The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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From the desk of Chris Wilcox, Executive Director

- Merino wool prices continue to rise
- Retail sales update
- US imports of wool clothing and US retail sales trends
- Upcoming events

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The **Australian wool market** was able to absorb a significantly larger offering this week and maintain the **Eastern Market Indicator** at 1331 c/kg. There were 44,891 bales offered, including 2,701 bales of NZ wool, well above the weekly offering levels of recent weeks. There was strong demand for Best and Spinners style fine Merino wool and for Merino Cardings, which helped sustain the EMI. Prices for broader Merino wool were more varied, with some ups and some downs. After some signs of weakness in September, prices for Merino Cardings have rebounded strongly, lifting by a further 31 cents this week to 1119 c/kg, the highest level since February. Crossbred wool, on the other hand, continued to fall; 28 micron wool ended the week 13 cents down at 737 c/kg, the lowest in almost 2 years. Over 49,000 bales are rostered for sale next week, the largest for the season and the largest since January. It will be interesting to see how the wool market responds to this increased volume.

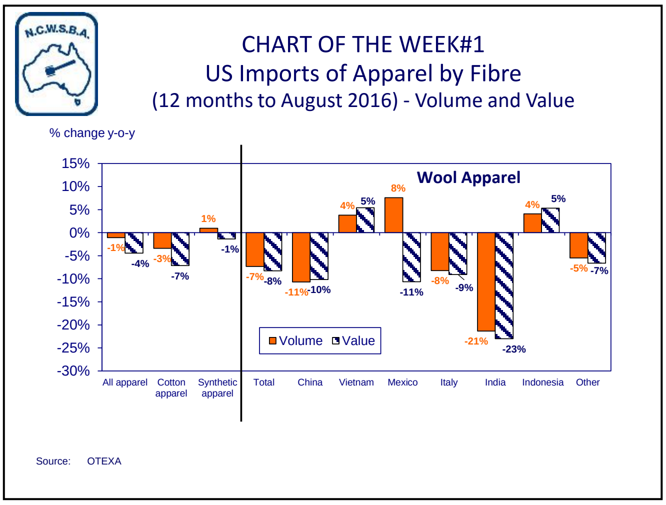
The A$ eased by 0.5 UScents to 76.3 but was steady against the Euro at 70 €cents. Because of these relatively small changes, the EMI was 6 cents lower at 1016 USc/kg and unchanged in Euro terms at 931 €cents/kg. By region, the Northern Market Indicator was up by 3 cents to 1375c/kg, the Western Market Indicator rose 2 cents to 1393 c/kg clean and the Southern Market Indicator slid by 2 cents to 1303 c/kg.

I was in **China** last week and among other things I visited several retailers in Shanghai. I was very taken by the amount of and range of **wool product available in store**, particularly of women's wear and notably double-faced woollen overcoats and knitted wool coats and dresses. There was the usual array of wool clothing on offer for menswear as well. I have also been told by Dalena White (Secretary-General of the IWTO) that there is an impressive range of women's wool clothing on offer at retailers in both **London** and **Brussels**. Furthermore, Bruna Angel of PCI Wood MacKenzie (a company which analyses the world synthetic fibre market) told me this week that there is "a fabulous amount of wool product on offer at Marks & Spencers" in London. This is very encouraging as the key markets in the Northern Hemisphere head into Autumn/Winter. [You may remember that Bruna was the key note speaker at the Market Intelligence session at this year's IWTO Congress in Sydney]. Let's hope that the story is the same in other key markets, such as Germany and the US, and that consumers open their wallets and spend!

In that regard it is worthwhile looking at the trends in the **US imports of wool products** for the year to date, to glean an indication of wool's presence at retail in the US this Autumn/Winter. Unfortunately, the data is not all that encouraging. The latest data from the US Office of Textile Agreements (OTEXA) shows that US imports of clothing of all fibres was down by 1% in volume and by 4% in value for the eight months of 2016 to August, compared with the same period in 2015. However, US imports of clothing to August in 2015 was a record level and the total imports to August this year is the second highest on record. For **wool clothing**, US imports to August was 7% lower in volume than for the same period in 2015 and 8% lower in value. In volume terms, US imports of wool clothing this year to August is the lowest since 1994. This low point is probably not surprising given that production of raw apparel wool is at 90 year lows. By value, US imports of wool clothing in the first eight months this year is at the lowest since 2010 (immediately following the Global Financial Crisis).

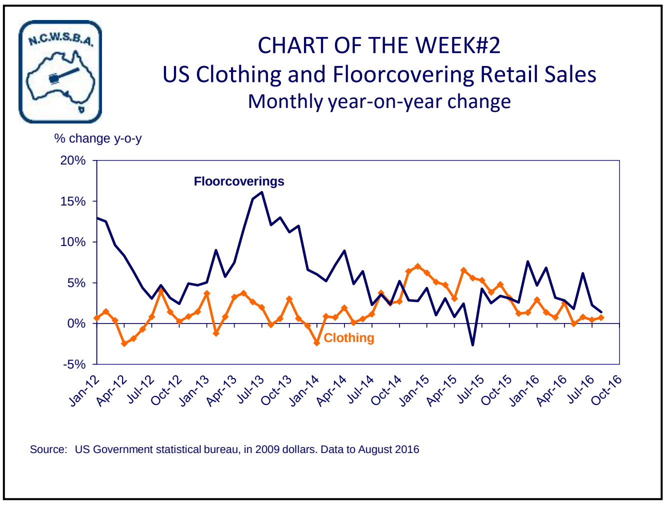
US imports of clothing made from **cotton** have also fallen this year, by 1% by volume and 4% by value, while imports of **synthetic fibre** clothing is up by a slight 1% in volume and down 1% by value.

The first **Chart of the Week** shows the year-on-year changes in US imports of clothing by fibre in both volume and value terms for the eight months of 2016. It also shows the changes in imports of wool clothing from the major source countries. **China**, which is the US' major supplier of wool clothing (as well as the major supplier of cotton and synthetic fibre clothing), saw its US imports drop by 11% in volume and 10% in value.



While imports from many other source countries also fell, US imports of wool clothing from both **Vietnam** and **Indonesia** rose in the first eight months of 2016. Because of these changes, China accounted for 52% of the volume of US imports of wool clothing for the January-August period, down from 54% in 2015. Vietnam, on the other hand, increased it share to 10%, up from 9%.

Based on these import figures, it seems that the volume of wool product available in retail stores in the US this among Autumn/Winter could be a little limited. At the same, the growth in retail sales of clothing is growing but at a slower pace than in 2015. The second **Chart of the Week** shows the trends in the year-on-year growth in US retail sales by value for clothing and for floorcoverings.



While the US import data to August and the US retail sales figures are a little disappointing, there is still time for these to turnaround. September, October and November are typically the largest months for imports of wool clothing by the US. These three months account for around 40% of the annual total imports of wool clothing by the US. Let's hope the import levels pick up in these months.

INDUSTRY EVENTS

The **AWEX AGM** will be held in Sydney on 9th November.

The **AWI AGM** will be held in Sydney on 18th November.

The **IWTO Wool Roundtable** will be held in Biella, Italy on 28th-29th November.

The **IWTO 2017 Congress** will be held on 3 to 5 May 2017 in Harrogate, North Yorkshire, UK.

WOOL SALES WEEK BEGINNING 31st OCT 2016 – week 18 (roster as at 27/10/2016)

<u>Sydney</u>
Wed, 2nd Nov; Thurs, 3rd Nov — 14,268 bales

<u>Melbourne</u>
Wed, 2nd Nov, Wed, 3rd Nov — 25,588 bales

<u>Fremantle</u>
Wed, 2nd Nov; Thurs, 3rd Oct — 9,503 bales

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