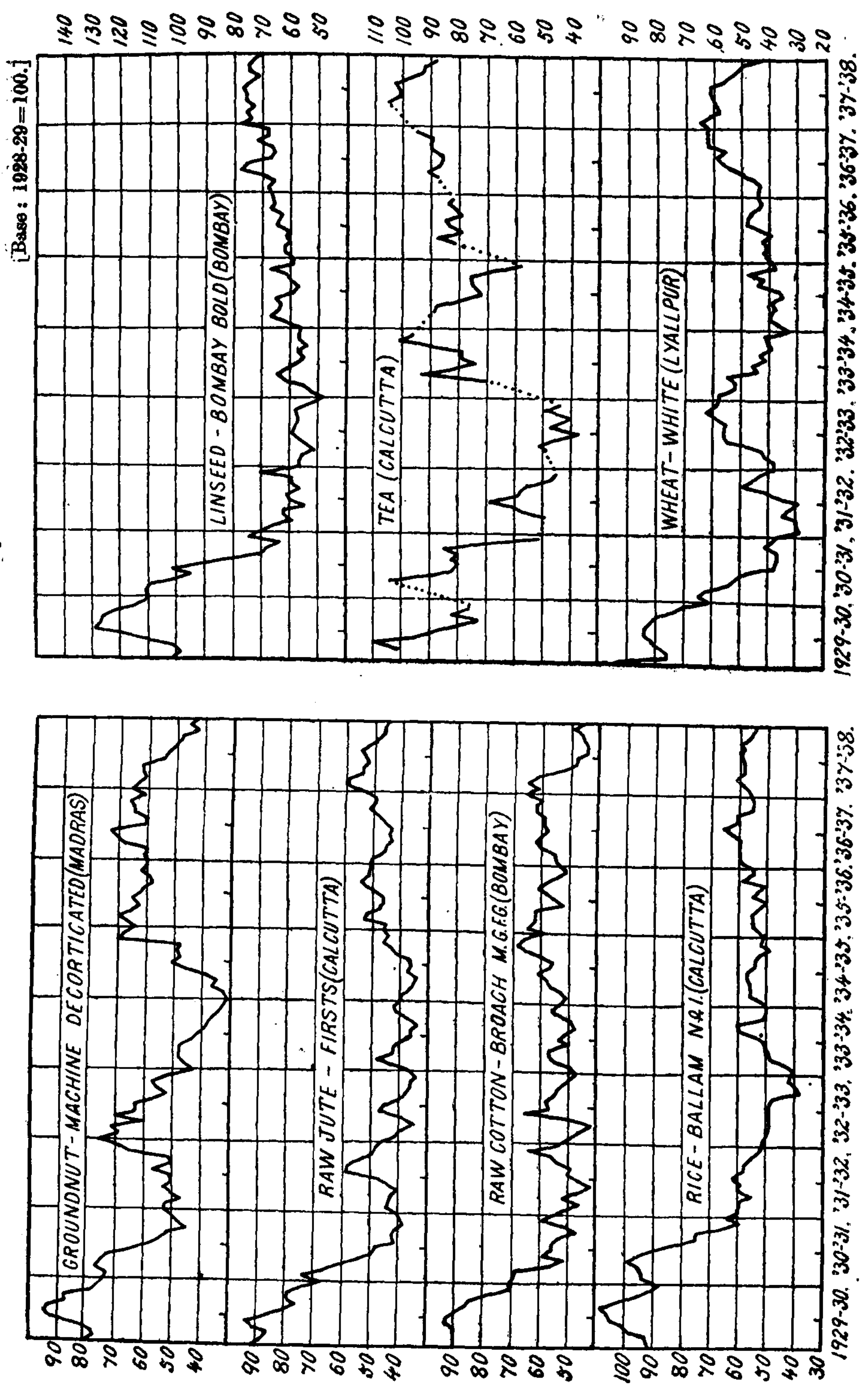
The characteristic feature of the recent trade-cycle has been the extent to which, in almost every part of the world, the actual course of development was affected by the active intervention of the State. Currency depreciation —inspite of popular impressions to the contrary—has played a small rôle in the situation, once the crisis of 1931 was overcome : the "activist" policies of governments in the main took a different direction. It is, naturally, impossible to say what would have happened if the objective facts had been different, though all the experience of the past points to the inference that, even had there been no governmental intervention on the scale actually witnessed, recovery would still have taken place. It would be premature to attempt to assess the ultimate effects of the interventionist policies of governments in recent years. The provisional conclusions would appear to be that the task of prediction has been made even more difficult than it was previously, and that the institutional frame-work of society is being exposed to forces very much less amenable to rational calculation than was the case in the nineteenth and early twentieth centuries.

Agricultural conditions.—In spite of her rapid industrialization in the last twenty-five years India still remains predominantly an agricultural country and her well-being greatly depends on the prosperity of her large agricultural population. In the depression which started at the end of 1929 agricultural and raw-material producing countries suffered even more severely than industrial countries and the Indian cultivator was in sore distress on account of the disastrous slump in agricultural prices. When the upward movement started in 1932-33, the rise in the prices of commodities in which he was interested was painfully slow and halting and it was only in the middle of 1936 that primary commodities began their definite upward movement. As the year advanced the rise almost became a boom, and primary prices rose to levels which they had not touched for many years. By the spring of 1937 they had attained peak levels. But these boom conditions were too artificial to last and April 1937 witnessed a sudden reversal of the upward trend in business conditions. Prices in the commodity and share markets fell sharply and confidence in the future was again rudely shaken. The markets tried to steady themselves during the summer of 1937 after the effects of the first shock were over and prices of primary commodities rallied to some extent. But confidence could not be restored and from October 1937 the markets became extremely unsteady and the downward trend continued unabated until the end of the financial year, 1937-38, and even in the beginning of 1938-39. The causes of this reversal in the fortunes of the primary producers lay probably in the unhealthy conditions of the commodity boom that started in 1936. With the recovery in industrial production the demand for raw materials greatly increased and this was further strengthened

by the re-armament activity in most countries. Moreover, a succession of poor harvests and the restrictive policies followed by the producers of some primary commodities had greatly improved the statistical position of most foodstuffs and raw materials. As supplies were short and stocks had fallen to very low levels, the industrial and other consumers of raw materials felt some nervousness as regards securing their requirements in time and in order to safeguard their own position they placed large orders for forward delivery. This abnormal demand for replenishing their stocks, added on to the normal but larger demand necessitated by greater industrial output, created conditions in the commodity markets favouring a boom. As a result, a wave of hectic speculation over-ran the markets and prices soared. By March 1937, an unsound position appeared to have developed as it was clear that the level of prices reached could not be permanently maintained, for, as always happens in a boom period, the market had greatly exaggerated the possibilities of demand. To repress such unhealthy developments the authorities in many countries tried to apply the brakes. In the United States of America, President Roosevelt uttered a warning that prices were rising too fast and too high. In that country as well as in some others, pressure was also applied by the banks by restricting credit facilities granted to finance the holding of stocks of commodities. At the same time, the "gold scare" which has been referred to above increased the nervousness in the markets. Moreover, the boom conditions in the commodity markets were leading to increased output, especially as the restrictive schemes in regard to some of them were being relaxed. These rapidly expanding supplies, helped as they were by favourable harvests in many parts of the world, further adversely affected the commodity markets in the second half of 1937, especially as they started coming into the market at a time when the business recession had gathered force and confidence was on the wane. This aggravated the already unhealthy situation in the markets and led to a precipitous decline in the prices of most primary commodities. Thus, by the end of 1937 boom conditions were completely reversed and in view of the increasing supplies, growing stocks and declining prices, producers again brought into operation various restrictive policies such as reduced export quotas and increased restriction of production, which they had already resorted to in the earlier period of depression.

It need hardly be emphasized that these unfavourable developments in the world markets for primary commodities in the year under review had a serious effect on Indian agricultural conditions. With the reversal of the commodity boom, prices of most of India's stable products declined very sharply and this meant a shrinkage in the income of the agriculturist. The full effects of the price-fall were not, however, felt in India till the middle of 1937, but thereafter conditions in the case of most of the agricultural commodities deteriorated rapidly. The magnitude of the decline can be clearly seen from the chart below which shows the index numbers of prices of some of the important agricultural commodities in India.

CHART VI.



Index Numbers of Agricultural Prices of India.

[Base: 1928-29=100.]

Prices of most of the items of India's agricultural production attained their maximum in the first part of 1937 and thereafter they declined precipitously, the fall being 25 per cent and more in most cases, in a period of only a few months. Thus, raw cotton declined from March 1937 to October 1937 by 33 per cent and raw jute fell off in value from May 1937 to March 1938 by 25 per cent. Wheat, which reached its highest level in April 1937 dropped by 35 per cent in March 1938 and tea by 16 per cent in about the same period. Prices of groundnut were highest in August 1936; since then they declined almost continuously, the quotation in March 1938 being 41 per cent below the highest level or 35 per cent below the level in March 1937. The price of rice was fairly steady throughout 1937-38 and the preceding year, and that of linseed was, on the average, higher in the year under review than during 1936-37. But these apparent deviations from the general trend were due to crop and other factors peculiar to these commodities. On the whole, the year under review witnessed a steep fall in the prices of India's staple agricultural products. As, however, conditions in regard to various commodities differ considerably it will be useful to examine the special circumstances of each of these separately in the year under review.

Raw Cotton.—The world's total crop of raw cotton in 1936-37 was a record one up to that year amounting to 32·2 million bales of 500 lbs. each, and being nearly 5 million bales more than in 1935-36. But this record has been completely outstripped by the still larger record crop of 1937-38 which amounted to 38·9 million bales. Most of this rise was accounted for by the increase in the American crop, from 12·4 million bales in 1936-37 to 18·9 million bales in 1937-38. But even the other or "outside" crops showed a small increase over the record aggregate figure of the previous year. The enormous increase in the American crop in the year under review was not due so much to an increase in area sown as to the phenomenal average yield per acre which amounted to 266·7 lbs. as compared with 197·8 lbs. in 1936-37. This acreage yield is the highest on record and has resulted in the unprecedentedly large American crop of the year under review.

The Indian cotton crop of 1937-38 was not so good as in the previous year. In 1936-37, the outturn of raw cotton in India amounted to the record figure of 6·2 million bales of 400 lbs. each. In the year under review the yield was estimated at 5·7 million bales only. Thus, the yield was 8 per cent less than in the previous year though the area under the crop was 3 per cent more than in 1936-37. The yield per acre in the year under review was only 89 lbs. as compared with 100 lbs. in the previous year.

The price of raw cotton (American, nearest active futures) touched the very high level of 14·70 cents in New York and 7·96*d.* in Liverpool in March 1937. Prices thereafter declined rapidly and by October the quotations had dropped to 7·50 cents in New York and 4·32*d.* in Liverpool. The two main causes of this great fall were the record American crop and the good cotton crops all the world over and, secondly, the recession in business activity which started in America and the world after April 1937. From October 1937 to March 1938, however, the prices of raw cotton did not slump further but in fact surprisingly showed some advance over the lowest quotations in October. In February 1938 the highest quotation recorded for cotton was 9·33 cents in New York and

5·20*d.* in Liverpool and though it receded slightly in the following month to 9·27 cents and 5·15*d.* respectively, it was appreciably higher than in October 1937. Yet in this period, the estimate of the American crop had been raised by another million and a half bales as compared with the forecast figure in October and general business conditions had still further deteriorated. The principal cause of this comparative recovery in cotton prices was the American Government's policy of granting loans on the 1937 crop, and the proposed restriction of sowings for 1938 and future years. These steps were taken under the Farm Act which came into force in February 1938. The world consumption of American cotton did not increase *pari passu* with the larger crop and on the statistical position of consumption alone prices would have slumped even more. The world consumption of American cotton was estimated to reach 11·5 million bales only during the 1937-38 season as compared with 13·3 million bales in the preceding season. As a result of the lower consumption and the record crop, the carry-over of American cotton at the end of 1937-38 is expected to amount to 13 million bales as against 5·8 million bales at the end of the last season. These factors would have depressed prices still further had it not been for the American Government's intervention.

The statistical position of Indian raw cotton was much more favourable than that of American or Egyptian cotton. With a probable crop smaller than in the preceding year the consumption continued to be on a high level. The world consumption of Indian cotton during the year ending July 1938 was 5,863,000 bales which though slightly less than in the previous year was more than 100,000 bales in excess of the estimated Indian crop. The main feature of the season with regard to Indian cotton was the relatively high level which Indian prices touched during the first part of the season. As a result, the parity of Indian cotton rose during the year under review. The quotation for M. G. F. G., Broach, per candy, was R244 at the end of March 1937. As in the case of American, the quotation declined rapidly and by October it had dropped to R161 or a fall of 34 per cent. Thereafter, prices rallied to some extent as in the case of American, the quotation in February being R180. In March 1938, however, the quotation again slipped back to R165.

To sum up: the outstanding feature of the raw cotton position during the year under review has been the record crop in America, and a new record of the world's total crop of raw cotton. This very large output came at a time when the boom in the world business conditions had definitely been reversed and a rapid downward movement had started. As a result of these two factors, prices of raw cotton slumped disastrously during the first six months of 1937-38, and touched new low levels in October. The consumption of raw cotton in the world did not show any marked increase and in the case of American cotton it was distinctly on a lower level. If it had not been for the American Government's policy of loans to cotton growers and restriction of future acreage, prices would have slumped still further. As a result of this policy, however, the downward movement was arrested and the price of raw cotton rallied to some extent during the second half of the year, but the improvement was not maintained in later months.

Raw Jute.—The outturn of raw jute in India for the season 1937-38 was estimated at 8·6 million bales (of 400 lbs. each) as compared with 9·6 million bales in the preceding season. This figure was much below the expectation of the trade, which estimated the crop to be as high as 10 or 11 million bales, and consequently there was much dissatisfaction with the Government forecast. In this connection, it is interesting to note that arrivals of raw jute into Calcutta and the neighbouring mill areas totalled 9·8 million bales during the season 1937-38. Conditions were generally favourable for sowings and for germination. The propaganda for the restriction of sowings was not quite successful in some parts and reports from the districts showed that sowings were larger than in previous years.

It was expected when the agreement regarding working hours in jute mills broke down, that the foreign demand for raw jute would show a large decrease as exports of manufactured jute goods from India were likely to flood the world markets following the big increase in the output of Indian mills. These large exports, it was anticipated, would throw out of gear the jute industry in foreign countries and reduce the demand for raw jute from abroad. These fears did not, however, materialise. The production of jute goods in foreign countries actually increased, partly as a result of the jute mill strike in India early in 1937 and partly because the foreign manufacturer anticipated a better world demand for manufactured goods. The exports of raw jute were therefore maintained at a fairly high level, even after the break-down of the agreement, though in 1937-38 they were less in quantity but almost equal in value as compared with the previous year. That the smaller quantity of exports was valued at almost the same figure as the larger quantity exported in the previous year shows the improved conditions in the raw jute market during the year under review.

The year 1936-37 closed on a rising raw jute market. The quotation for raw jute—ready firsts—was R30 in July 1936; by the end of March 1937 it had risen to R36-4-0. The year 1937-38 opened with the raw jute market in fairly active condition and prices appreciated very considerably. There was a good demand from consuming centres and fair business was done. Rates were subject to sudden and wide fluctuations on speculative operations in futures, but the trend was generally upwards. The closing quotation for Firsts at the end of April was R5 more than at the end of the preceding month. The market continued firm during May and some further increase was recorded, the closing quotation for the month being R42. It must be noted, however, that throughout the rise there was practically no support from consuming centres and as a result, prices slumped in June, the quotation sliding back to R37-12 by the end of that month. Though prices appreciated during the following month yet they declined again in August bringing down the quotation to R36-8. During the two following months the market was steadier and the quotation appreciated to R38-8 by the end of October. Thereafter, however, conditions became distinctly more unfavourable and prices declined during the rest of the year, the closing quotation in March 1938 being R31-12 or nearly 25 per cent below the highest quotation reached in May 1937. It may be noted, however, that the average quotation during 1937-38 was considerably higher than the average for 1936-37.