



# The National Council of Wool Selling Brokers of Australia Inc

## NEWSLETTER

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### From the desk of Chris Wilcox, Executive Director

- Australian wool market hits a hurdle?
- Economic prospects looking up
- Subdued retail sales in Autumn/Winter 2016/17
- IWTO Market Information 2016 report now available
- Upcoming events



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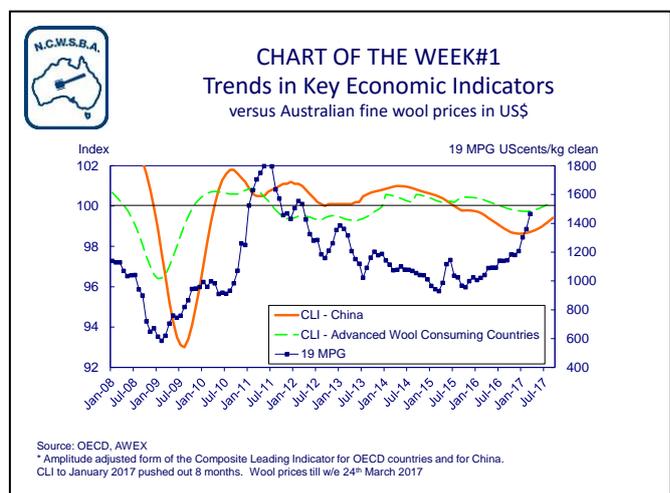
After a strong start on Wednesday, the **Australian wool market** seemed to hit a hurdle it couldn't jump on Thursday, in Melbourne and Fremantle at least. The **Eastern Market Indicator (EMI)** lifted on Wednesday, then fell back on Thursday, to finish at 1546 c/kg, the same as last week. While the EMI was unchanged, prices for ultrafine wool jumped again, with the 16.5 micron price guide lifting by 129 cents to over \$24/kg. Superfine wool prices (17.5 to 18.5 micron) edged higher, but medium and broader Merino prices fell back. Of the regions, the Northern region did best, with the Northern Market Indicator lifting by 5 cents to 1641 c/kg. Both the Southern Market Indicator and the Western Market Indicator fell under the weight of declines in prices for medium and broad Merino wool. The Southern Market Indicator eased back by 3 cents to 1485 c/kg and the Western Market indicator dropped by 20 cents to 1534 c/kg.

The A\$ slid a little against both the US\$ and the Euro to 76.6 UScents and 71.0€cents. As a result, the EMI was down by 4 UScents to 1184 USc/kg and by 9 €cents to 1098€cents/kg.

While there has been much talk about increased buying by China as the driver of wool prices, one factor helping boost demand for Merino wool prices is the state and **outlook for the global economy**. To my mind, it is economic conditions, good or bad, that is the bedrock of wool prices and particularly for Merino wool. The good news for prospects for wool prices is that world economic conditions are improving and for the first time in seven years it seems that the advanced countries and developing countries will record a synchronised surge of economic growth in 2017 and 2018.

While there are risks to worry about, including the debt levels in China, the stability of the Euro and the economic policies of the US under President Trump (notably given his protectionist bent), there is growing evidence of a gathering pace of world economic growth.

This is illustrated in the first **Chart of the Week**, which shows the OECD's Composite Leading Indicators for the advanced wool consuming countries (the US, Germany, Italy, the UK, France and Japan) and for China. Both sets of leading indicators show a clear and strong upturn for the rest of 2017.



This could help explain the lift in Merino wool prices, particularly for fine and superfine wool. The chart shows prices in US\$ terms and the recent sharp rise after an extended period of a declining trend between 2011 and 2016.

This improved economic environment is one reason for consumers being more and more confident. **Consumer confidence** in the US is at the highest levels since mid-2001 – 16 years ago! In Europe, consumer confidence hovers around 8 year highs and consumers are increasingly confident in Japan.

This is all positive, but is yet to be translated into **retail sales of clothing**, if the official data on clothing retail sales is anything to go by. The second **Chart of the Week** shows the annual growth in clothing retail sales in the eight major wool consuming countries. It also shows the growth in clothing retail sales in the just completed Autumn/Winter season in these countries compared with the growth a year earlier. Note that the Northern Hemisphere Autumn/Winter period is between October and January. As I have commented before in the *Weekly Newsletter*, this period is the most important part of the year for the sale of wool clothing. I estimate that the Autumn/Winter period accounts for around 60% of the annual purchases of wool clothing.

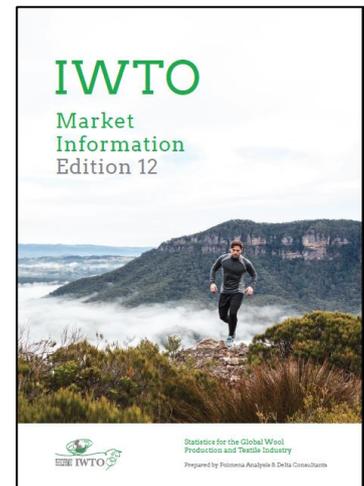
As is shown by the cells shaded in red, six of the eight countries recorded lower growth rates in clothing retail sales this Autumn/Winter than a year before. In some cases, the difference is significant, such as for the US where the growth rate has fallen from 5.6% in 2015 to just 0.5% in 2016. We will need to see these growth rates pick up in the next few months if retailers are to be encouraged to place orders for the Autumn/Winter 2017 season. Hopefully, with their confidence at high levels, consumers will dig into their pockets and start buying clothes!

 **CHART OF THE WEEK#2**  
**Clothing Retail Sales in the Major Wool Consuming Countries**

% change y-o-y	2011	2012	2013	2014	2015	2016	Autumn/Winter*	
							2015	2016
China	+25.1%	+17.7%	+11.5%	+10.8%	+9.3%	+6.8%	+8.4%	+6.7%
USA	+3.5%	+0.5%	+1.5%	+2.1%	+4.2%	+1.0%	+5.6%	+0.5%
Japan	+3.2%	-0.4%	-0.7%	-0.5%	-2.3%	-2.3%	-3.3%	-4.3%
Germany	+0.9%	-0.3%	+0.1%	+1.3%	+2.8%	+1.6%	+1.8%	+1.5%
UK	+3.3%	+1.5%	+3.1%	+5.2%	+1.5%	-2.6%	-0.8%	+1.7%
Italy	-1.1%	-2.3%	-2.1%	-1.3%	+0.8%	+0.3%	+0.4%	+0.1%
France	+1.7%	+0.6%	+1.1%	+1.2%	+3.4%	+2.8%	+3.3%	+3.3%
South Korea	+8.6%	+3.2%	+0.8%	+1.6%	+3.5%	+3.9%	+5.8%	+2.9%

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. October to January (only to December for China)

Edition 12 of the **International Wool Textile Organisation's Market Information Report** has just been released. The 160-page report has 51 tables and 60 charts of detailed statistics on the world wool industry covering everything from sheep numbers and wool production to prices for wool in a number of countries (including Australia, New Zealand, South Africa, South America and China) to prices for competing fibres to trade in raw wool, semi-processed wool and finished wool products and to retail sales. The report also includes an overview of the wool market in 2016 and an outlook for 2017, as well as almost 60 charts. It is the definitive source of statistics on the global wool industry. It is free to IWTO Members and available to non-members at €500. **Please contact me at [chris.wilcox@woolindustries.org](mailto:chris.wilcox@woolindustries.org) or 0419344259 about how you can obtain a copy.**



#### OTHER INDUSTRY EVENTS

The next meeting of the **Australian Wool Production Forecasting Committee** will be on 19<sup>th</sup> April 2017 in Melbourne.

The **IWTO 2017 Congress** will be held in Harrogate, UK on 3<sup>rd</sup> to 5<sup>th</sup> May 2017.

The **2017 Nanjing Wool Market Conference** will be held in Tongxiang, China on 17<sup>th</sup> to 18<sup>th</sup> September 2017.

#### WOOL SALES WEEK BEGINNING 27<sup>th</sup> MAR 2017 – week 39 (roster as at 23/03/2017)

##### Sydney

Wed, 29<sup>th</sup> Mar; Thurs, 30<sup>th</sup> Mar 10,850 bales

##### Melbourne

Wed, 29<sup>th</sup> Mar; Thurs, 30<sup>th</sup> Mar 23,038 bales

##### Fremantle

Wed, 29<sup>th</sup> Mar; Thurs, 30<sup>th</sup> Mar 12,559 bales

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