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Price Index Of Western Australian Produced Hardwoods

**September Quarter 1992
to June Quarter 1994**

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to June Quarter 1994

KEY FIGURES

	<i>Percentage change</i>		
	<i>Sep qtr 92 to Jun qtr 94</i>	<i>Dec qtr 93 to Jun qtr 94</i>	<i>Mar qtr 94 to Jun qtr 94</i>
Price Index of Western Australian Produced Hardwoods	6.2	5.8	2.3
Price Index of Green Jarrah Produced	3.9	3.4	0.6
Price Index of Green Karri Produced	3.5	5.2	0.9
Price Index of Dry Jarrah Produced	10.9	8.7	5.3

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INTRODUCTION

This publication, prepared by the Australian Bureau of Statistics on behalf of the Western Australian Department of Conservation and Land Management and the Forest Industries Federation (WA) Inc, presents index numbers measuring changes in prices of Western Australian sawn hardwood timber. Subsequent issues of the publication are expected to be released no later than two months after the end of each index (calendar) quarter.

The Price Index of Western Australian Produced Hardwoods measures the change in prices of all Western Australian hardwoods. Individual price indexes have also been compiled for each of the major hardwood timbers produced and sold by the Western Australian timber industry. The major timbers are:

- Green jarrah
- Green karri
- Dry jarrah
- Dry karri

SUMMARY OF FINDINGS

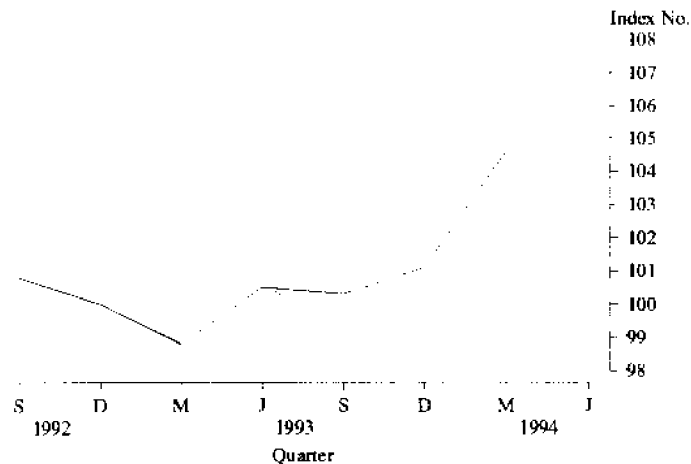
Price Index of Western Australian Produced Hardwoods (WAPHI)

The graphs below and Table 1 depict the quarterly index numbers and percentage changes for WAPHI. The major contributors to the changes are green jarrah, green karri and dry jarrah. Dry karri, because of its minor market share, does not have a significant impact on the index. A resume of the factors affecting prices, and therefore the index numbers for individual timbers, is contained in the commentary on each of the timbers.

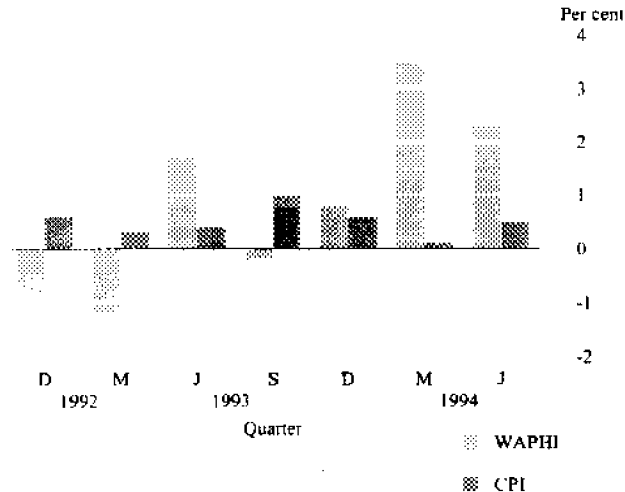
WAPHI increased by 6.2 per cent between September quarter 1992 and June quarter 1994. The Consumer Price Index (CPI), Perth, All Groups (which is often used by the community as an indicator of price movement) increased by 3.4 per cent over the same period. WAPHI and CPI movements are not similar

because of the different market forces affecting them. The large increase in WAPHI was due primarily to increased log royalties (effective from 1 January 1994), as well as increases in labour costs and in the demand for timber for housing.

PRICE INDEX OF WESTERN AUSTRALIAN PRODUCED HARDWOODS
Base: 1992-93 = 100.0



**PRICE INDEX OF WESTERN AUSTRALIAN PRODUCED HARDWOODS
AND CONSUMER PRICE INDEX, PERTH**
Quarterly Percentage Change



Price Indexes of Green Jarrah Produced and Green Karri Produced

The major domestic demand for green (also referred to as 'unseasoned') jarrah and green karri is for structural timber in house construction in Perth. Consequently, movements in the prices for jarrah and karri timbers can be influenced by changes in the level of demand for new houses in the Perth Statistical Division. Another significant domestic use of green timber is for

railway sleepers and crossing timber. Exports are mainly to Europe and include structural timber as well as sleepers and crossing timbers.

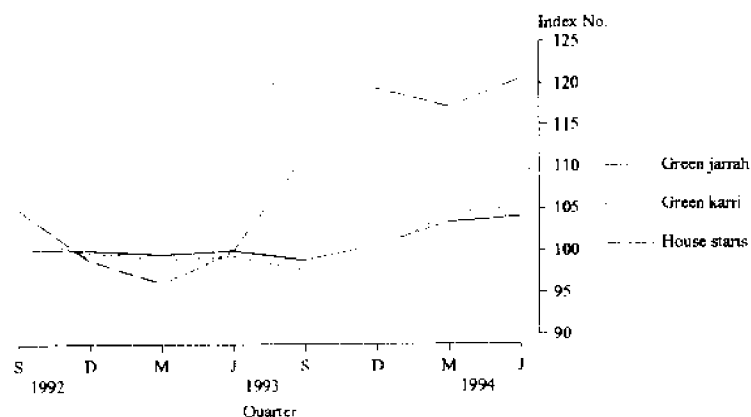
From December quarter 1992 to December quarter 1993, the indexes for green jarrah and green karri showed little deviation from 100.0. The minor changes in the quarterly index numbers that occurred over the period, reflected aggressive marketing (including price reductions) by suppliers to retain market share during periods of relatively low demand for timber for house construction in the Perth Statistical division.

The resurgence in house construction, which became evident during December quarter 1993, has continued through to June quarter 1994, resulting in an upward trend in demand and prices for timber. There were significant price increases between December quarter 1993 and March quarter 1994 for green jarrah and green karri. This reflected across the board increases in timber prices, influenced by an 8.9 per cent rise in log royalties from 1 January 1994, increased domestic demand and labour costs. Minor price increases also occurred in June quarter 1994.

The graph below illustrates the close price relationship between green jarrah and green karri. Generally, suppliers revise the prices of jarrah and karri at the same time, normally applying a uniform percentage price change to the same size, length and stress grade of hardwood timber, irrespective of variety.

The graph also includes new house commencements (titled 'House Starts' for brevity) in Perth each quarter, expressed as an index number with the average quarterly commencements during 1992-93 = 100.0. The movements in the House Starts Index show that an increasing demand for houses has a direct influence on the prices for green timber. It also indicates that timber price increases lag behind increased house demand.

PRICE INDEXES OF GREEN JARRAH, GREEN KARRI AND HOUSE STARTS
Base of each Index: 1992-93 = 100.0



Price Index of Dry Jarrah Produced

There is a good domestic market for dry (also referred to as 'seasoned') jarrah timbers and significant quantities are sold interstate or exported. The majority of sales of locally purchased timber are to the building industry as structural timber, and to the furniture industry for high quality indoor and outdoor furniture. Currently, sales of decking and flooring timber dominate both the interstate, and the relatively small, but developing, international markets.

Between December quarter 1992 and March quarter 1993, the index declined by 2.5 per cent. This decrease reflected a short term over supply of dry jarrah. In June 1993, suppliers increased prices to cover increased production costs, and these higher prices are reflected in the index numbers for June and September quarters. A short term price reduction, caused by an over supply during December quarter 1993, resulted in a slight drop in the index for that quarter. The across the board increases in timber prices referred to in the comments on green jarrah and green karri also affected the index for March and June quarters 1994.

Price Index of Dry Karri Produced

By comparison with other timbers, the production of dry (or 'seasoned') karri is quite small, and to date most of the output has been sold interstate. Suppliers are increasing their output and are seeking to develop interstate and overseas markets.

An index for dry karri has been compiled, but because of the limited sales to date, the ABS is unable to release a quarterly index for the period September 1992 to June 1994. Current indications are that the expansion in production and sales will enable publication of an index commencing with the September quarter 1994.

Price movements for dry karri are, however, included in the compilation of the Price Index of Western Australian Produced Hardwoods.

**TABLE 1. PRICE INDEX OF WESTERN AUSTRALIAN
PRODUCED HARDWOODS**

	<i>Index numbers (a)</i>	<i>% change from previous period</i>	<i>% change from corresponding quarter of previous year</i>
1992-93	100.0	..	..
1993-94	103.3	3.3	..
Quarters			
1992-93			
September	100.8	..	..
December	100.0	-0.8	..
March	98.8	-1.2	..
June	100.5	1.7	..
1993-94			
September	100.3	-0.2	-0.5
December	101.1	0.8	1.1
March	104.6	3.5	5.9
June	107.0	2.3	6.5

(a) Base of index: 1992-93 = 100.0

TABLE 2. PRICE INDEX OF GREEN JARRAH PRODUCED

	<i>Index numbers (a)</i>	<i>% change from previous period</i>	<i>% change from corresponding quarter of previous year</i>
1992-93	100.0	..	..
1993-94	101.8	1.8	..
Quarters			
1992-93			
September	100.2	..	..
December	100.1	-0.1	..
March	99.6	-0.5	..
June	100.1	0.5	..
1993-94			
September	99.0	-1.1	-1.2
December	100.7	1.7	0.6
March	103.5	2.8	3.9
June	104.1	0.6	4.0

(a) Base of index: 1992-93 = 100.0

TABLE 3. PRICE INDEX OF GREEN KARRI PRODUCED

	<i>Index numbers (a)</i>	<i>% change from previous period</i>	<i>% change from corresponding quarter of previous year</i>
1992-93	100.0	..	..
1993-94	101.9	1.9	..
Quarters			
1992-93			
September	101.7	..	..
December	99.8	-1.9	..
March	99.1	-0.7	..
June	99.5	0.4	..
1993-94			
September	97.8	-1.7	-3.8
December	100.1	2.4	0.3
March	104.4	4.3	5.3
June	105.3	0.9	5.8

(a) Base of index: 1992-93 = 100.0

TABLE 4. PRICE INDEX OF DRY JARRAH PRODUCED

	<i>Index numbers (a)</i>	<i>% change from previous period</i>	<i>% change from corresponding quarter of previous year</i>
1992-93	100.0	..	..
1993-94	105.8	5.8	..
Quarters			
1992-93			
September	100.4	..	..
December	100.1	-0.3	..
March	97.6	-2.5	..
June	101.9	4.4	..
1993-94			
September	103.9	2.0	3.5
December	102.4	-1.4	2.3
March	105.7	3.2	8.3
June	111.3	5.3	9.2

(a) Base of index: 1992-93 = 100.0

EXPLANATORY NOTES

Introduction

This publication presents index numbers measuring changes in prices for sawn timber produced from Western Australian hardwoods. They are calculated on the reference base 1992-93 = 100.0.

Scope

The scope of the index is Western Australian produced hardwood timber sawn and sold by mills and merchants within Western Australia, interstate and overseas. Timber used for veneer, woodchips, particle board and poles is not included.

Items and weights

The indexes are fixed weights indexes. The items included in the index were selected and allocated weights on the basis of sawn timber sold to final users in Western Australia, sold interstate, or exported during 1992-93.

Many of the selected items carry not only the weight of directly priced timbers, but also the weight of other timbers whose prices are considered to move similarly to those of the directly priced timbers.

PRICE INDEX OF WESTERN AUSTRALIAN PRODUCED HARDWOODS COMPOSITION AND WEIGHTING IN REFERENCE YEAR 1992-93

<i>Item</i>	<i>Percentage contribution</i>
Green jarrah	33.0
Green karri	33.0
Dry jarrah	30.0
Dry karri	4.0
Total	100.0

Price measurement

Most prices used in these indexes relate to the mid point of the month. Prices are obtained from a representative sample of sawmillers and timber merchants. The point of pricing is the last sale before final use; handling and delivery costs are included for

local sales, if incorporated in the merchant's or sawmiller's price. For example, the price of timber sold to builders is the delivered on site price. Interstate sales are normally priced ex-mill and for exports, the price is generally Free on Board (fob).

As far as possible, actual transaction prices are used in the indexes. These are the prices *actually* paid by builders, joinery workshops, furniture manufacturers and other purchasers of the timber. The actual price paid can be described in various ways. For example, a price for a sawmiller's or merchant's product may be described in terms of the components that make up the price, such as 'list price less (particular types of) discount'. It is these *net* prices that buyers pay to sellers that the ABS aims to use in compiling these price indexes.

Sometimes new discounts, or changes in the way discounts are applied by sawmillers and timber merchants, may be identified only after index numbers for a particular period have been published. In such cases, or in any other case where it is discovered that incorrect prices have been used in compiling the indexes, revisions to index numbers will occur in subsequent issues of this publication.

Price series relate to goods of fixed specifications with the aim of incorporating in the index price changes for representative articles of constant quality (eg. size, dimensions, stress grade). Consistent with this approach, prices in general relate to a standard representative set of transactions (in terms of quantity, delivery arrangements, destination, etc.) in order to avoid variations in price that are attributable solely to a changing mix of transactions over time.

Index Numbers

The index numbers for financial years are simple averages of the relevant quarterly index numbers.

Revisions

Index numbers for the current quarter and the previous quarter are preliminary and subject to revision. From time to time, index numbers for earlier periods may also be revised. This will occur whenever the ABS obtains more complete information or discovers that incorrect prices have been used.

Analysis of Index Changes

Care should be exercised when interpreting quarter-to-quarter movements in the indexes as short term movements do not necessarily indicate changes in trend.

Movements in indexes from one period to another can be expressed either as changes in 'index points' or as percentage changes. The following example illustrates the method of calculating index points changes and percentage changes between any two periods:

Price Index Of Western Australian Produced Hardwoods

June quarter 1994	107.0	(see Table 1)
less June quarter 1993	100.5	(see Table 1)
Change in index points	6.5	
Percentage change	$\frac{6.5}{100.5} \times 100 = 6.5\%$	

Related Publications

Users may also wish to refer to the following publications which are available from ABS Bookshops:

- *Consumer Price Index, Eight Capital Cities* (6401.0).
- *Price Index of Materials Used In Building Other than House Building, Six State Capital Cities and Canberra* (6407.0).
- *Price Indexes of Materials Used in Manufacturing Industries, Australia* (6411.0).
- *Price Indexes of Articles Produced by Manufacturing Industry, Australia* (6412.0).
- *Building Approvals, Western Australia* (8731.5)
- *Building Activity, Western Australia* (8752.5)

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Unpublished Statistics

As well as the statistics included in this and related publications, the ABS may have other relevant unpublished data available.

Inquiries should be made to Mike Carter on (09) 360 5128 or to any ABS office.

Symbols and Other Usages

.. not applicable



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