



The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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2018/36

From the desk of Chris Wilcox, Executive Director

- Australian wool prices bounce back
- New global economic forecasts less positive
- Updated Australian wool production forecast to be released in November
- Increased share of wool declared as Non-Mulesed and Pain Relief
- Outlook for NZ sheep and wool industry in 2018/19
- Upcoming industry events



Resilient – that’s the word of the week for the **Australian wool market**. After seeing three weeks of declines, prices for many Merino wool microns bounced back this week as a result of the combination of tight supply and solid demand. The exception to this lift was at the very fine end of the Merino micron range, with prices for 17.5 micron and finer wool sliding. Crossbred prices were very mixed, with some gains and some losses over the week. The **Eastern Market Indicator (EMI)** lifted by 31 cents to close at 2023 c/kg, recovering all of the losses of the past two weeks and more. The Northern Market Indicator saw the smallest rise, up 20 cents to 2070 c/kg. The Southern and Western Market Indicators both gained 38 cents to finish at 1994 c/kg and 2170 c/kg respectively. The A\$ was a little easier against the main currencies. The EMI was up 20 UScents to 1430 USc/kg, 224 RMB higher at 9,918 RMB/kg and 8 €cents higher at 1230 €cents/kg.

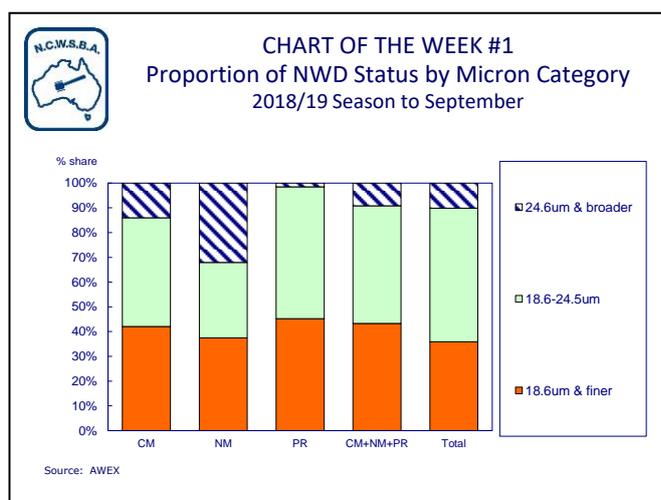
While the Australian wool market saw a good rebound in prices this week, the global equity markets were hit by a wave of selling after the US Federal Reserve lifted interest rates. This came on top of on-going concerns about the impact of the trade war between the US and China. Interestingly, global commodity prices were untouched. The worries about the trade war is a feature of the **new forecasts of world economic growth** from the International Monetary Fund (IMF), which were released on Tuesday. The IMF have downgraded their forecasts for 2018 and 2019 from the positive April forecasts. It noted that the outlook is “...one of less balanced and more tentative expansion than we hoped for last April.” While economic growth in the United States is “...exceptionally robust for now, powered by a procyclical fiscal expansion that may, however, weigh on US and global growth later.” At the same time, the IMF has downgraded growth forecasts for a host of regions and countries, including the euro area, Korea, the United Kingdom, Latin America, the Middle East and Turkey. In particular, the IMF has wound back its 2019 growth projection for China due to the latest round of US tariffs on Chinese imports. It concludes saying that “Overall, world economic growth is still solid compared with earlier this decade, but it appears to have plateaued.” This is still a pretty good (if riskier) outlook for the global wool market, albeit a little less positive.

The **Australian Wool Production Forecasting Committee** will meet on Wednesday, 14th November to review its forecast of shorn wool production for 2018/19. This is a month earlier than previously planned. In August, the Committee commented that “*how the season progresses over the next couple of months will be very important for overall production levels this season.*” The seasonal conditions have remained difficult in many, but not all, of the major wool producing regions, notably in New South Wales, Queensland and parts of South Australia and Victoria. The global wool textile industry is keeping a close eye on the wool supply likely to be available in Australia, so the Committee has decided

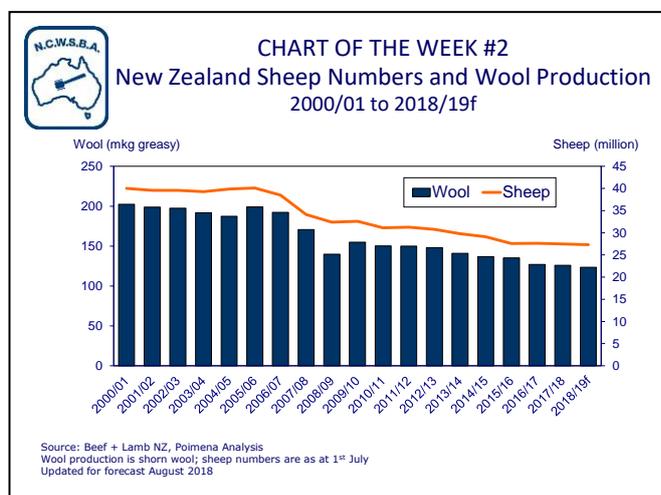
that, an earlier, considered assessment to the forecast would provide valuable, updated information to the market.

The latest statistics on **mulesing status** from AWEX (sourced from the National Wool Declaration) shows that in the first quarter of the 2018/19 season that there was yet another lift in the proportion of wool offered in Australia and declared as Non Mulesed (NM), Pain Relief (PR) or Ceased Mulesing (CM). This wool accounted for 48.6% of all first-hand wool offered at auction in the July to September period. This compares with a share of 43.4% in the July-September 2017 period. NM-declared wool increased to 11.4% (up from 10%) while the PR-declared wool was at 35.4% (up from 30.6%). CM-declared wool is slipped to 1.8%, down from 2.8%. This is probably due to the tighter definition introduced in the past year. Overall, wool offered at auction with a National Wool Declaration was 69.2% of the total, up from 65.4% this time last year.

It is interesting to look at the break-down of NM, CM and PR by micron category (see the first **Chart of the Week**). As can be seen, almost 40% of NM-declared wool is 18.6 micron and finer, while 32% is 24.6 micron & broader and the remaining 30% is 18.6 to 24.5 micron. Probably unsurprisingly, very little of wool declared as Pain Relief is 24.6 micron & broader, with 53% being 18.6 to 24.5 micron and 45% of PR wool being 18.6 micron & finer. These shares are compared with the split of the total of all wool offered in the July to September period: 36% was 18.6 micron & finer, 54% was 18.6 to 24.6 micron and 10% was 24.6 micron & broader.



Beef + Lamb NZ has released its new **forecasts for the New Zealand sheep and wool industry in 2018/19**. It expects that sheep numbers at the start of the 2018/19 season were 27.32 million, down just under 1% year-on-year. This is the lowest number of sheep in NZ since 1927. This will mean that there are fewer sheep shorn. Furthermore, average wool cuts per head are expected to slide by 1%. As a result, NZ shorn wool production is expected to drop by 1.9% to 123.4 mkg greasy and total wool production will fall by 2.1% to 139.1 mkg, the lowest in 90 years. The second **Chart of the Week** shows NZ sheep numbers and wool production since 2000/01.



INDUSTRY EVENTS

The **Australian Wool Production Forecasting Committee** meets on 14th November 2018.

The **AWTA Annual General Meeting** will be held in Melbourne on Friday, 19th October 2018.

The **IWTO 2018 Roundtable** will be held in Buenos Aires on 3rd to 4th December 2018.

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

WOOL SALES WEEK BEGINNING 15th OCT 2018 – week 16 (roster as at 11/10/2018)

Sydney

Wed, 17th Oct; Thurs, 18th Oct 8,741 bales

Melbourne

Wed, 17th Oct; Thurs, 18th Oct 20,771 bales

Fremantle

Wed, 17th Oct; Thurs, 18th Oct 8,152 bales