

Catalogue No. 6410.5



**Australian
Bureau of
Statistics**

**Price Index Of Western Australian
Produced Hardwoods**

December Quarter 1994

Price Index Of Western Australian Produced Hardwoods

December Quarter 1994

KEY FIGURES

	<i>Percentage change</i>	
	<i>Dec qtr 93 to Dec qtr 94</i>	<i>Sep qtr 94 to Dec qtr 94</i>
Price Index of Western Australian Produced Hardwoods	8.4	0.7
Price Index of Green Jarrah Produced	8.5	0.7
Price Index of Green Karri Produced	7.3	0.8
Price Index of Dry Jarrah Produced	8.4	0.0

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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.

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

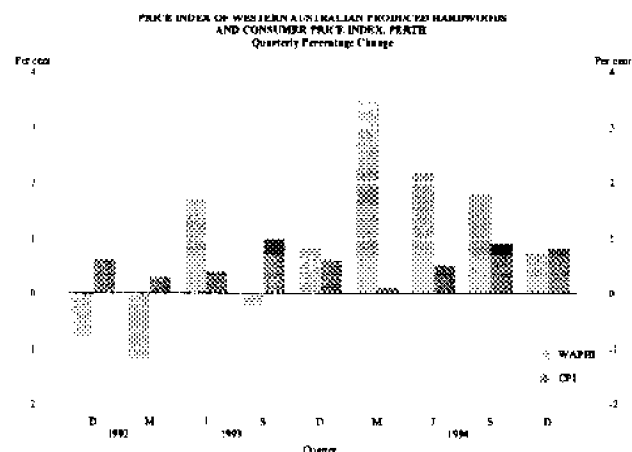
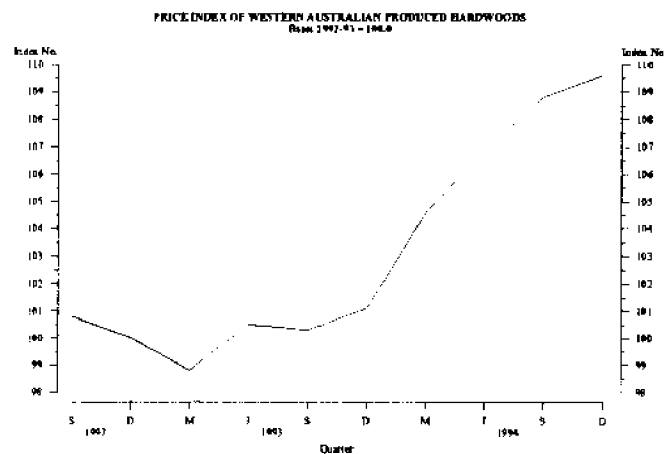
SUMMARY OF FINDINGS

Price Index of Western Australian Produced Hardwoods (WAPHI)

Between the September quarter 1994 and the December quarter 1994, WAPHI rose by 0.7 per cent, principally because of increased prices for structural grade green jarrah and karri.

For the 12 months ending December 1994, WAPHI increased by 8.4 per cent compared with a 2.3 per cent increase in the Consumer Price Index (CPI), Perth, All Groups 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 higher timber prices resulting from increased log royalties (effective from 1 January 1994), as well as increases in labour costs and in the demand for timber for housing.

The graphs below and Table 1 depict the quarterly index numbers and percentage changes for WAPHI. 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.



Price Indexes of Green Jarrah Produced and Green Karri Produced

There were no significant price increases for roofing timber and track timber during the December quarter 1994. As a result, the increase from September quarter 1994 to December quarter 1994 for the green jarrah index was 0.7 per cent and 0.8 per cent for the green karri index.

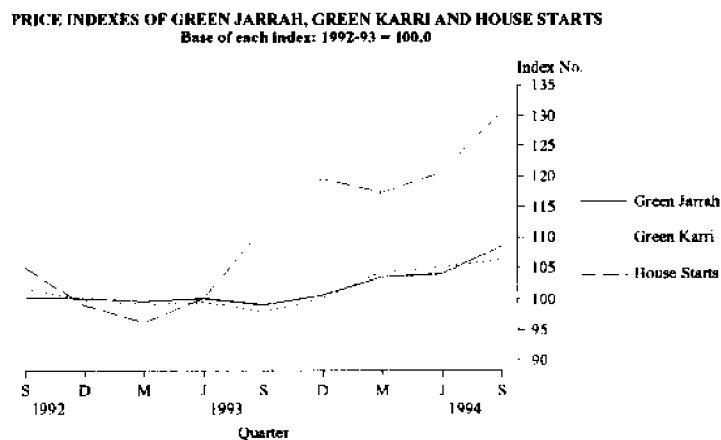
The major domestic demand for green jarrah and green karri is for structural timber for roofing in house construction in Perth. Consequently, movements in the prices for jarrah and karri timbers can be influenced by changes in the level of demand for new houses in the Perth Statistical Division.

A resurgence in house commencements became evident in the December quarter 1993 and continued through to the September quarter 1994. Figures are not yet available for house commencements during the December quarter 1994. The graph below shows that increasing demand for housing has a direct influence on the prices for green timber.

Another significant domestic use of green timber is for railway sleepers and crossing timber.

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

The graph below also illustrates the normally close price relationship between green jarrah and green karri. Generally, suppliers revise the prices of jarrah and karri to the local market at the same time, usually applying a uniform percentage price change to the same size, length and stress grade of hardwood timber, irrespective of variety. However, prices for interstate sales and exports of green jarrah and karri are independently determined and can affect the normally close correlation of price movements for jarrah and karri.



Price Index of Dry Jarrah Produced

Although there were changes in the prices for individual products between the September and December quarters 1994, the increases and decreases balanced each other out and the net effect was a nil movement in the index for dry jarrah.

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

Price Index of Dry Karri Produced

By comparison with other timbers, the production of dry 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 the quarterly index.

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			
1993-94			
September	100.3	-0.2	-0.5
December	101.1	0.8	1.1
March	104.6	3.5	5.9
June	106.9	2.2	6.4
1994-95			
September (r)	108.8	1.8	8.5
December	109.6	0.7	8.4

(r) revised

(a) Base of index 1992-93 = 100

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			
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
1994-95			
September	108.5	4.2	9.6
December	109.3	0.7	8.5

(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			
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
1994-95			
September	106.5	1.1	8.9
December	107.4	0.8	7.3

(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			
1993-94			
September	103.9	2.0	3.5
December	102.4	-1.4	2.3
March	105.7	3.2	8.3
June	111.0	5.0	8.9
1994-95			
September	111.0	0.0	6.8
December	111.0	0.0	8.4

(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 value weights on the basis of sawn timber sold during 1992-93 to final users in Western Australia, interstate, or overseas.

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.

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

December quarter 1994	109.6
less December quarter 1993	101.1
Change in index points	8.5
Percentage change	$\frac{8.5}{101.1} \times 100 = 8.4\%$

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 House Building, Six State Capital Cities and Canberra* (6408.0)
- *House Price Index* (6416.0)
- *Building Approvals, Western Australia* (8731.5)
- *Building Activity, Western Australia* (8752.5)

Current publications produced by the ABS are listed in the *Catalogue of Publications and Products, Australia* (1101.0). The ABS also issues, on Tuesdays and Fridays, a *Publications Advice* (1105.0) which lists publications to be released in the next few days. The Catalogue and Publications Advice are available from ABS offices.

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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