



8<sup>th</sup> February 2019

2019/05

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

- Australian wool prices rise despite lift in the A\$
- Australian wool exports decline in December, demand may be softening
- Australian wool price distributions and percentiles – update
- IWTO 2019 Congress in Venice – registration open
- Upcoming industry events

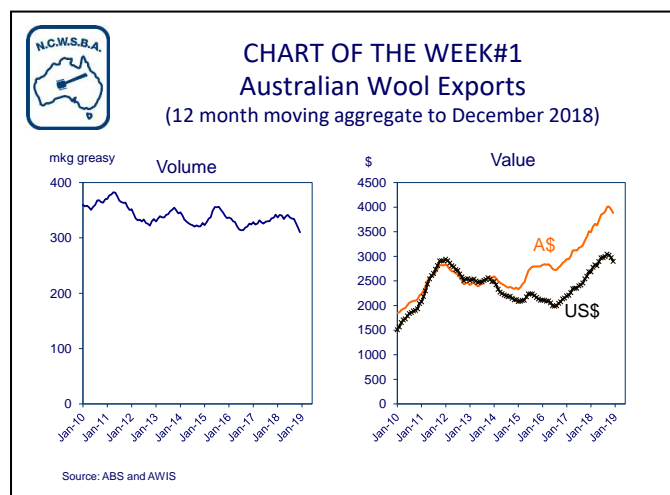


It was another good week for Australian woolgrowers in the **Australian wool market**, with wool prices rising again in A\$ terms for most microns in the three regions. The benchmark **Eastern Market Indicator** lifted by 10 cents to 1944 c/kg. There is no doubt that the increase was greatly assisted by a sharp 1.7 UScent drop for the A\$ following comments from the Governor of the Australian Reserve Bank about interest rates. There were particularly strong rises for superfine wool of 18 micron and finer in Sydney, although this was countered by prices for these microns sliding in Melbourne. Crossbred wool prices were mostly higher again, continuing the very good run since the New Year. The Northern Market Indicator rose 17 cents to 1995 c/kg, the Western Market Indicator was 7 cents higher at 2010 c/kg and the Southern Market Indicator lifted 6 cents to 1912 c/kg. The A\$ fell against all the major currencies and so the EMI was actually lower in these currencies. It fell 25 UScents to 1380 USc/kg, fell by 7 €cents to 1215 €cents/kg and was 109 RMB lower at 9309 RMB/kg.

The latest data from the Australian Bureau of Statistics on **Australia's wool exports** were released earlier this week. It shows that the volume of Australian wool exports fell 25% in December compared with December 2017, continuing the decline in volumes for every month this season to date. As a result, the volume of wool exported for the first six months this season is 19% below the same period in 2017/18. This drop is no surprise given the 12% fall in wool tested by AWTA to January and the 18% drop in wool offered at auction to this week.

Because supply is so constrained, the best measure of the strength of demand is the value of exports. This fell by 18% year-on-year in December, led by a 22% drop in exports to China and a 55% fall in exports to the Czech Republic. This decline was offset by increases in export value to India, Italy, Korea, Thailand and Japan. For the first half of the 2018/19 season, the value of wool exports from Australia was 1.4% higher at \$1.875 billion, suggesting that demand remains strong. However, when looked at a 12-month rolling aggregate basis, the value of exports has dipped from the peak, suggesting that demand has turned down in the past three months.

The first **Chart of the Week** shows the trends in the volume and value of Australian wool exports on a 12-month rolling basis since 2010. The recent drop in export volumes can be seen very



clearly. In value terms, the 12-month rolling aggregate has turned down in both A\$ and US\$ in the past three months. This may be a turning point in the underlying demand for wool.

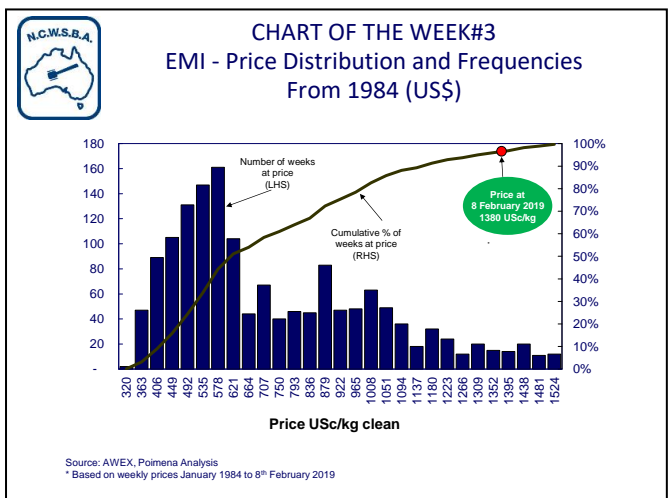
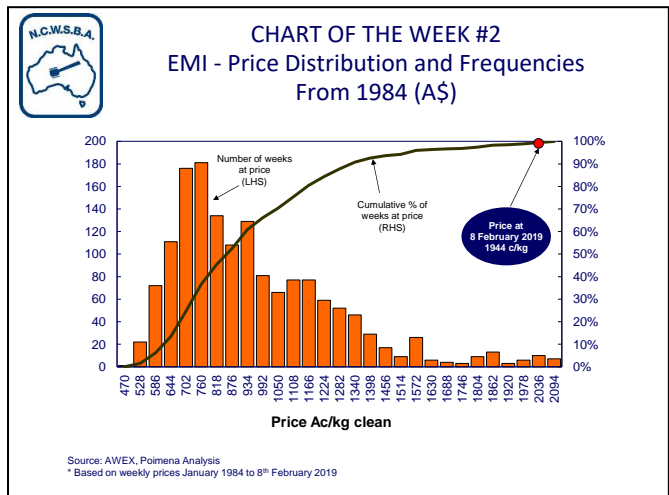
I looked at the Australian **wool price distributions** in A\$ and US\$ in August last year when the EMI was at record levels in both A\$ and US\$. Since then, we have seen a pull-back in Merino wool prices in October and November, before a rebound since the start of the New Year, particularly for the prices for 20-23 micron wool which have been in very tight supply. As well, Australian Crossbred prices have lifted strongly since the start of the New Year. Finally, the A\$ has fallen against the US\$, from 74.4 UScents on 8<sup>th</sup> August last year to 70.99 UScents this week. It is therefore opportune to have another look at these to see where the wool price distributions stand.

The second and third **Charts of the Week** shows the cumulative **price distribution and the frequencies** (in number of weeks) for the EMI in A\$ and US\$ since 1984.

As the second **Chart of the Week** shows, the EMI in A\$ is at a very high level, around the 99<sup>th</sup> percentile. In contrast, the EMI in US\$ has pulled back in percentile terms a little. In August 2018 it was at the highest ever level, now it is at the 96<sup>th</sup> percentile.

The Appendix provides charts showing the price distribution and frequency charts for the 18 micron, 21 micron, 23 micron and 28 micron price guides and the Merino Carding Indicator in both A\$ and US\$

As can be seen from the charts in the Appendix, most micron price guides remain at very high percentile levels in A\$ terms, particularly for 23 micron wool and 28 micron wool. However, there are some notable changes in US\$ for superfine wool and for Merino Cardings in both A\$ and US\$ since August last year. The 18 micron price guide has pulled back to a still high 91<sup>st</sup> percentile in US\$. Merino cardings have dropped to the 88<sup>th</sup> percentile in A\$ and the 80<sup>th</sup> percentile in US\$.



Registrations for the International Wool Textile Organisation's 2018 Congress in Venice are open. [Click here](#) to register. The Early Bird fee for IWTO Members is €1300 (valid until 6<sup>th</sup> March). Note, there is an additional 22% Italian VAT.

#### INDUSTRY EVENTS

The **Australian Wool Production Forecasting Committee** meets on Monday, 1<sup>st</sup> April 2019 at AWTA in Melbourne.

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 11<sup>th</sup> FEB 2019 – week 33 (roster as at 7/2/2019)

##### Sydney

Wed, 13<sup>th</sup> Feb, Thurs 14<sup>th</sup> Feb 7,483 bales

##### Melbourne

Wed, 13<sup>th</sup> Feb, Thurs 14<sup>th</sup> Feb 23,356 bales

##### Fremantle

Wed, 13<sup>th</sup> Feb, Thurs 14<sup>th</sup> Feb 8,681 bales

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