



The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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From the desk of Chris Wilcox, Executive Director

- Finalists for the NCWSBA Wool Broker Award announced
- Wool Week – Program for NCWSBA's AGM and Forum
- New forecasts of world economic growth in the wake of Brexit
- Other implications of Brexit on Australia and New Zealand
- Upcoming events

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The **Australian wool market** is in recess. Auction sales resume on 10th August 2016.

I am very pleased to announce the **Finalists for the 2016 NCWSBA Wool Broker Award**. The independent Selection Panel met on Tuesday afternoon to discuss the applications and make their selection from a high quality field. The Finalists for the 2016 Award are:

- Robert Calvert of Roberts Wool (Tasmania);
- Lachlan Sutton of Elders (NSW); and
- Dale Bruns of AWN (Victoria).

Congratulations to all three Finalists. I would also like to thank the other applicants for the Award and commend them on their applications. I strongly encourage them to apply again in 2017.

The three Finalists will each give a short presentation in support of their application to the Selection Panel and NCWSBA members at the **NCWSBA AGM and Forum** at the Crowne Plaza, Melbourne on Thursday 25th August. In the week prior there will be profile pieces on each Finalist in the Fairfax Agricultural Media's publications. The 2016 Winner will be announced at the Wool Week dinner at Aerial Restaurant in South Wharf, Melbourne in the evening of 25th August.

The **key note speaker** at the NCWSBA Forum will be Dr Charles Milne, the Chief Veterinary Officer for Victoria. He will give a presentation on preparedness for an Emergency Animal Disease, notably Foot and Mouth Disease. Foot and Mouth Disease (FMD) has only ever been in Australia once (in 1872!) and is the most significant risk of the Emergency Animal Diseases for the Australian wool industry. An outbreak of FMD in Australia would cause significant disruption to Australian wool exports and impose costs on the Australian sheep and wool industry, including the Australian wool broking industry.

The winner of the 2015 Award, Matt Thomas, will give a presentation on his experience at the IWTO Congress in Sydney this year. As well, I will give a presentation on the situation and outlook for the wool industry, while Michael Jackson (MD of AWTA) and Mark Grave (CEO of AWEX) will also give presentations. I look forward to seeing NCWSBA members there. **A copy of the registration pack is attached to the email with the Newsletter.**

Two weeks ago I wrote about the impact of UK vote to leave the European Union (called **Brexit**) on the Australian wool market in the short-term (negligible) and in the medium term (potentially important). This week the **International Monetary Fund (IMF)** released an update to its forecasts for 2016 and 2017 in the wake of the surprise Brexit vote. The IMF'S comments reinforce my views about the medium term impact.

The IMF said that before the UK vote to leave the European Union (EU), the world economy was on a slow, albeit lacklustre recovery. This was in line with or even a little stronger than the IMF predicted in April. The

IMF said that prior to the UK vote it was planning to revise upwards its forecast for global economic growth in 2017. The Brexit vote has put paid to that and caused the IMF to revise its economic growth forecasts for 2016 and 2017 down. The IMF also noted that as the “when and how” the UK leaves the EU is still unfolding, there is heightened uncertainty about the prospects for world economic growth.

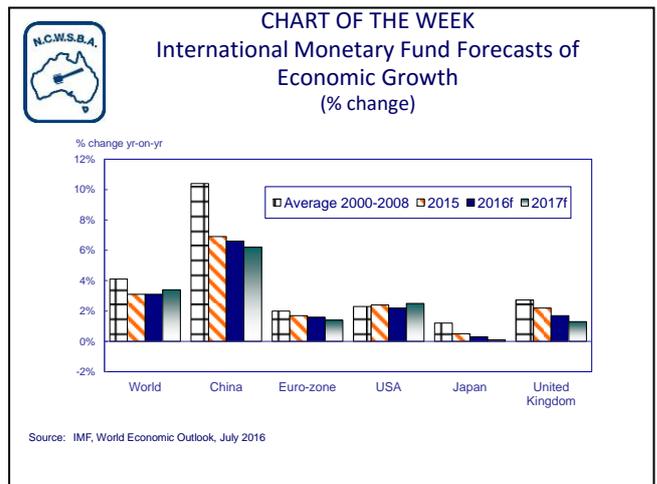
The IMF has wound back its economic growth forecasts in 2017 for all of the major European Union countries, with the largest cut in the forecast being for the UK. It now expects the UK economy to grow by just 1.3% in 2017, compared with 2.2% forecast in April. It has also wound back its forecast for economic growth in the UK in 2016.

Economic growth in the Euro area in the first half of 2016 was better than expected. However, the IMF now expects that economic growth in the second half of 2016 and into 2017 could be quite subdued in the Euro zone (which includes Germany and Italy) as a result of the Brexit vote. This may hurt retail sales over the crucial Autumn/Winter period in both the UK and in the Euro zone countries. This, in turn, could put a dampener on demand through the wool textile industry and, potentially, on raw wool demand.

The **Chart of the Week** shows the new IMF economic growth forecasts for the world and the major wool consuming countries and regions. As can be seen, the only country that is expected to see a steady improvement in economic growth in the next two years is the United States. All other countries shown in the chart are expected to see a slower growth rate. The dip in UK economic growth is clear.

As I noted in the *Weekly Newsletter* on 1st July, the **short term effect** of Brexit on the **Australian raw wool market** is very limited in part because only a very small proportion of Australia’s wool exports goes to the UK (just 0.4%). As well, Australian and UK wool do not compete. They are very different types of wool and used in entirely different end-uses. According to the British Wool Marketing Board (BWMB), 80% of British wool is broader than 32 microns and the remaining 20% is between 25 and 32 microns. The vast majority of British wool is used in carpets and upholstery, with some use in heavier weight jackets and overcoats (think of Harris Tweed fabric) and heavy-weight knitwear. This is very different to the wool produced in Australia - over 80% is finer than 25 micron and virtually all of the remaining 20% is between 25 and 32 micron. Most Australian wool is used in light weight woven wear, knitwear and next to skin wear. This means that that very little of Australian and UK wool compete in any of the major end-uses or in any of the major wool processing countries.

This is not the case for **wool from New Zealand**. New Zealand’s wool production profile is similar to the UK’s, with 74% being broader than 32 microns, 20% being between 25 and 32 microns and 6% is 24 microns and finer (according to Beef + Lamb NZ). Furthermore, 7% of New Zealand’s wool exports went to the UK in 2014/15. The UK pound has dropped by around 8-10% against the NZ\$ since the Brexit vote. This makes British wool that much cheaper than NZ wool, so it is better able to compete in both the UK market and in key export markets (such as China). As a result, there seems to have been a negative impact on NZ wool even in the short-term in addition to the medium term impact of slower economic growth and the potential effect on retail sales. On the other hand, of course, the lower Pound Sterling in principal is a benefit to wool producers in the UK.



INDUSTRY EVENTS

The **2016 AWIS Wool Week** will be held at the Crowne Plaza in Melbourne on 25th & 26th August. The **NCWSBA AGM and Forum** will be held on Thursday, 25th August 2016.

The **Nanjing Wool Market Conference** will be held in Wuxi on 23rd-27th September. Click [here](#) for details.

The **IWTO Wool Roundtable** will be held in Biella, Italy on 28th-29th November. Click [here](#) for details.

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