



# The National Council of Wool Selling Brokers of Australia Inc

## NEWSLETTER

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2<sup>nd</sup> February 2018

2018/03

### From the desk of Chris Wilcox, Executive Director

- Australian wool prices rally after a slide
- World Bank and IMF lift economic growth forecasts
- Mixed news from China's exports of wool clothing
- China ramps up raw wool purchases from New Zealand and Uruguay
- Australian wool tests jump in January
- Upcoming events



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The **Australian wool market** started the week a bit hesitantly but gathered pace as the week progressed. The **Eastern Market Indicator** closed at 1738 c/kg, down by 6 cents. It seemed to be a week of adjustment between the regions, with some strong lifts in prices for wool finer than 18.5 micron in Melbourne but some declines for the same microns in Sydney and Fremantle. One fairly consistent category was 20-23 micron wool which mostly recorded increases across the three selling centres. The Oddment market again fell back, although not to the same, dramatic extent seen last week.

The Southern Market Indicator gained some ground, up by 4 cents to 1681c/kg. The Western Market Indicator eased back 2 cents to 1819 c/kg, while the Northern Market Indicator fell by 16 cents to 1829 c/kg. The A\$ rose against the US\$ but was weaker against the Renminbi and the Euro. As a result, the EMI was only 1 UScent lower to 1399 USc/kg, and was down 9 €cents to 1125 €cents/kg and by 139 RMB at 8797 RMB/kg.

As I said in last week's edition of the *Weekly Newsletter*, both the World Bank and the International Monetary Fund (IMF) have lifted their **forecasts for world economic growth in 2018**. The World Bank now predicts that the global economy will grow by 3.1% in 2018, up from 3% in 2017 and 2.4% in 2016. Economic growth in 2017 was stronger than the World Bank expected in its June 2017 forecasts, and so it has lifted its forecast for 2018 by 0.2%. It also lifted its forecast for economic growth in 2019. The Bank expects that advanced economies will see much stronger growth in 2018 than previously expected, led by the Euro-zone countries (0.6% higher at 2.1%) and the US (0.2% higher at 2.5%). It also lifted its forecasts for China slightly, up by 0.1% to 6.4%.

The IMF lifted its forecast for 2018 to 3.9%, after growth of 3.7% in 2017 and 3.2% in 2016. This new forecast from the IMF is 0.2% higher than its October forecasts. The IMF explicitly credited some of the boost in growth to the Trump Administration's recent company tax cuts, in particular the company investment provisions. As with the World Bank, the most significant adjustment has been for the Euro-zone countries, as well as the US.

These higher forecasts are positive for wool, as long as the higher economic growth flows through to improved consumer spending.

The latest data available from **China on its exports of wool products** for November 2017 is rather mixed. After the strong rise in exports of **wool woven clothing** from November 2016 to July 2017, exports have declined for each month over the past four months. There was a 28% drop in November, with declines in exports to all of the major destinations, with the exception of South Korea. Even so, exports of wool woven clothing in 2017 to November was still 63% higher than for the same period in 2016. In fact, at 81 million pieces of woven wool garments for the 11 months, it is the highest volume of these garments for this period since 2008.

The good news on the **wool knitwear** side is that exports lifted in November, by 8% year-on-year, the first monthly increase since January. There were large increases in exports to the European Union, South Korea and Hong Kong (the latter for transshipment to other countries). For the eleven months to November, China's exports of wool knitwear were down by 11%. All destinations saw lower export volumes, led by a 27% in exports of wool

knitwear to the US. This decline in exports to the US is a little worrying. Hopefully the increase in total exports of wool knitwear in November can be sustained in coming months.

The first **Chart of the Week** shows China's exports of wool knitwear and woven wool clothing for the eleven months to November for 2017 compared with the previous four years. One highlight is the increase in exports of woven wool clothing to the European Union. The exports were higher than at any time since 2012. A second highlight (or is that a lowlight?) is that China's exports of wool knitwear to the US were at the lowest level over the five years shown – in fact, it the lowest total since the start of my database in 2008.

Turning to China's **imports of raw wool**, the data for November shows a strong lift in imports. There was a 41% year-on-year lift in imports, led by a 136% increase in imports from Uruguay and a 82% increase in imports from 'Other' countries. Imports from New Zealand were 22% higher while imports from Australia were 23% higher. The increase in imports from New Zealand and Uruguay continues the recovery in China's imports from these two countries.

The second **Chart of the Week** shows the trends in imports by China from the major sources. The recovery in imports from NZ and Uruguay can be seen, as can the on-going year-on-year increase in imports from Australia. It is interesting to see the increase in imports to NZ and Uruguay, yet prices for these broader wools haven't really improved. Maybe that will come very soon.

On Thursday, AWTA released the **wool test statistics** for January. It shows a jump of 14.2% increase for the month compared with January 2016. This comes after a 16% year-on-year drop in December. For the month, there was 30.4mkg of wool tested, the highest January volume since January 2013. It brings the year-to-date wool test volumes to a 3.1% increase for the 2017/18 to January. The wool test volumes have jumped around a bit in recent months. It will be interesting to see how February comes out.

Volumes tested increased in all states. There was a 39% increase in South Australia and a 30% lift for Victoria. Test volumes in Tasmania also lifted by 25%, with test volumes up by 11% in Queensland. WA and NSW test volumes were each 2% higher in January. For the year to date, Victoria leads the way with a 10.2% increase, with a 9.9% increase for Tasmania and 9.5% for Queensland. The volume of wool tested in South Australia was 6.7% higher and NSW was up slightly, by 1%. Western Australia is the only state to record a decline, of 5.1%.

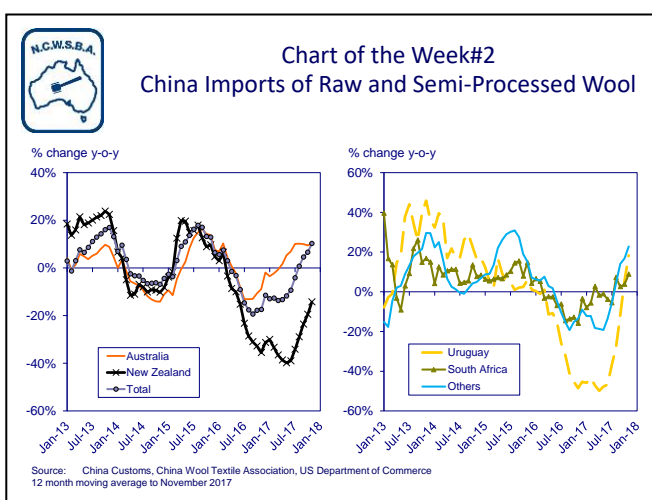
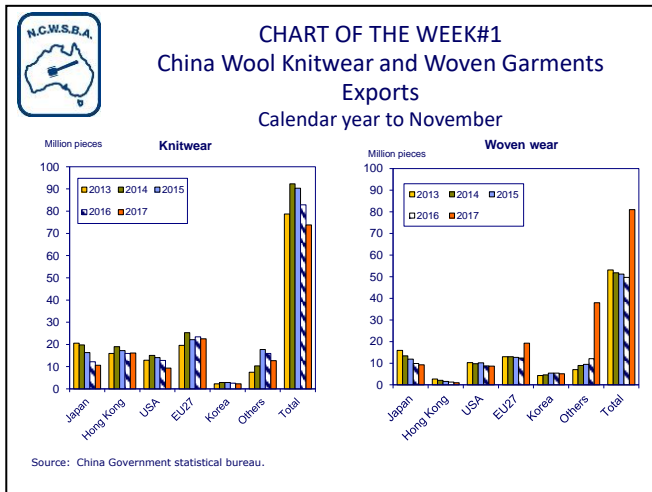
#### INDUSTRY EVENTS

The **World Merino Congress** will be held in Montevideo, Uruguay on 12<sup>th</sup> to 14<sup>th</sup> April 2018. Click [here](#) for details.

The **IWTO 2018 Congress** will be held in Hong Kong on 14<sup>th</sup> to 16<sup>th</sup> May 2018. Click [here](#) for the draft program.

The **IWTO 2018 Round Table** will be held in Buenos Aires on 3<sup>rd</sup> to 4<sup>th</sup> December 2018.

The **IWTO 2019 Congress** will be held in Venice on 9<sup>th</sup> to 11<sup>th</sup> April 2019.



#### WOOL SALES WEEK BEGINNING 5<sup>th</sup> FEB 2018 – week 32 (roster as at 1/1/2018)

|                  |  |              |
|------------------|--|--------------|
| <u>Sydney</u>    | Wed, 7 <sup>th</sup> Feb, Thurs, 8 <sup>th</sup> Feb | 12,497 bales |
| <u>Melbourne</u> | Wed, 7 <sup>th</sup> Feb; Thurs, 8 <sup>th</sup> Feb | 20,803 bales |
| <u>Fremantle</u> | Wed, 7 <sup>th</sup> Feb; Thurs, 8 <sup>th</sup> Feb | 7,386 bales  |

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