



The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

Unit 9
42-46 Vella Drive
Sunshine West Vic 3020

Phone: 03 9311 0152
Fax: 03 9311 0138
E-mail: ncwsba@woolindustries.org

15th January 2016

2016/02

From the desk of Chris Wilcox, Executive Director

- Wool prices lift in first sale of 2016 amid global volatility
- Latest data on retail sales in major markets
- Australian wool exports
- AWEX launches the 2016 National Wool Declaration Campaign
- ABARES Outlook 2016 Conference
- Upcoming events



World equity and commodity markets have been in turmoil this week as worries about China, among other things, continue to weigh on investor confidence. Oil prices in particular have been hit hard, with the Brent Oil indicator falling below US\$30/barrel for the first time in 12 years. In spite of this upheaval, the **first auctions of Australian wool for 2016** this week saw a strong lift in prices for Merino wool in A\$ terms, although prices for Crossbred wool eased. The Eastern Market Indicator (EMI) lifted by 17 Acents to close the week at 1282 Ac/kg. There were strong gains in all three selling centres for Merino wool, with prices lifting by between 5 cents and 44 cents. Crossbred prices mostly were lower in response to large auction offerings. While prices in A\$ increased, wool prices in US\$ declined given that the A\$ this week was 2.3 UScents lower than prior to the recess. The EMI fell by 18 UScents to 890 USc/kg, with all micron categories recording declines in US\$. The current roster for auctions next week is for 60,110 bales. AWEX reports that if this was achieved it would be the highest weekly offering level in 5 years.

Southern Aurora reports that 21 micron forwards for January, February and March traded at an increased level of 1400 cents. While prices for the early months of the 2016/17 season also increased, they are at discount to current and near-term levels at around 1310-1360 cents. This is still a good level historically.

The Northern Hemisphere is in the midst of the **Autumn/Winter retail season**, which is critical for the sales of wool clothing. It is therefore worthwhile looking at how retail sales have been progressing in the major wool consuming countries. The first **Chart of the Week** shows the data on growth in retail sales for each of the past 5 years as well as for 2015 for the year to date (mostly to November, but for a couple of countries it is to October). This is for the top eight wool consuming countries, in order. These countries account for around 60% of world annual demands for wool clothing. As you can see, the good news is that the growth rate for clothing retail sales this year is better in five of the eight countries. As well, the table doesn't show that retail sales growth in these countries have been improving steadily throughout the year.

 **Chart of the Week#1**
Clothing Retail Sales in
Major Wool Consuming Countries

| % change y-o-y | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 Year to date* |
|-------------------|--------|--------|--------|--------|--------|--------------------------|
| China | +25.8% | +25.1% | +17.7% | +11.5% | +10.8% | +9.6% |
| USA | +6.0% | +3.4% | +0.9% | +1.3% | +1.1% | +4.3% |
| Japan | -6.3% | +3.2% | -0.4% | -0.7% | -0.5% | -2.0% |
| Germany | +1.2% | +0.9% | -0.3% | +0.1% | +1.3% | +2.7% |
| UK | +5.4% | +3.3% | +1.5% | +3.1% | +5.2% | +2.3% |
| Italy | +0.8% | -1.1% | -2.3% | -2.1% | -1.3% | +0.9% |
| France | +2.8% | +1.7% | +0.6% | +1.1% | +1.2% | +3.2% |
| South Korea | +9.8% | +8.6% | +3.2% | +2.7% | +1.6% | +3.4% |

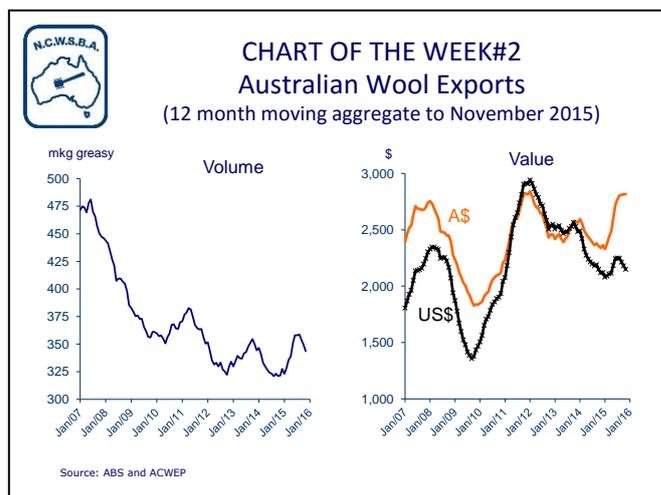
Source: Government statistical bureaus.
Notes: Value of retail sales. China is for retail sales of garments, hats, footwear and knitwear. Japan is for major department stores. Germany, Italy, France and South Korea is total retail sales.
* Year to date is to November, except for Germany, Italy and France which are to October

The table also shows that growth in clothing retail sales in China continues to slow but remains at the highest growth rate of all countries. As well, the growth rate for retail sales in the UK, while lower than in 2014, it still is at healthy levels. Japan is the only country where clothing retail sales this year is disappointing. Positive retail sales over the Autumn/Winter period will encourage retailers in their ordering for 2016, so hopefully the improvement in many of these countries will continue for until February.

The **Australian wool export data** for November was released at the start of the week and it shows that the volume of wool exports dropped by 18% in November compared with November 2014, but the value of wool exports increased by 1%. The decline in wool volumes was largely due to a 29% drop in exports to China, as well as 34% year-on-year declines in exports to Malaysia and South Korea. This was partly offset by increases in exports to the Czech Republic, India, Italy and Egypt. The decline in wool volumes comes as no surprise given the drop in wool tested and auction offering volumes so far this season, while the increase in the value of exports reflects the higher wool prices year-on-year.

For the 2015/16 season to November, Australia's wool exports were down by 10.7% to 117 mkg greasy but increased in value terms by 9.7% to \$1.039 billion. Exports to China were down by 13% in the first five months in volume terms but were 10% higher in value terms. Significantly, exports to India and Italy (the second and third largest export destinations for Australian wool) were up in volume terms (by 5% and 11% respectively) and were much higher in value terms, lifting by 24% and 28%.

The second **Chart of the Week** shows the trends in the volume of wool exports as well as the A\$ and US\$ value of exports on a 12 month moving aggregate basis. Export volumes have turned down sharply in recent months after reaching a peak in mid-2015. The value of exports in US\$ has also turned down since the peak in July, with the US\$ export value resuming the declining trend seen since 2011. In contrast, the A\$ value has lifted sharply throughout 2015, although it has begun to flatten out in recent months.



AWEX yesterday launched the 2016 National Wool Declaration (NWD) Campaign under the tag line of "Declaring What the World's Demanding". The aim of the 2016 Campaign is to encourage Australian wool producers to complete the National Wool Declaration with their wool clips and also to ensure that the NWDs are prepared correctly. As brokers know by experience, there are significant numbers of NWDs that are not completed accurately or completely. One of the centre pieces of the Campaign is a brochure with supporting statements from a number of key people from the global wool textile industry. I have included the AWEX Media Release and the brochure with this week's edition of the *Weekly Newsletter*. NCWSBA fully supports the NWD and the Campaign. You can download information on the NWD from the AWEX website at <http://awex.com.au/publication/national-wool-declaration-nwd/>.

The **ABARES Outlook 2016 Conference** will be held on the 1st to 2nd March 2016, in Canberra. The theme of this year's Conference is "Investing in agriculture – growing our future". The wool-related session will be chaired by Paul Swan of AWI and will be held on the afternoon of 2nd March, with the theme of "A flock for the future". The program includes Caroline Gunning-Trant of ABARES will present on the outlook for the sheep and wool industry, Jason Trompf who will be presenting on the dynamics of the Australian flock and David Michell who will be talking about how to survive in the wool textiles industry. Early bird registration closes on 29th January. You can register at <http://www.agriculture.gov.au/abares/outlook-2016/Pages/Register-today.aspx>.

INDUSTRY EVENTS

The **ABARES Outlook 2016 Conference** will be held in Canberra on 1-2 March 2016. Click [here](#) to see the full program.

The **2016 IWTO Congress** will be held in Sydney on 4th to 6th April 2016. Register at <http://www.iwto.org/events/upcoming-events/45/>

WOOL SALES WEEK BEGINNING 18th JANUARY 2016 – week 30 (roster as at 14/1/2016)

| | |
|--|--------------|
| <u>Sydney</u> | |
| Wed, 20 th Jan; Thurs, 21 st Jan | 17,341 bales |
| <u>Melbourne</u> | |
| Tues, 19 th Jan; Wed, 20 th Jan; Thurs, 21 st Jan | 29,510 bales |
| <u>Fremantle</u> | |
| Wed, 20 th Jan; Thurs, 21 st Jan | 13,259 bales |

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