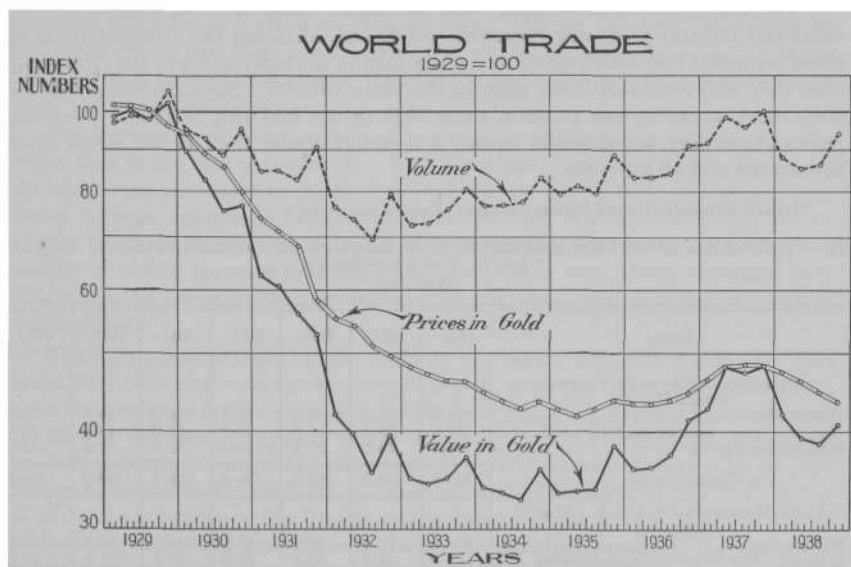


The high level of world trade during 1937 was due largely to very active conditions in the early part of the year. Both gold prices and quantum declined toward the end of the year. Short crops in the Northern Hemisphere in the autumn of 1936 were a factor in higher prices of grains and foodstuffs, generally. Buoyant industrial conditions in the United States with consequent greatly increased imports provided a stimulus to production and trade throughout the world in the latter part of 1936 and the first quarter of 1937. However, thereafter a change in market conditions took place, resulting partly from the reduction in imports of raw materials by the United States on account of her declining industrial activity, although a contributory factor was the reduction in the purchases of Japan after the outbreak of her conflict with China. Armaments in Europe and Japan and capital equipment activities in most countries caused an exceptional demand for iron and steel. Trade in manufactured articles expanded, particularly on account of the great demand from raw-material countries and from the United Kingdom. The industrial countries whose exports of manufactured goods in 1937 increased were chiefly the United States, Germany, and the small industrial countries of Europe. The exports of the United Kingdom increased less because of enlarged domestic demand and those of France showed little progress.

Later monthly reports of the League of Nations indicate that the trend in both quantum and prices was decidedly downward during the early part of 1938 but levelled off in the latter part of the year.



**Trade by Groups of Commodities.**—The commodities that enter into world trade may be roughly divided into three groups, namely, foodstuffs, raw materials, and manufactured goods.

The estimated movement since 1929 of the proportion of total trade, average gold prices, and quantum of commodities belonging to the three groups is shown in