



The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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22nd September 2017

2017/34

From the desk of Chris Wilcox, Executive Director

- Australian wool market steady despite falls for fine Merino
- Chinese currency slides against the US\$
- Highlights of the Nanjing Wool Market Conference
- Upcoming events



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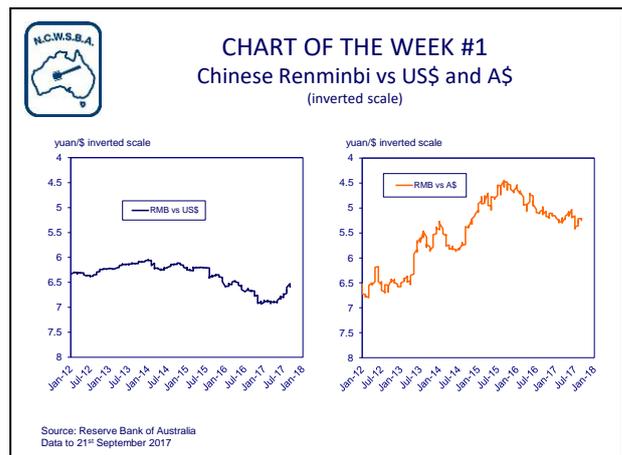
After the recent ups and downs, it was good to see a relatively steady level in the **Australian wool market** this week. The **Eastern Market Indicator** was stable at 1525 c/kg, after lifting by 2 cents on Wednesday before losing 2 cents on Thursday. Fine and superfine wool prices in Melbourne were down the most, reportedly due to a large offering of lots with a high proportion of mid-breaks and lower strength which were discounted heavily. Crossbred wool prices also fell back. On the plus side, Merino Cardings had a very good week in all selling centres. The Northern Market Indicator rose by 6 cents to 1595 c/kg and the Western Market Indicator rose 2 cents to 1572 c/kg. The Southern Market Indicator eased lower by 4 cents to 1480 c/kg. The A\$ was a little weaker against both the US\$ and the Euro. The EMI fell by 1 UScent to 1220 USc/kg and by 5 €cents to 1022 €cents/kg.

In the past, the US\$ has been a relatively good guide for movements in the EMI against **the Chinese currency, the renminbi**, largely because the renminbi is partially pegged to the US\$. However, recent currency movements suggest that we may have to rethink that. Since the start of 2017, the renminbi has appreciated by 4.9% to 6.59 yuan/US\$ (units of the renminbi are known as yuan). This is less than the 7.3% appreciation seen for the \$A against the US\$ since January. At the same time, the Euro has lifted by 13.1% against the US\$ this year.

The first **Chart of the Week** shows the trends in the renminbi against the US\$ and against the A\$. Note that the vertical scale for both graphs is inverted – that is the lower the number, the higher is the relative value of the renminbi against the US\$ or the A\$. The appreciation of the value of the renminbi against the US\$ since January can be seen.

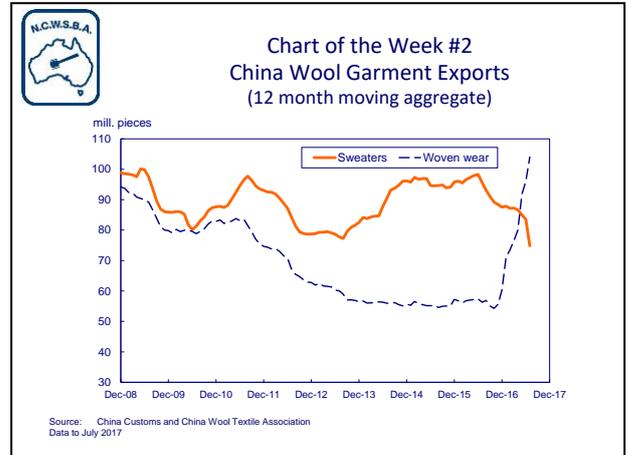
As a result, of this appreciation of the renminbi, the EMI in renminbi terms has increased by 7.7% this year, compared with a 12.8% increase in the EMI in US\$ terms and the 6% increase for the EMI in A\$. In other words, the appreciation of the renminbi against the US\$ this year has moderated the lift in the cost of wool from Australia for the Chinese mills compared with what might have happened had the renminbi remained stable against the US\$. As an aside, the European mills have been helped even more by the appreciation of the Euro against the US\$ (and against the A\$) – the EMI is a mere 0.7% higher in Euro than at the start of 2017.

The **29th China International Wool Trade & Information Conference** (aka the Nanjing Wool Market Conference) was held last Sunday and Monday in Tongxiang. I was a keynote speaker on Sunday morning,



with my presentation titled “Merino Prices Surge, Crossbred Prices Plummet – What’s Next?”. (I alerted members about the availability of my presentation last Monday – let me know if you would like a copy.). There were a number of other presentations on Sunday morning, followed by two Panel discussion sessions on Sunday afternoon and the Wool Salon (a discussion round table) on Monday. Some of the highlights and key points arising from the two days were:

- There has been an extraordinary surge in the **exports of woven wool garments** from China this year, with exports jumping by over 160% for the year to date. There was a 628% increase in exports to the countries of Africa. Madam Peng Yangli (the Secretary-General of the China Wool Textile Association) attributes this amazing surge to the Chinese Government’s “One Belt, One Road” economic and strategic policy. This policy aims to tie more closely the two ends of Eurasia together as well as Africa and Oceania. This is being done by one overland route through Asia and Europe and one maritime route via Africa. The second **Chart of the Week** shows the trends in China’s exports of woven wool garments and in wool knitwear. The increased exports to Africa are destined for Europe and the US.
- Some concern was expressed about the **high price levels for Merino wool**, but the comments and reaction were realistic. There was a focus on improving efficiency in the processing of Merino wool and/or improving the quality of the semi-processed and finished product. This is unlike the reaction we saw from the Chinese at the Conference a few years ago when prices were high. Higher labour and environmental costs are also forcing a focus on productivity.
- In terms of **products**, the focus was on what the Chinese call “fake fur” and “plush” coating fabrics and products. These products seem to be made using mainly 21 micron and 27 micron wool in a shearling fabric. Some Chinese attributed the August surge in 21 micron prices (and 27 micron prices to a lesser extent) as mills rushed to secure supplies to feed the pipeline for this products. There was also quite a bit of discussion about Alpaca-like fabrics for coats which uses broader wools. While there was still plenty of double-faced coats available at the markets we visited, it seems that these new products are starting to take over. As well, one Panel member said that there were several new style knitting products that have been developed by mills aimed at using broader Crossbred wool which will be available for Autumn/Winter 2018. This could help boost demand for this broad Crossbred wool.
- There was a view that, after having a tough time on the past 12 months due to contraction in demand for hand-knitting yarn and substitution of Crossbred wool by acrylic in key products, **Crossbred wool** prices will improve as demand is encouraged by the low prices and by new products being developed.
- The Nanjing Wool Market announced its **own portal called TTX World**. This will allow information exchange, trading of raw material for yarn and fabric manufacturers (including by auction) and financing. It wasn’t clear when the portal would be operational, but I think it will be soon.



INDUSTRY EVENTS

The **AWTA Annual General Meeting** will be held in Melbourne on Friday, 20th October 2017.

The **AWI Annual General Meeting** will be held in Sydney on Friday, 17th November 2017.

IWTO Roundtable in Cape Town, South Africa, 6th to 9th December 2017.

WOOL SALES WEEK BEGINNING 25th SEPT 2017 – week 13 (roster as at 21/09/2017)

Sydney

Wed, 27th Sep; Thurs, 28th Sep 12,077 bales

Melbourne

Tues, 26th Sep; Wed, 27th Sep 22,108 bales

Fremantle

Wed, 27th Sep; Thurs, 28th Sep 7,298 bales

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