



The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

Unit 9
42-46 Vella Drive
Sunshine West Vic 3020

Phone: 03 9311 0152
Fax: 03 9311 0138
E-mail: ncwsba@woolindustries.org

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From the desk of Chris Wilcox, Executive Director

- Wool prices bounce amid global turmoil
- Australian wool export update
- Mixed news from China trade data
- Upcoming events



A very positive week in the **Australian wool market this week** saw prices rebound from the falls in the past fortnight, with the strongest gains seen for Merino fleece wool. The Eastern Market Indicator (EMI) lifted by 19Ac to 1284 Ac/kg. The Western Market Indicator (WMI) increased by 28 cents to 1356 Ac/kg. The Micron Price Guides of 23 microns and finer (i.e. Merino wool) rose by between 21 cents and 38 cents over the week. In contrast, prices for Crossbred wool (25 micron and broader) were more mixed, with some gains and some losses for the week. After hitting record levels four weeks ago, the Merino Cardings Indicator continued to lose ground, falling by another 13 cents this week to 1104 c/kg, the lowest level since November. The market was helped by a small offering of 37,844 bales, 3,000 bales less than the most recent roster. Supply looks like it is starting to dry up.

Prices in A\$ terms were also helped by a fall in the A\$ against the main buying currencies. For the week, the A\$ fell against the US\$ (-0.8USc), the Euro (-1.9€c), the Renminbi (-0.06 ¥) and the Rupee (-0.42 Rup). As a result, the EMI increased by a more modest 4 UScents to 913 USc/kg, but it fell by 12 €c to close at 806 €c/kg.

The wool market has been resilient amid a period of intense volatility and downward pressure in share markets and **markets for other commodities** around the world. In A\$ terms, the EMI is currently 18% higher than a year ago. Of course, this year-on-year difference has been helped by a significant drop in the A\$ against the US\$. At the same time last year, the A\$ was sitting at 77.5 UScents, compared with the current level of 70.9 UScents. Even allowing for this, the EMI is 9% higher in US\$ than a year ago. This is much better than for other commodities. The first **Chart of the Week** shows a comparison of the % change year-on-year for wool prices (in A\$ and US\$) and the change in prices for various other commodities or commodity indexes. The most significant drop is the 44% drop in oil prices, although there has also been a significant 20% in the metals index (which captures iron ore, among other things). Even the food index has fallen by 14%. Wool has been very different largely because supply is constrained while there is excess supply of the other commodities.

The latest data on **Australian wool exports** were released last Friday. It shows that export volumes continued to decline in January, with most export destinations recording year-on-year declines. In contrast, the value of exports lifted. For the first six months of the 2015/16 season, the volume of exports was 10% lower than for the same period in 2014/15, but the value of exports lifted by 8%. The

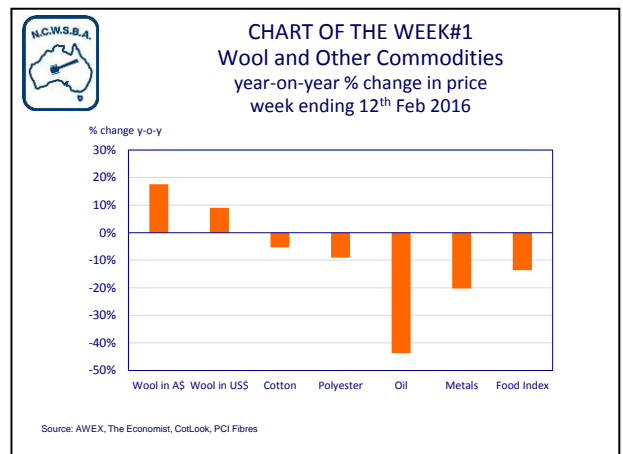
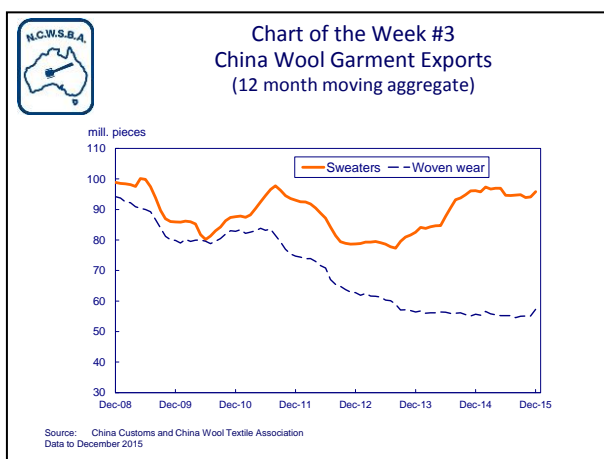
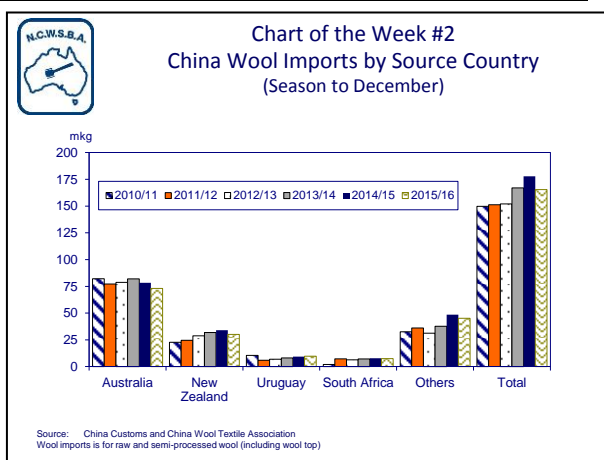


table below shows the % change in the volume and value of Australia's wool exports in total and by major export destination for month of December and for the season to date (in order of volume exports for the season to date). One thing to note from this table is the decline in export volumes to China.

% change on year earlier	December 2015		Season to December 2015	
	Volume	Value	Volume	Value
Total	-8%	+5%	-10%	+8%
China	-5%	+10%	-11%	+9%
India	+8%	+24%	+5%	+24%
Czech Republic	-26%	-17%	-13%	-2%
Italy	-19%	-13%	+4%	+18%
South Korea	-36%	-17%	-29%	-6%
Malaysia	-19%	-31%	-23%	-36%
Taiwan	-36%	-48%	-17%	-8%
Egypt	-26%	-28%	+9%	+21%
Others	-6%	+8%	-18%	-2%

This decline is reflected in **China's total imports of raw wool** in the July to December 2015 period. After a 14% increase in China's raw wool imports in the 2014/15 season (to the highest level recorded for a season), China has pulled back its purchases in the first six months of this season. As the second **Chart of the Week** shows, China's imports of raw and semi-processed wool was 7% below the level for the July-December 2014 period. Even so, it was still well above the levels in 2010, 2011 and 2012. As the chart shows, China's imports were lower from Australia (-7%), New Zealand (-12%), South Africa (-3%) and 'others' (-7%). Its imports from Uruguay were higher, by 4%.

In terms of China's **exports of wool products**, there are some encouraging signs from the latest data to the end of December. It appears that the long-lasting decline in China's exports of woven wool clothing may have reached the bottom. Woven wool clothing exports were above year-earlier levels in each of the past four months. As the third **Chart of the Week** shows, the 12 month-moving total for exports have turned up. At the same time, exports of wool knitwear, which had hit a flat spot in mid-2015 appears to have kicked up in the past two months. This is a hopeful sign for future orders from China.



INDUSTRY EVENTS

The **ABARES Outlook 2016 Conference** will be held in Canberra on 1-2 March 2016.

The **Australian Wool Production Forecasting Committee** will meet on 30th March 2016 in Melbourne.

The **2016 IWTO Congress** will be held in Sydney on 4-6 April. Register at <http://www.iwto.org/events/upcoming-events/45/>

The **2016 AWIS Wool Week** will be held at the Crowne Plaza in Melbourne on 25th & 26th August.

WOOL SALES WEEK BEGINNING 15th FEBRUARY 2016 – week 34 (roster as at 11/2/2016)

<u>Sydney</u> Wed, 17 th Feb; Thurs, 18 th Feb	11,928 bales
<u>Melbourne</u> Wed, 17 th Feb; Thurs, 18 th Feb	20,887 bales
<u>Fremantle</u> Wed, 17 th Feb; Thurs, 18 th Feb	9,353 bales

Information in the Weekly Newsletter is intended to provide general information only and is not intended to constitute advice for a specific purpose.