



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: newsba@woolindustries.org
Twitter: @woolbrokersaus

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2017/29

From the desk of Chris Wilcox, Executive Director

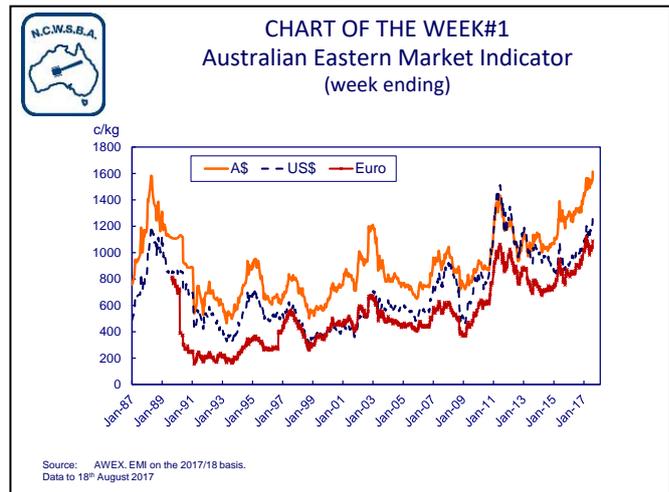
- Australian wool market takes off
- New forecast of shorn wool production for 2017/18 – steady as she goes
- IMF issues a warning on China's economy
- NCWSBA Wall Chart for 2017 now available
- Upcoming events

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Following last week's strong start after the recess, the **Australian wool market** soared this week to record levels. Strong demand outweighed the auction supply and prices lifted across the board for Merino and Crossbred wool. The **Eastern Market Indicator** shot to 1614 c/kg, a massive 64 cent rise on last week's close. After adjusting the historical EMI to the 2017/18 basis, this is the highest level ever achieved, surpassing the previous record set in April 1988 by a startling 32 c/kg. While there were large price rises for both Merino and Crossbred wool, the best gains in percentage terms were seen for broad Crossbred wool which lifted by 10 to 12%.

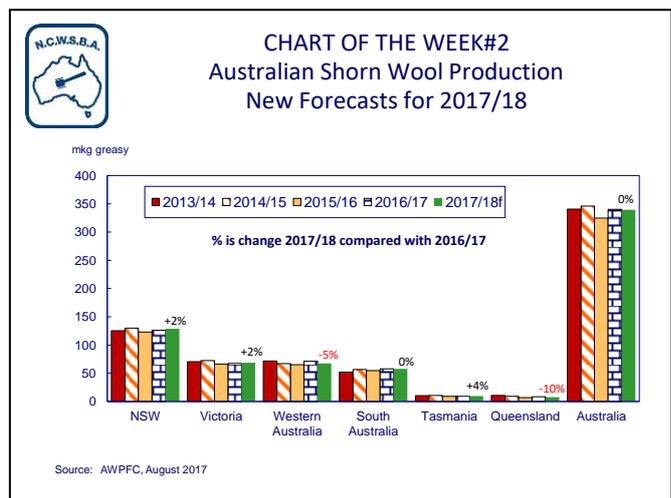
The A\$ lifted against both the US\$ and the Euro. The EMI finished the week at 1281 USc/kg (up by 60 US cents) to the highest since March 2012. In Euro terms, the EMI was up by 48 €cents to 1088 €c/kg, not quite at the peak recorded earlier this year. The first **Chart of the Week** shows the EMI in A\$, US\$ and Euro since the start of 1987. Note that these prices are in nominal terms.



The **Australian Wool Production Forecasting Committee (AWPFC)** met on Wednesday and reviewed its forecasts for 2016/17 and for 2017/18. Its new forecasts were released today. After considering the industry data, seasonal conditions, and input from the state forecasting committees, the Committee has forecast shorn wool production at 340 mkg greasy in 2017/18. This is the same as its first forecast released in April. In reaching its decision on the forecast, the Committee noted that since April seasonal conditions have become drier in several regions although they remain very good elsewhere. The good news is that there have been good rains in the past fortnight in some areas which had been dry, notably in Western Australia. The Committee has reduced its forecast for the average wool cut per head over the 2017/18 season to be down by 1.2% compared with 2016/17. The Committee expects this to be offset by a 1% lift in the number of sheep shorn in 2017/18. Given the prices for wool over the past year, and particularly after this week's rise, producers will be shearing as many sheep and lambs as they can. As well, the Committee noted the increase in prem shearing of sheep, which will further boost the number of sheep shorn over the season.

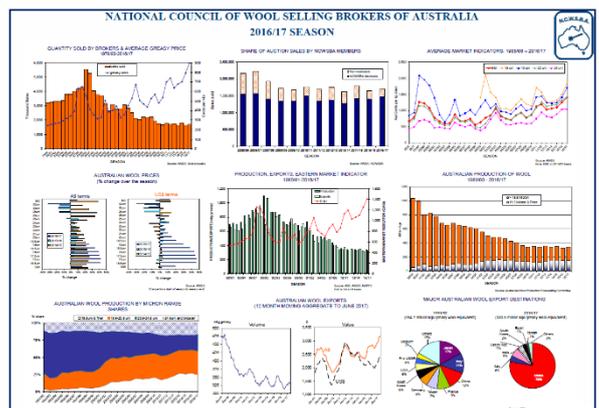
The AWPFC agreed on its final estimate of shorn wool production in 2016/17 at 340 mkg greasy. This is slightly higher than the forecast it made in April and is 4.7% up on the 90-year low recorded in 2015/16. This increase is in line with the percentage increases seen for 2016/17 in wool test volumes by AWTA, first hand offerings reported by AWEX and the ABS' wool receipts.

While the Committee retained its forecast for Australia in 2017/18, there were adjustments among the states which reflects the differences in seasonal conditions between the states. The forecasts for New South Wales, Victoria and Tasmania were lifted while the forecasts for Western Australia and Queensland were reduced. The forecast for South Australia was maintained. The second **Chart of the Week** shows the state-by-state and Australia forecasts for 2017/18 compared with the past five seasons, with the % change between 2017/18 and 2016/17 shown. As can be seen, the Committee predicts that shorn wool production in NSW, Victoria and Tasmania will lift in 2017/18, while production in Western Australia and Queensland is expected to fall. Shorn wool production in South Australia is predicted to be steady. The AWPFC's Media Release provides more detail and it is attached to the email with the *Weekly Newsletter*.



The **International Monetary Fund (IMF)** on Tuesday released its **latest report on China's economy** and it contains some warnings about the need for China to bring its debt levels under control. The IMF predicts that at the current rate, China's debt to GDP ratio will be close to 300% by 2022. The IMF argues that this is the number one risk to China's economic growth prospects and could lead to a sharp correction in China's economy. The IMF urges the Chinese Government to take action to reduce the growth in debt levels, particularly to so-called 'zombie' companies. The IMF also says that domestic consumers aren't spending enough even while the corporate sector borrows and spends. China's consumers are a population of savers, not spenders, in part as a buffer against the risk of falling ill and for their retirement. The IMF says that the Chinese Government spends much less than is required (at about half the average spent by advanced economies) on healthcare, education and pensions. Consumers in China, therefore, are reluctant to spend. China's national savings is 46% of annual GDP, compared with just 20% for the average advanced economy. The IMF says that "Increasing Government spending on health and pensions would increase...private consumption by reducing households' need to save." An increase in spending by households would help lift China's purchases of a variety of consumer goods, including wool clothing.

The **2017 Wall Chart from the National Council of Wool Selling Brokers** is now available. Free to NCWSBA members, this A2 printed Wall Chart has graphs showing auction volumes and prices, market indicators, and Australian wool production and exports as far back as the 1979/80 season. It provides an interesting discussion point for broker staff and clients. **Send me an email at chris.wilcox@woolindustries.org and tell me how many you would like for your office and the delivery address.**



INDUSTRY EVENTS

The **NCWSBA Annual General Meeting and Forum** will be held in Melbourne on 24th August 2017

Wool Week will be held at the Crowne Plaza Hotel, Melbourne on 24th to 25th August 2017.

The **2017 Nanjing Wool Market Conference** will be held in Tongxiang, China on 17th to 18th September 2017.

WOOL SALES WEEK BEGINNING 21st AUGUST 2017 – week 8 (roster as at 17/08/2017)

Sydney

Tues, 22nd Aug; Wed, 23rd Aug

13,223 bales

Melbourne

Tues, 22nd Aug; Wed, 23rd Aug

23,665 bales

Fremantle

No sale

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