



The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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From the desk of Chris Wilcox, Executive Director

- Merino wool prices lift again in Australian wool market
- Wool riding an upturn in the commodity price cycle
- China raw wool imports from 'other' countries lift
- UK Wool Week
- Upcoming events

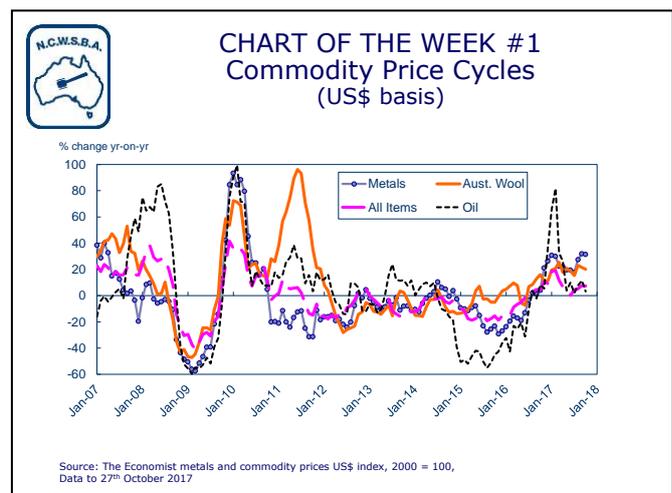


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The **Australian wool market** started slowly with prices drifting lower in Melbourne and Fremantle on Wednesday, but prices for Merino wool jumped on Thursday. The increased buyer interest on Thursday may have been triggered by a drop in the A\$ as the A\$ fell to the lowest level since July. The **Eastern Market Indicator (EMI)** rose by 10 cents to 1578 c/kg. The Northern Market Indicator and Western Market Indicators recorded the best rises, up by 16 cents and 20 cents to 1673 c/kg and 1634 c/kg respectively, while the Southern Market Indicator rose by 6 cents to 1517 c/kg. The A\$ fell sharply against the major currencies: down by 1.4 USc to 77.2 UScents (the lowest week ending level since July) and down by 1.4 €cents to 65.2 €cents. It was also lower against the Renminbi. The EMI fell by 13 UScents to 1218 USc/kg, by 15 €cents to 1028 €cents/kg and by 100 RMB to 8064 RMB/kg.

Australian Merino wool prices have enjoyed an extended period of high prices, particularly for superfine wool. As I have noted in recent editions of the *Weekly Newsletter*, broader Crossbred wool and other competing fibres have not enjoyed much, if any, improvement in prices. However, the lift in Merino wool prices has been in line with a general lift in asset prices (such as equity markets) and the **prices of some other commodities**. For example, the EMI in US\$ is currently up by 20% year-on-year, while *The Economist* magazine's Metals Index is up by 32%. *The Economist's* All Items Index is up by only 7%, held back by lower food prices. Oil prices are only 3% higher, having surged earlier in 2017.

The first **Chart of the Week** shows the long-run trends in various commodity prices, including wool. The cyclical upturn for commodities in general began in the second half of 2016, continuing into 2017. As can be seen, the cyclical upturn in wool prices has been for a much longer period (with some ups and downs).



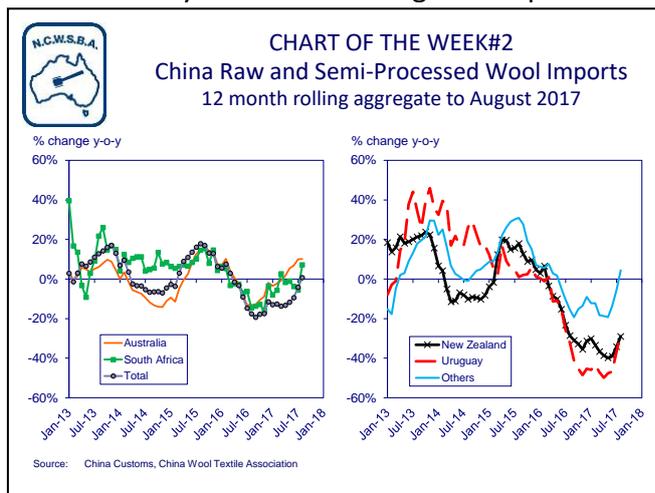
I received **China's latest trade data** from the China Wool Textile Association (CWTA) yesterday and it shows some interesting developments in the imports of raw and semi-processed wool. For the month, China imported 35% more wool than in August 2016, with a sharp lift in imports from New Zealand, Uruguay, South Africa and 'other' countries. The increase in imports from New Zealand and Uruguay

would be a welcome relief for these two countries after the large drop in China's purchases over the past 12 months. China's imports from Australia were up by 6% for the month, continuing the lift in China's demand from Australia seen for most of the past 12 months.

The increase in China's imports from 'other' countries is interesting as it is third consecutive monthly increase in imports from these 'other' countries. I am not provided with the break down of the countries in this grouping, but it would include Argentina, the United Kingdom, Russia, Kazakhstan, the US and Chile.

For the calendar year to August, China's imports from Australia were up by 6% to 123.8 mkg, while its imports from the 'other' countries were 8% higher for the eight months to 55.6 mkg. China's imports from South Africa were on par with the level seen in 2016 at 13.8 mkg. However, China's wool imports from New Zealand for the January-August period were down by 26% to 24.5 mkg and imports from Uruguay were down by 12% to 8.7 mkg. For both countries the level of imports by China is the lowest since before 2011 (my data only goes back to 2011).

The second **Chart of the Week** shows the trends in the change in China's raw wool imports by source country. As can be seen, on a 12 month rolling aggregate basis China's imports Australia have been rising steadily. Its imports from South Africa and 'other' countries have recently lifted above year-earlier levels. While imports from New Zealand and Uruguay are well below year earlier levels, the turning point may have been reached, although there is still a long way to go.



The **UK Wool Week** was held over 16 days earlier this month (from 7th to 22nd October) and featured a variety of events around the country. IWTO reports that there were "...workshops and talks ranging from Wool and Well-Being in the Extreme, with survival expert John Hudson and Armadillo Merino founder Andy Caughey, to crochet patching with inspirational knitwear designer Katie Jones." One of the major events was a pop-up installation called 'Wool Fusion' which was located in Baker Street in central London. It featured stunning wool items from fashion and functional clothing to furnishings, fabrics and flooring (see the photo). IWTO reports that Wool Week illustrated how engaged consumers and retailers are with the 'wool message'. You can see more at <http://www.iwto.org/news/wool-fusion>.



INDUSTRY EVENTS

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

The **AWEX Annual General Meeting** will be held in Sydney on Friday, 24th November 2017.

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

WOOL SALES WEEK BEGINNING 30th OCT 2017 – week 18 (roster as at 26/10/2017)

<u>Sydney</u>		
Wed, 1 st Nov; Thurs, 2 nd Nov		11,167 bales
<u>Melbourne</u>		
Tues, 31 st Oct; Wed, 1 st Nov; Thurs, 2 nd Nov		26,723 bales
<u>Fremantle</u>		
Wed, 1 st Nov; Thurs, 2 nd Nov		9,376 bales

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