



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: newsba@woolindustries.org
Twitter: @woolbrokersaus

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From the desk of Chris Wilcox, Executive Director

- Australian wool market bounce again
- Where to for the A\$?
- Consumer confidence in key countries high or on the rise
- Lacklustre US imports of clothing regardless of fibre type
- AWEX Indicators to be revised for the start of 2017/18
- Australian Wool Industry Medal – Final Call for Nominations
- Upcoming events



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Prices in the **Australian wool market** bounced back up again this week after the recent spate of weakness. The **Eastern Market Indicator (EMI)** lifted by 28 cents to 1506 c/kg, pushed along by higher prices for Merino wool in the 18 to 22 micron range. Prices for other wools were up more moderately or were steady. The Western Market Indicator (WMI) was 63 cents higher compared with a fortnight ago (after the week off last week) to 1567 c/kg, while the Northern Market Indicator (NMI) lifted by 30 cents to 1575 c/kg. The Southern Market Indicator (SMI) finished at 1462 c/kg, up by 26 cents.

The A\$ rose this week against the US\$ and the Euro. There were several factors in this move, which placed conflicting pressures on the A\$. Earlier in the week, the US recorded weak inflation figures, which pushed the US\$ down against other currencies, then the Federal Reserve lifted US interest rates by 0.25% to 1.25%, which pushed the US\$ up, erasing the fall and pushing the US\$ above earlier levels. Then, on Thursday, the Australian Bureau of Statistics released the labour data for May which showed that rising full-time employment had pushed unemployment levels down to 5.5%, the lowest in four years. As a result, the A\$ rebounded. Over the week, the A\$ rose by 0.7 UScents and by 0.9 €cents. The EMI therefore lifted by 31 UScents to 1146 USc/kg and by 32 €cents to 1022 €cents/kg.

I am often asked what I think will happen to the **A\$ against the US\$**. Truth be told, nobody knows what the currencies will do. I think it's a fool's game. However, for the record, the fundamentals suggest that the A\$ will slide against the US\$:

- The differential in the official interest rate between Australia and the US is narrowing, with the US Federal Reserve lifting rates and aiming for at least one more rise in 2017, while the Reserve Bank of Australia is holding interest rates and not showing any sign of changing this stance.
- Prices for some of Australia's major export earners, such as iron ore, have fallen.
- While Australia has just posted the longest run of continuous economic growth ever by a developed country (103 consecutive quarters), the growth rate is slowing. In contrast, US economic growth is gathering pace.

The latest forecasts from Consensus Economics support that, predicting that the A\$ will fall to 73.8 UScents by August and will remain there at least until May 2018. But, really, who knows?

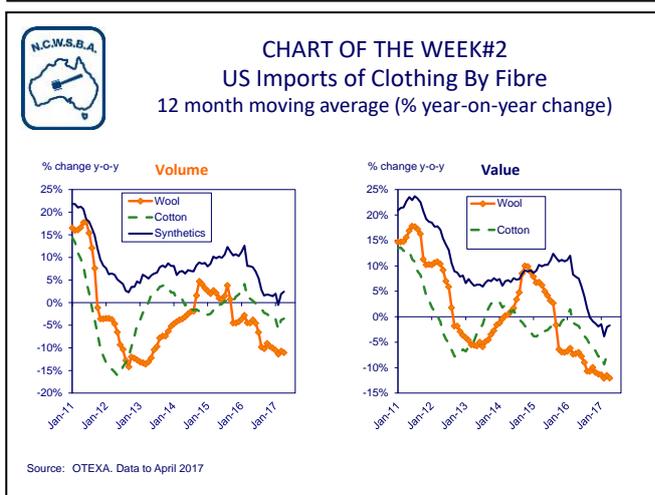
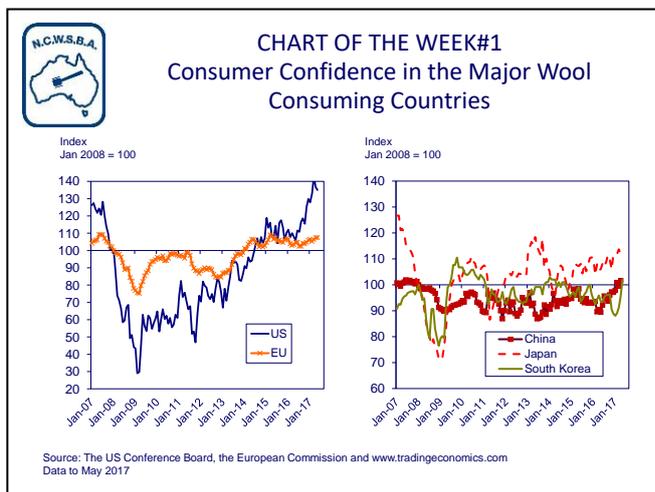
Consumer confidence in the major wool consuming countries has risen over the past few months according to the latest data available. This should set a platform for increased consumer spending, although there are few signs that it has yet done so for clothing sales. This lift in consumer confidence is in line with improved economic conditions and predictions. Consumers in the US are the most confident they have been since 2000. Consumers in the EU and China are also the most confident since 2008. Consumer

confidence in Japan has lifted recently, while consumer confidence in South Korea jumped sharply. The first **Chart of the Week** shows the trends in consumer confidence in each country or region since 2007. Hopefully these positive consumer confidence figures hold for the remainder of 2017 and provide a base for increased consumer spending.

Despite the strong consumer confidence figures for the US, **imports of clothing by the US** has dropped in the past 12 months according to the latest data from the US Office of Textile and Apparel (OTEXA). Imported clothing accounts for the vast majority of US retail sales of clothing. In the 12 months to April, the value of US imports of clothing of all fibres fell by 5% to \$80.29 billion. The decline is smaller by the quantity of garments, down by 0.4% to 27.11 billion garments. As the second **Chart of the Week** shows, the decline affected all fibres, although synthetic fibre clothing has been least affected. US imports of cotton clothing was down by 7% in value and by 4% in quantity for the 12 months. Imports of wool clothing was the most affected by the decline, down by 12% in value and 11% in quantity terms. The decline in US imports of clothing, and in particular of wool clothing, in the past 12 months is very disappointing as the US is one of the world's biggest consumers of wool clothing at retail.

AWEX announced this week that, following its **biannual review of the Market Indicators**, it will adjust the Eastern Market Indicator and the three Regional Market Indicators. These adjustments are due to changes in the clip, notably a continuing increase in the proportion of finer Merino wool and the increased portion of Crossbred wool since 2014/15 (the previous review). The adjustment factors are dynamic and will be finalised at the completion of the 2016/17 season. But, as at 8th June, they were around +1.4% for the EMI and NMI, +1.7% for the WMI and +1.3% for the SMI. The rebased regional indicators will be effective from the start of the 2017/17 season. I will obtain the adjusted historical series from AWEX to ensure that future comparisons will be on a like-for-like basis.

FINAL REMINDER: The Federation of Australian Wool Organisations (FAWO) is seeking nominations for the **Australian Wool Industry Medal**. The Medal aims to recognise men and women who have made an exceptional and sustained contribution to the Australian wool industry. Let me know if you would like to nominate somebody - 0419344259 or by email at chris.wilcox@woolindustries.org.



INDUSTRY EVENTS

The **NCWSBA Annual General Meeting** will be held in Melbourne on 24th August 2017

Wool Week will be held at the Crowne Plaza Hotel, Melbourne on 24th to 25th August 2017.

The **2017 Nanjing Wool Market Conference** will be held in Tongxiang, China on 17th to 18th September 2017.

WOOL SALES WEEK BEGINNING 19th JUNE 2017 – week 51 (roster as at 15/06/2017)

<u>Sydney</u>	Wed, 21 st June; Thurs, 22 nd June	9,948 bales
<u>Melbourne</u>	Wed, 21 st June; Thurs, 22 nd June	14,428 bales
<u>Fremantle</u>	No sale	

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