



# 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: ncwsba@woolindustries.org

20<sup>th</sup> April 2018

2018/13

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

- Wool market bounds higher
- New AWPFC shorn wool production forecast for 2017/18 and 2018/19
- Synchronised economic growth forecast for 2018 by the IMF
- Trends in wool's price competitiveness
- AWI Review - call for submissions
- Upcoming events



The **Australian wool market** lifted strongly this week as buyers competed for both Merino and Crossbred wool amid concerns about supplies for the remainder of the season. The **Eastern Market Indicator (EMI)** jumped by 49 Acents this week to close at 1825 Ac/kg. The Northern Market Indicator was 35 cents higher at 1881 Ac/kg, the Southern Market Indicator increased by 57 cents to 1789 c/kg and the Western Market Indicator recorded a 50 cent gain to 1934 c/kg. All micron price guides lifted, with increases of generally between 40 to 80 cents. The A\$ was ½ US cent higher at 78.1 UScents and was also higher against the Euro and the Renminbi. The EMI rose by 49 UScents to 1425 USc/kg, by 290 Renminbi to 8927 RMB/kg and by 37 €cents to 1151 €cents/kg.

The Australian Wool Production Forecasting Committee (AWPFC) met on Wednesday and decided on its updated forecast of **Australian shorn wool production for 2017/18 and its first forecast for 2018/19**. These forecasts were released earlier today. I have attached the Media Release to the email with this week's *Newsletter*.

The updated forecast of shorn wool production for 2017/18 of 338 mkg greasy (a slight 0.6% fall compared with 340 mkg produced in 2016/17) is lower than the Committee's December forecast of 345 mkg. Seasonal conditions have been much drier than the Committee expected in December, which has resulted in a sharp lift in the number of adult sheep slaughtered. For the July-February period, the number of sheep slaughtered was 25% higher this season compared with 2016/17. As well, Autumn shearings suggest that fleece weights are down in most states. This is reflected in AWTA tests in February and March, which were down by 9%.

The Committee's first forecast for the forthcoming **2018/19 season** is that shorn wool production will fall by 1.7% to 333 mkg. This will probably be a surprise to casual observers given that Merino wool prices have been at such high levels for an extended period. While growers are keen to rebuild flocks, the dry seasonal conditions in many major sheep producing regions are preventing this.

Continuing the run of optimistic forecasts for the global economy, **the International Monetary Fund (IMF) this week released its latest forecasts** which are much improved on their forecast from October. As with the World Bank and OECD, the IMF has lifted its forecasts for economic growth in 2018 and 2019 in key countries. It comments that "*Advanced economies will grow faster than potential this year and next; euro area economies are set to narrow excess capacity with support from accommodative monetary policy, and expansionary fiscal policy will drive the US economy above full employment.*" In particular, it says that the unfunded tax cuts (both company and personal) will be a major factor driving economic growth in the US. In essence, these tax cuts are bringing forward future economic growth in the US to 2018 and 2019, because at some stage the US Government will have to pay for the tax cuts. This increased economic growth in the US is helping boost economic growth in the emerging economies, including in China.

The first **Chart of the Week** shows the change in economic growth forecasts for the major wool consuming countries compared with those released in October 2017. Economic growth in the US is expected to be 0.6% higher in 2018 and 0.8% higher in 2019 increased than expected in October. The Euro-zone countries are also expected to see much stronger economic growth in both years. Growth in China is expected to be a little higher, while the IMF expects the UK to see slightly better economic growth this year, but worse economic growth in 2019 as Brexit policies begin to kick in. This synchronised improvement in economic growth in some of the major wool consuming countries is a significant reason for the rise Merino wool prices in the past 12 months.

Since December, Australian Merino wool prices in US\$ have lifted by between 3% and 21%, with the most significant increases seen for 21-23 micron wools. Fine and superfine wools (i.e. 19 micron and finer) have seen more modest increases of 3% to 5%, because they had experienced strong rises throughout 2017. Broader wools from Australia (such as 28 micron) have seen prices lift by 20% after languishing for some time. At the same time, prices for the **main competing fibres of cotton, acrylic and polyester** are up by 5% to 6%.

As a result of these relative changes, the **price premium** for superfine wool (e.g. 18 micron wool) over these other competing fibres have slid back from the recent peaks. They remain historically very high, but not at the extreme, record levels of just a few months ago. However, the price premium for 21 micron wool reached an all-time peak in February. For the broader wools, the price premiums are rising albeit slowly. The second **Chart of the Week** shows the trends in the price ratios for 18 micron, 21 micron and 28 micron wool compared with synthetics and with cotton.

The Federal Minister for Agriculture and Water Resources in February announced an **independent review of AWI**. The company appointed to conduct this review, Ernst and Young (EY), last week called for submissions to this review, which will focus on how well AWI its woolgrowers levies in delivering the key services (research, development, extension and marketing services) and review the degree to which the organisation is run for the benefit of all the levy payers. It will include consideration of the governance arrangements within AWI and whether AWI consults effectively. As an interested stakeholder, NCWSBA will be making a submission. Details about the review can be seen at <http://go.srnet.com.au/AWIRReview>.

#### INDUSTRY EVENTS

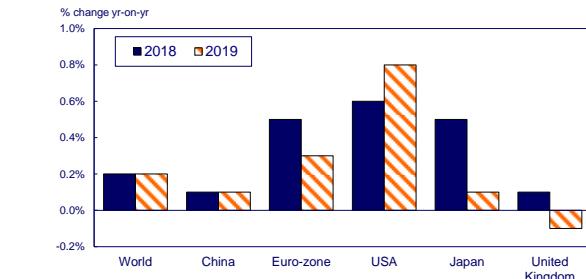
The **IWTO 2018 Congress** will be held in Hong Kong on 14<sup>th</sup> to 16<sup>th</sup> May 2018. Click [here](#) to register.

The **2018 AWIS Wool Week** will be held in Melbourne on 23<sup>rd</sup> & 24<sup>th</sup> August. The NCWSBA AGM will be held on Thursday, 23<sup>rd</sup> August 2018.

The **Nanjing Wool Market Conference** will be held on 11<sup>th</sup> to 13<sup>th</sup> September 2018 in Nanjing.

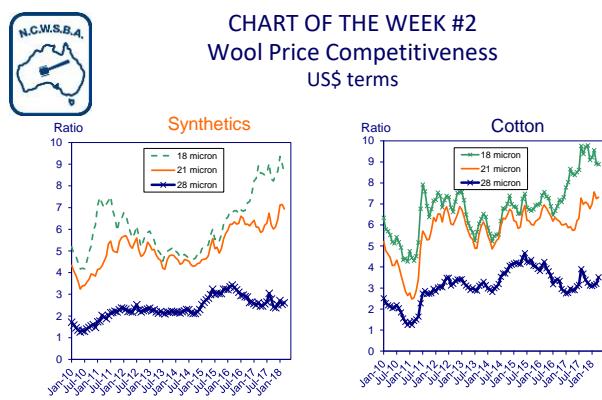
The **IWTO 2019 Congress** will be held in Venice on 9<sup>th</sup> to 11<sup>th</sup> April 2019.

**CHART OF THE WEEK#1**  
Brighter Economic Growth Forecasts  
(change on October 2017 forecasts)



Source: IMF, World Economic Outlook, April 2018

**CHART OF THE WEEK #2**  
Wool Price Competitiveness  
US\$ terms



Source: AWEX, Cotton Outlook, PCI Wood Mackenzie, CIRFS, Woolmark, Poimena Analysis  
Data to March 2018 for synthetics and to 19th April for cotton  
Note: for 28 micron wool, the ratio is against acrylic fibre

#### WOOL SALES WEEK BEGINNING 23<sup>rd</sup> APRIL 2018 – week 43 (roster as at 19/4/2018)

##### Sydney

Tues, 24<sup>th</sup> Apr; Thurs, 26<sup>th</sup> Apr 11,851 bales

##### Melbourne

Tues, 24<sup>th</sup> Apr; Thurs, 26<sup>th</sup> Apr 23,533 bales

##### Fremantle

Tues, 24<sup>th</sup> Apr; Thurs, 26<sup>th</sup> Apr 8,264 bales

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