



Macro- economics and The Wool Market

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Premium

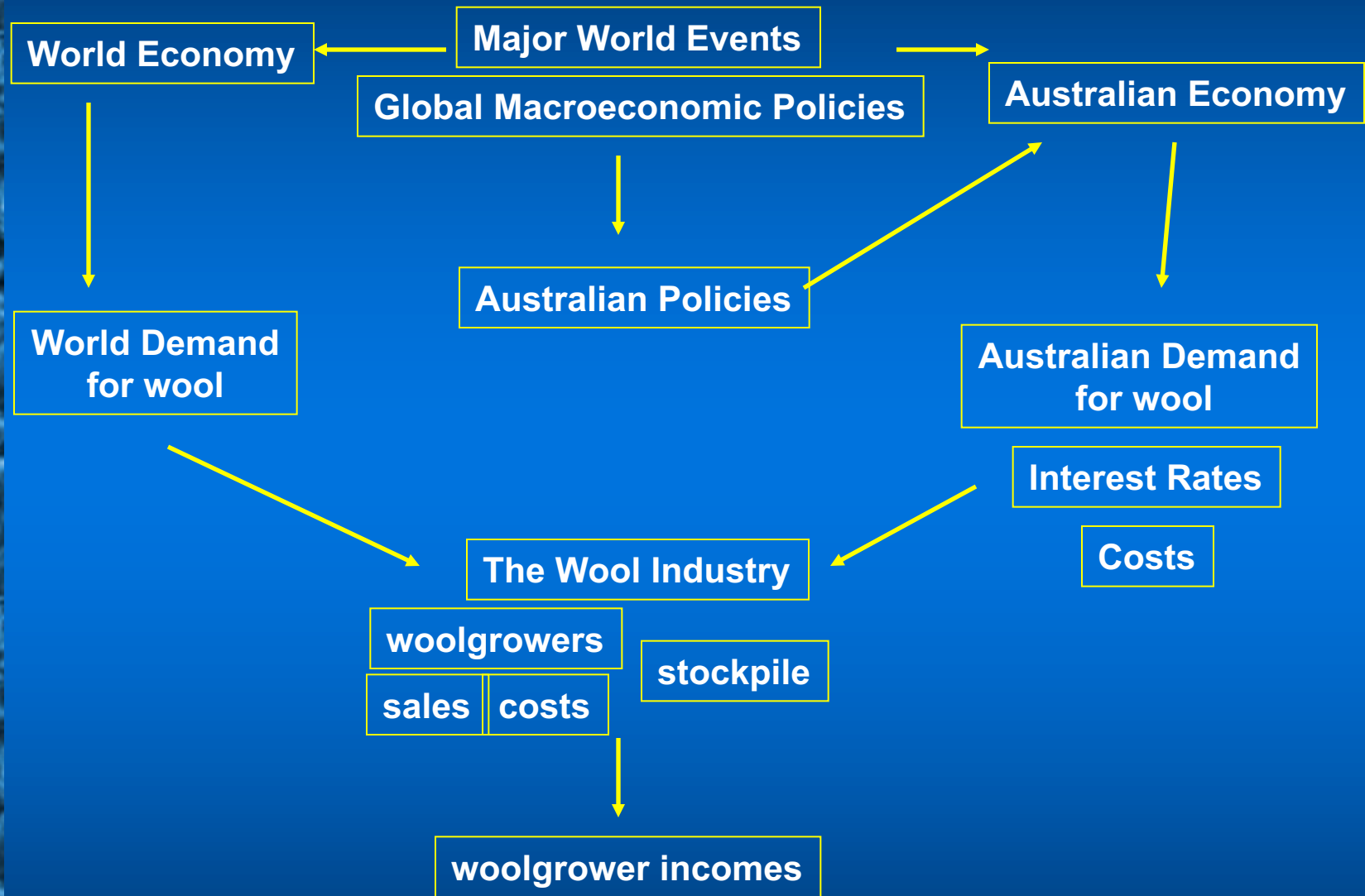
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Produced for the CRC for Premium Quality Wool undergraduate program by;
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Macroeconomy & Woolgrowers



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Technological Change

- **Processor response**
 - substitution possibilities increased
 - competing fibres blended
- **Retailers**
 - **direct marketing**
 - 1990 7 to 1, 1998 1 to 1 (\$\$ mass vs. direct)
 - data mining techniques
 - better understanding of customers
 - customising relationships
 - **individual tailoring**
 - 3D body scanning

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Domestic Economy

- **Interest Rates**
 - **cost of borrowed money**
 - eg. money to finance wool purchases
 - higher rate dampens economy
 - **interacts with exchange rate**
 - higher rate attracts more money from OS
 - leads to higher exchange rate
- **Exchange rates**
 - how expensive is wool in OS money
 - floating exchange rate in 1984

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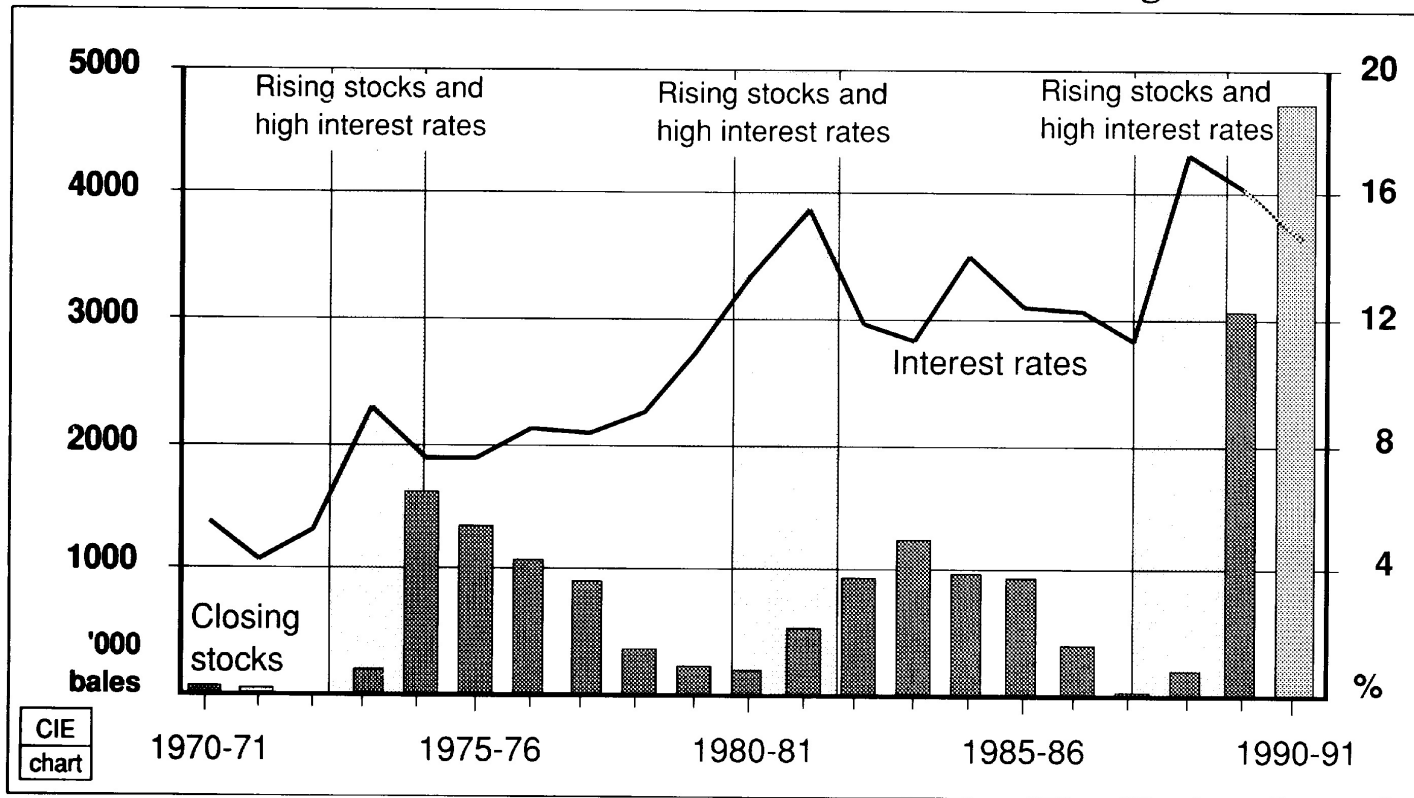
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Effect of Interest Rates

Figure 2.8: Australian wool stocks rise when interest rates are high



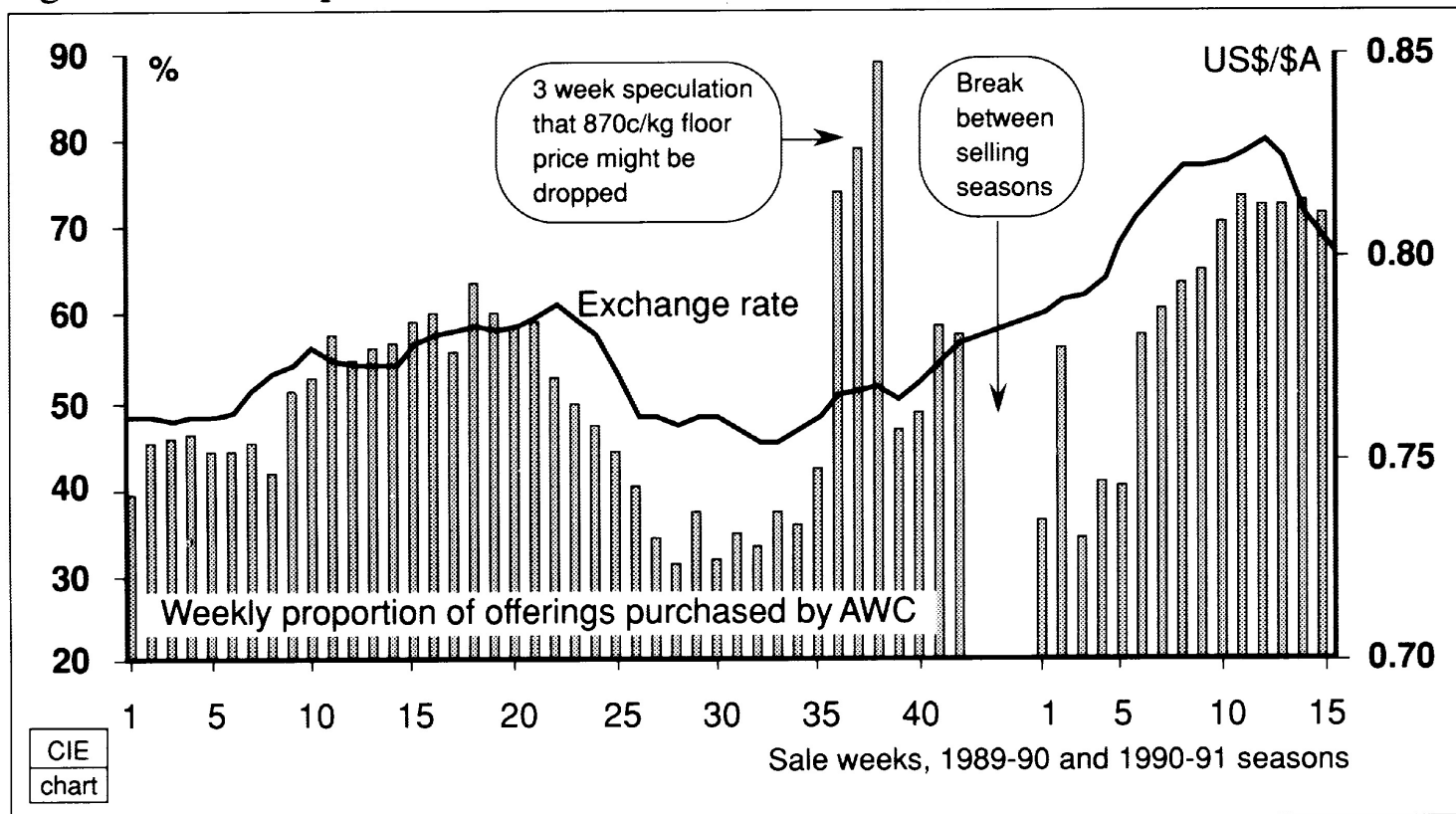
Data sources: Australian Bureau of Agricultural and Resource Economics; Centre for International Economics.

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Effect of Exchange Rates

Figure 2.6: AWC purchases of wool and the exchange rate



Data source: Chase AMP Bank Limited, Sydney.

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Domestic Economy

- **Wages growth**
- **GDP increase**
- **Labour Market flexibility**
 - industrial relations
- **Policy Changes**
 - liberalisation of finance sector (1980's)
 - foreign investment guidelines
 - taxation rates
 - encourage joint ventures

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Major References

- **Stoeckel, A., Borrel, B. and Quirke, D. (1990), Wool into the 21st Century, Implications for Marketing and Profitability, Centre for International Economics, Canberra**
- **Vines, W & Committee of Review into the Wool Industry (1991) The Australian Wool Industry, Recommendations for the Future, DPIE, Commonwealth of Australia**

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