



The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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From the desk of Chris Wilcox, Executive Director

- Higher economic growth forecasts from the IMF good news for wool
- Merino prices at high decile levels, Crossbreds lower
- Reminder: NCWSBA AGM and Wool Week, 24th August
- Upcoming events



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The International Monetary Fund released an update to its **world economic forecasts** earlier this week, and it is (mostly) pretty positive for wool. While the IMF's forecast for global economic growth in 2017 and 2018 remains the same as in its April forecasts, the IMF has ramped up its forecasts for economic growth in China, Europe and Japan. The first **Chart of the Week** shows the new IMF forecasts for the world and the major wool consuming countries. The cells shaded in green show where the IMF has increased its forecasts while the cells in red show where the IMF has reduced the economic growth forecasts.

Of particular note are the forecasts for Italy. The IMF now predicts that economic growth in Italy will be 1.3% in 2017 and 1% in 2018. While on the face of it these forecasts look pretty subdued, they are considerably better than the forecasts in April. Furthermore, if Italy achieves the predicted growth rate of 1.3% in 2017, it will be the country's fastest rate of economic growth since 2010 when it was recovering from the massive fall in the wake of the Global Financial Crisis (GFC). The IMF has also lifted its forecasts for other European countries, Japan and, most importantly, China. On the other hand, it has wound back its forecasts for the US and for the UK.



CHART OF THE WEEK #1 Improving Economic Growth (% change)

	2015	2016	Previous forecast*		July 2017 forecast	
			2017	2018	2017	2018
World	3.4%	3.2%	3.5%	3.6%	3.5%	3.6%
China	6.9%	6.7%	6.6%	6.2%	6.7%	6.4%
USA	2.6%	1.6%	2.3%	2.5%	2.1%	2.1%
Japan	1.1%	1.0%	1.2%	0.6%	1.3%	0.6%
Germany	1.5%	1.8%	1.6%	1.5%	1.8%	1.6%
Italy	0.8%	0.9%	0.8%	0.8%	1.3%	1.0%
UK	2.2%	1.8%	2.0%	1.5%	1.7%	1.5%
France	1.3%	1.2%	1.4%	1.6%	1.5%	1.7%

Source: IMF, World Economic Outlook, April 2017
* Previous forecast is April 2017

While the IMF has lifted its forecasts for a number of countries, it notes that the growth rates in general remain below 'pre-crisis' (i.e. pre-GFC) levels. Overall, the forecasts are good, positive news for wool as they create a foundation for increased consumer demand. It is also more important for higher valued items such as wool clothing and interior textiles.

Given that we are in the Recess and given how well Merino wool prices have done in the past seven months, it is timely to look at an update of wool prices at the close before the Recess in terms of the historical distributions. The second **Chart of the Week** shows the current price for 18 micron wool in A\$ terms compared with the historical price distribution and frequencies since 2004, while the third **Chart of the Week** shows the 18 micron price in US\$ terms. There are additional charts on the

following pages showing the distributions for 19, 21, 23 and 28 micron wool as well as for Merino Cardings.

Note that this is a shorter time series than I presented in February where I had the series going back to 1991 for most microns. I think the shorter series is more relevant as it shows the levels since the last of the influence of the Reserve Price Scheme and stockpile disposal was felt in the market.

In A\$ terms, the prices as at 14th July for Merino wool were at the 92nd percentile level or better. For example, the 18 Micron Price Guide (MPG) in A\$ was at the 96th percentile, the 19 MPG was at the 98th percentile, the 21 MPG was at the 99th percentile and the 23 MPG was at the 98th percentile. While fine Crossbred wool prices were above the 90th percentile, broader Crossbred prices were well below the 90th percentile. For example, the 28 MPG was at the 88th percentile, while the 30 MPG was at the 60th percentile.

On pages 3 and 4 I have included A\$ price distribution charts for the MPGs for 19 micron, 21 micron, 23 micron and 28 micron wool, as well as for Merino Cardings.

The current price levels for Merino wool in **US\$ terms** are lower in percentile terms than are the A\$ prices, but are still at or above the 80th percentile. As can be seen in the **third Chart of the Week**, the 18 MPG was at the 91st percentile. The charts on pages 4 to 6 show the US\$ price distributions for the 19, 21, 23 and 28 MPGs, as well as for Merino Cardings. Crossbred prices are particularly low in US\$ terms. For example, the 28 MPG was at the 65% percentile while the 32 MPG was at the 19th percentile.

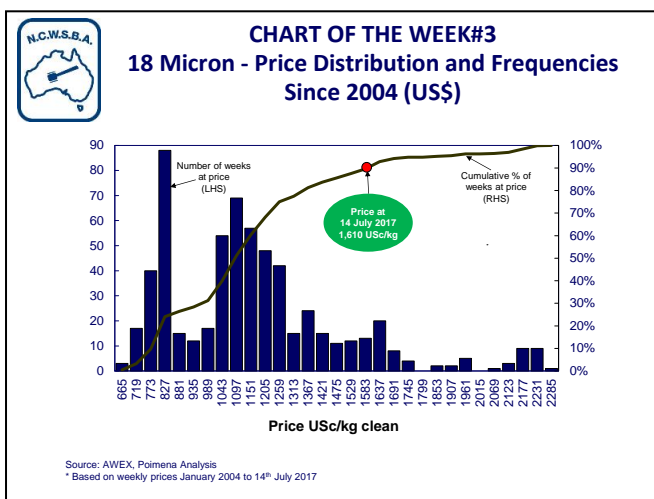
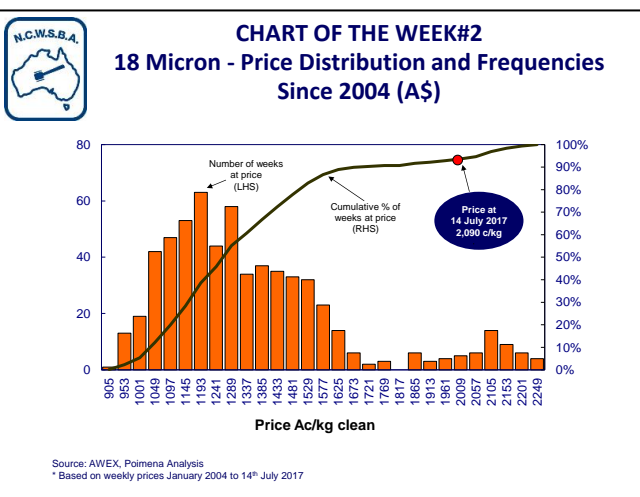
REMINDER: The **2017 Annual General Meeting of National Council of Wool Selling Brokers of Australia** will be held on Thursday, 24th August at the Crowne Plaza Hotel, Melbourne. A key note speaker will be Robert Herrmann of AgConcepts who will talk about the need for innovation in the wool industry. We will also have the three Finalists for the 2017 Award, Brett Smith (Elders), Candice Cordy (Landmark) and Russell Macgugan (AWN) give presentations in support of their applications for this year's Award. Registrations close on 8th August. I have attached a registration form to the email with the Weekly Newsletter – get your registrations in!

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.



THE AUSTRALIAN WOOL MARKET IS IN RECESSION.

SALES RESUME IN THE WEEK BEGINNING 7th AUGUST 2017

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

