



The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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From the desk of Chris Wilcox, Executive Director

- Australian wool sales resume – significant volumes rostered
- Reserve Bank of Australia cuts interest rates, but A\$ rises
- Australian wool exports fall in volume, lift in value in 2015/16
- Seasonal conditions and outlook
- NCWSBA Wallchart available in August
- Upcoming events



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Auction sales in the **Australian wool market** resume next week in all three selling centres after the three-week recess. The **volume of wool rostered** for the sale has lifted substantially in the past couple of weeks. Initially there were 44,679 bales rostered for the week, but the latest roster shows that there are now 55,309 bales scheduled to be offered. That would be the largest weekly offering since January. This has come at the same time that the weight of wool tested by AWTA in July was down by 9%. This followed a 21% drop in June and a 13% fall in May. Some are asking where the wool has come from. Without doubt there has been some built-up selling pressure over the three-week recess as growers want to take advantage of current prices. The large volume of wool now rostered highlights why NCWSBA has, for a number of years, been pushing for a two-week recess at this time of year, rather than the traditional three-week recess. It will be interesting to see whether the market can digest the volume of wool next week.

The other piece of news that may affect the resumption of sales next week is the decision by the Reserve Bank of Australia (RBA) on Tuesday to cut **official interest rates** by 25 points to a record low of 1.5%. The RBA made the decision to cut rates to counter the low global economic growth environment and, hopefully, provide a boost to economic growth in Australia. Presumably the RBA also had an eye on the A\$ with a view to pushing it lower, notably against the US\$. If so, then it proved to be a forlorn hope. The **A\$ actually increased** over the week against both the US\$ and the Euro, lifting by 0.85UScents and 0.39€cents.

At first look, this increase seems to be counter-intuitive, but there may be a couple of reasons for the lift in the A\$. First, the US Federal Reserve hinted this week that it would not be raising interest rates in the US in the near term, contrary to market expectations. This was in response to what was seen as disappointing US economic growth data for the second quarter, which was released mid-week. As well, the Bank of England announced a cut to interest rates in the UK to 0.25% and a £70 billion bond-buying program. Both of these work against the RBA's decision to cut Australian interest rates in terms of the impact on the A\$.

The ABS this week released data on **Australian wool exports** for June and for the full 2015/16 season. There was a significant drop in Australian wool exports in June, both in volume and value terms. The volume of exports fell by 18% while the value of exports declined by 20% compared with June 2015. By volume, exports to all major destinations fell, except for Malaysia which saw a solid year-on-year rise for the month. In value terms, exports to Korea and Malaysia lifted, but the value of exports to the other major destinations declined.

For the full 2015/16 season, Australia exported 315.2 mkg greasy of wool at a value of A\$2.74 billion or US\$2.02 billion. Compared with 2014/15, Australia's exports were 11% lower in volume, 1% higher in A\$ value and 10% lower in US\$ value. The export volume in 2015/16 was the lowest since 1979/80 when my

database records begin. I think that it would probably be the lowest volume of exports since the 1920s as Australian wool production in 2015/16 was the lowest since 1925/26. In spite of this low volume, the A\$ value of exports was the highest since the 2003/04 season (the volume of exports in 203/04 was 461 mkg greasy). The first **Chart of the Week** shows the volume of wool exports by destination for each of the past three seasons. As the chart shows, the volume of exports to a number of the major destinations in 2015/16 was below the level of 2014/15. Most significantly, exports to China fell by 12%, although it only fell back to the levels seen in 2013/14. Even with this decline, China's share of Australia's exports was at 74% in 2015/16, down only a little from the 75% share in 2014/15. Exports to India, Egypt and 'the Rest of Europe' increased.

The second **Chart of the Week** shows the value of exports by destination. As can be seen, the value of exports to China, India, Italy, Egypt, the rest of Europe and 'other' destinations all increased in 2015/16. This increase was helped by the higher wool prices seen throughout the 2015/16 season (as I covered in last week's *Weekly Newsletter*).

There was **very good rainfall** across many parts of Australia in July, according to the Bureau of Meteorology (BoM). As the map shows, there was extensive rainfall across the south-east of Australia as well as in Queensland. This comes after good rainfall in June and is helping to replenish water storage and ground water in many regions which had previously been very dry or in drought. The BoM expects that eastern and northern Australia will record higher than average rainfall in the August to October period, with Western Australia expected to see average rainfall. This is good news as we head into spring.

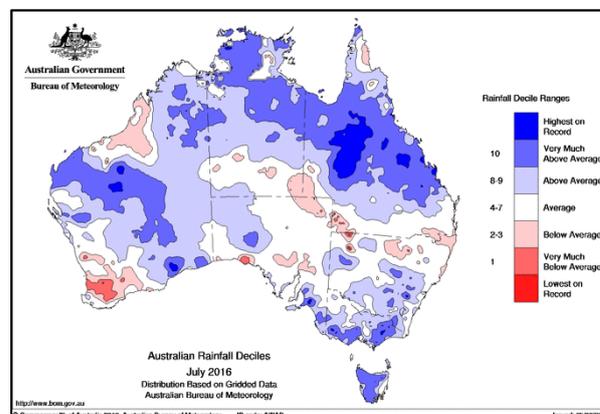
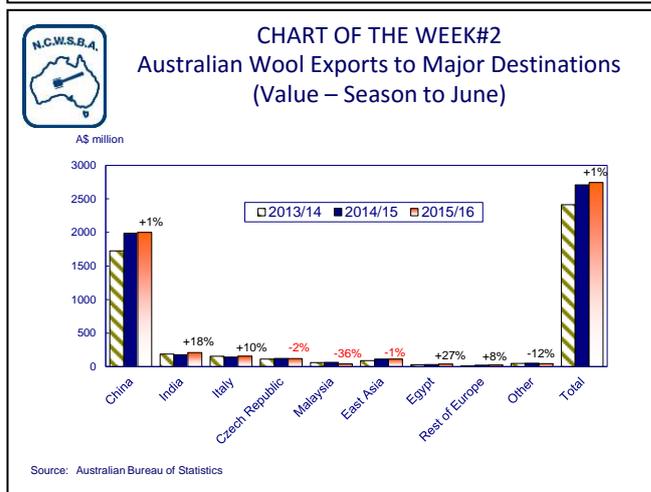
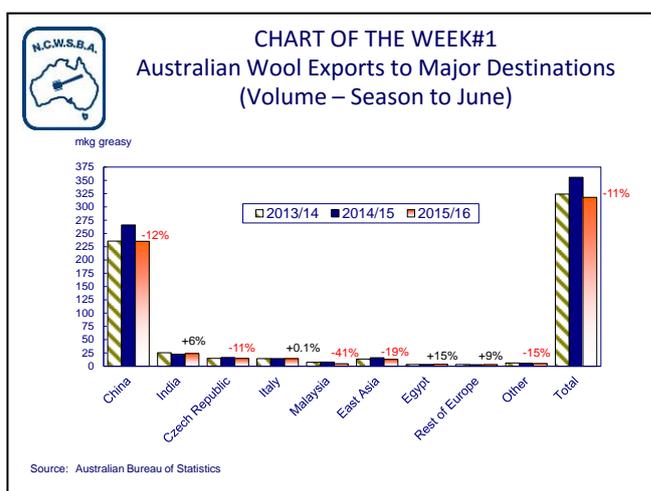
REMINDER: The **2016 NCWSBA Wall Chart** will be available from 19th August. Free to NCWSBA members, it is an A2 printed Wall Chart with graphs. **Send me an email at chris.wilcox@woolindustries.org and tell me how many you would like for your office and the delivery address.**

INDUSTRY EVENTS

The **2016 AWIS Wool Week** will be held at the Crowne Plaza in Melbourne on 25th & 26th August. The **NCWSBA AGM** will be held on Thursday, 25th August 2016.

The **Nanjing Wool Market Conference** will be held in Wuxi on 23rd-27th September. Click [here](#) for details.

The **IWTO Wool Roundtable** will be held in Biella, Italy on 28th-29th November.



WOOL SALES WEEK BEGINNING 8th AUGUST 2016 – week 6 (roster as at 2/8/2016)

Sydney

Wed, 10th Aug; Thurs, 11th Aug 18,696 bales

Melbourne

Wed, 10th Aug; Thurs, 11th Aug 25,962 bales

Fremantle

Wed, 10th Aug; Thurs, 11th Aug 10,651 bales

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