



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

24th March 2016

2016/12

From the desk of Chris Wilcox, Executive Director

- Wool market prices rise again
- Comparison of change in wool prices in major wool producing countries
- US wool clothing imports down in 2015
- Upcoming events

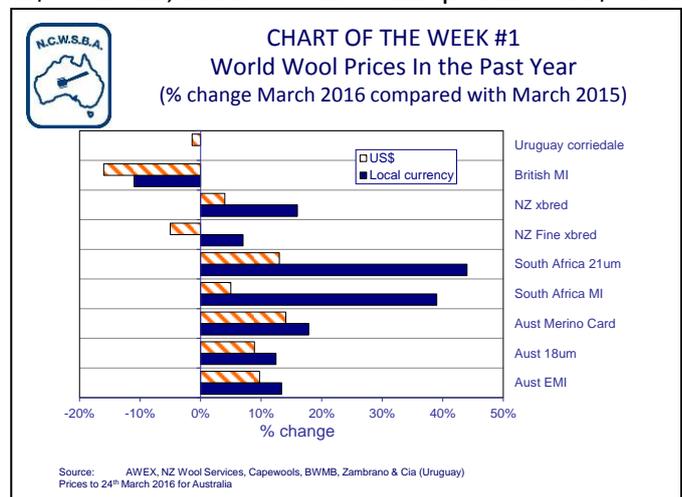


The **Australian wool market** continued its resilience in the face of another (albeit modest) rise in the A\$ this week. In the last sale before the one week Easter Recess, the **Eastern Market Indicator (EMI)** closed at 1239 Ac/kg, up by 12 Ac/kg. Of the regional market indicators, the Western Market Indicator performed best, lifting by 28 Acents to 1309 Ac/kg. The Northern Market Indicator was 9 cents higher at 1261 Ac/kg and the Southern Market Indicator increased by 13 Acents to 1224 Ac/kg. All of the Merino price guides lifted, with the strongest gains seen for wool in the 19 to 21 micron range. Crossbred wool prices eased a little. The A\$ rose over the wool selling week, lifting by a modest 0.26 UScents. The A\$ also rose against the Euro (by 0.28€cents) to 67.7 €cents, according to the RBA. AWEX reported that the EMI was up 12 UScents (the same as the increase in A\$) to 944 USc/kg. The EMI also increased by 12€cents to 832 €c/kg.

As I have reported in recent editions of the *Weekly Newsletter*, Australian wool prices are higher than year earlier levels in both A\$ and US\$. The same is true for the **prices for wool from most other significant wool producing countries** for which data is available. The first **Chart of the Week** compares the year-on-year change in prices in both local currency and in US\$ for selected wools from Australia, South Africa, New Zealand, the United Kingdom and Uruguay. (Note: The NZ fine crossbred wool is for 33 to 35 micron wool, while the NZ crossbred wool is for wool greater than 35 micron.) As you can see from the chart, the change in prices in US\$ is less than the change in prices in local currency (or is more negative than the change in local currency) as a result of the appreciation of the US\$ against other currencies.

The increase in the past year for **South African wool** in Rand has been enormous, partly as a result of a 27% drop in the value of the Rand against the US\$. Even so, South African wool prices in US\$ have risen this year, in line with the increase in Australian wool prices in US\$. By comparison over the past 12 months, the US\$ has risen by 4% against the A\$, by 5% against the NZ\$ and by 5% against the British pound. The increases for Australian wool in A\$ is therefore more modest than the increase for South African wool in Rand.

It is interesting to see that the British Market Indicator has fallen in the past 12 months. This wool is mainly used in carpets and rugs, rather than clothing. At the same time, NZ crossbred



wool (which is also used in carpets and rugs) have seen prices increase over the past 12 months. Prices for Uruguayan Corriedale wool has also eased back over the past 12 months, as have NZ fine crossbred wool in US\$ terms.

I will be presenting this chart as part of my presentation during the Market Intelligence session at the IWTO Congress in Sydney on 4th April. I will provide a full report on the IWTO Congress, including the Market Intelligence session, in the next edition of the *Weekly Newsletter* on 8th April.

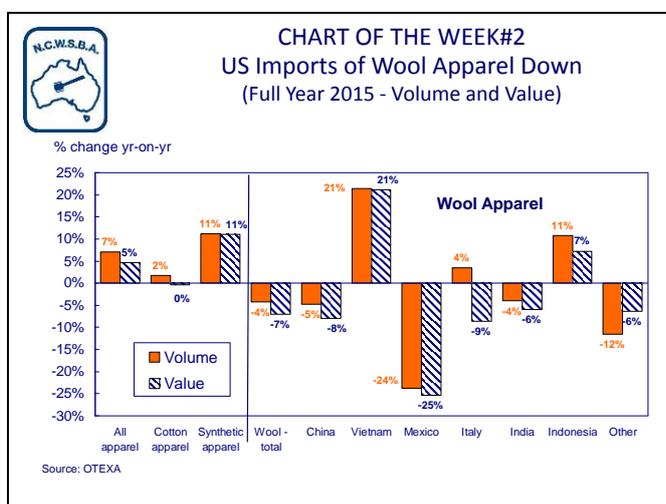
The **United States of America** is the world's second largest consuming country at retail for wool clothing and it imports almost all of its requirements as finished product. **Retail sales of clothing** in the US over the recent Autumn/Winter period were disappointing, growing at just 1.5% compared with 5.1% growth in Autumn/Winter 2014. This raises some doubts about the strength of orders from US retailers over the next few months as they consider their purchases for Autumn/Winter 2016 (October 2016 to January 2017).

As well, **US imports of wool clothing** were down for the 2015 calendar year, as the second **Chart of the Week** shows. Total US imports of wool clothing fell by 4% in volume and 7% by value. This compares with continued strong growth in imports of synthetic fibre clothing in both volume and value terms. Imports of cotton clothing were virtually steady for the year compared with 2014 levels.

It is interesting to see the differences in the source of imports of wool clothing by the US. **China**, the largest supplying country to the US (with a share of 54% by volume and 44% by value) saw a drop in imports by the US. In contrast, **Vietnam** recorded a strong 21% increase in both volume and value terms. Vietnam was the second largest supplier to the US in volume terms in 2015 (with a 9% share, up from 6% five years ago), although it had a smaller share by value at 5%. **Italy** is the second largest supplier to the US by value of imports, recording a 16% share in 2015, although its volume share was only 5%.

Interestingly, it recorded a 4% lift in the volume of imports but a 9% dip in the US\$ value of imports. The appreciation of the US\$ against the Euro possibly had something to do with that.

There is another country, in addition to Vietnam, that has recorded a steady increase in its share of the total US import pie – **Indonesia**. In 2015, its share was 5% of the US import volumes and 3% of the value of imports of wool clothing by the US. This is up from 3% and 2% in the 2000s. It posted another strong lift in US imports in 2015. **Mexico's** share has dropped as US importers move their focus to other suppliers – Mexico has a 4% share in volume and value, down from 6% five years ago.



OTHER INDUSTRY EVENTS

The **Australian Wool Production Forecasting Committee** will meet on 30th March 2016 in Melbourne.

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

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.

WOOL MARKET IN RECESS NEXT WEEK (WEEK BEGINNING 28TH MAR)

WOOL SALES WEEK BEGINNING 4TH APRIL 2016 – week 41
(roster as at 21/3/2016)

<u>Sydney</u> Tue, 5 th Apr; Wed, 6 th Apr	14,375 bales
<u>Melbourne</u> Tue, 5 th Apr, Wed 6 th Apr, Thurs, 7 th Apr	28,250 bales
<u>Fremantle</u> Tue, 5 th Apr, Wed 6 th Apr	11,600 bales

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