



19th October 2018

2018/37

From the desk of Chris Wilcox, Executive Director

- Australian wool prices weaken
- Consumer confidence at highs in US, softening in Europe
- Australian wool exports in August – volumes down, values up
- AWTA Annual General Meeting and financial results for 2017/18
- Wool Week in London – focus on Wool Care and environmental sustainability
- Upcoming industry events

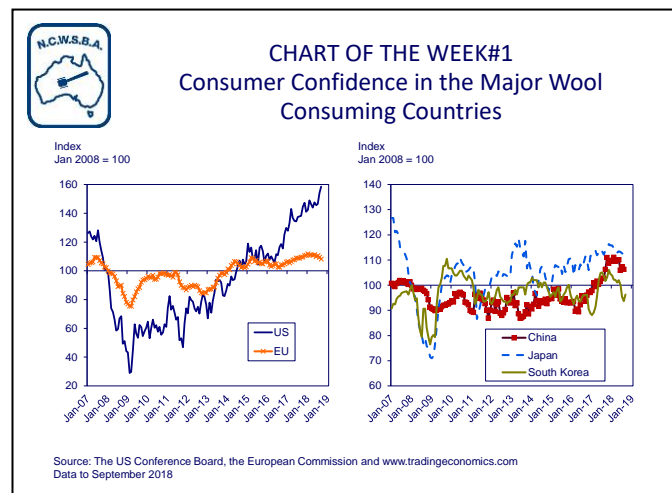


The **Australian wool market** fell back significantly this week, triggered by a stronger A\$. There is also some talk about waning confidence among some parts of the processing industry. The **Eastern Market Indicator (EMI)** fell by 53 cents (2.6%) to close at 1970 c/kg. The most significant drops were seen for superfine Merino wool (18.5 micron and finer), with the 16.5 Micron Price Guide down by 121 cents or 4.1%. The prices for medium Merino wool (21-23 micron) saw smaller falls. Crossbreds also lost ground.

The Northern Market Indicator was down by 49 cents to 2021 c/kg, the Southern Market Indicator fell by 56 cents to 1938 c/kg and the Western Market Indicator dropped by 76 cents to finish at 2094 c/kg. The A\$ was stronger against the main currencies. As a result, the EMI fell by less than in A\$ terms: it was down by 25 UScents to 1405 USc/kg; by 174 RMB to 9,744 RMB/kg; and was 16 €cents lower at 1222 €cents/kg.

We are heading into the Autumn/Winter season in the Northern Hemisphere. This period, between October and January, is the most important for the volume of wool clothing sold annually in the major retail markets of China, the US, Japan, Italy, the United Kingdom, Germany, France and Korea. A key indicator of how retail sales may go is **consumer confidence** in these countries. If consumers are confident, they are far more likely to spend, and spend on higher priced products, including wool garments. So, how is consumer confidence in these countries as we start the Autumn/Winter season?

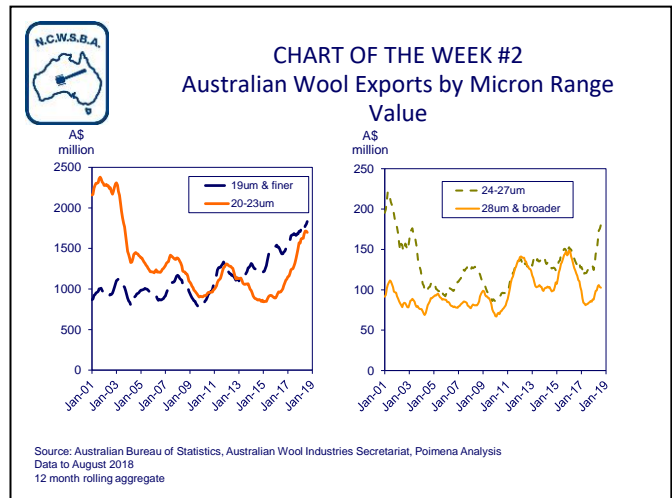
As the first **Chart of the Week** shows, consumer confidence in the US continues to rise, surging in September to the highest level since September 2000. As I said last week, the US economy has been on a strong lift in economic growth. The corporate tax breaks introduced by the Trump administration has fired up an already growing economy, boosting consumer confidence. In contrast to this strong result for the US, consumer confidence in Europe and Asia has slid in recent months. It is interesting to see the drop in consumer confidence in China. The September data is not yet available for China, and I would not be at all surprised to see another lower number from what I have been hearing. I understand that consumers are concerned about the impact of the fall in the stock market and the trade tensions between China and the US.



The latest data that **Australian wool exports** fell by 16% in volume terms in July, largely due to a 19% drop in exports to China, and a 41% fall in exports to the Czech Republic. Other major export destinations recorded increases, with exports to India up by 10%, exports to Italy up 22% and exports to Korea 67%

higher. However, while the volume of exports was down, the value of wool exports in August lifted by 14% compared with August 2017. The value of exports to China were 9% higher, Italy was up by 43%, India was 30% higher and exports to Korea were 110% higher. The value of wool exports to the Czech Republic was down by 2%.

It is interesting to see the trends in the value of **exports by micron category**. The second **Chart of the Week** shows the trends on a 12 month rolling aggregate basis for each of the four micron categories reported by the Australian Bureau of Statistics. As can be seen, all micron categories have seen a sharp lift in the value of exports since at least early 2017. While exports of fine wool (19 microns & finer) has risen on an upward trend since 2010, and the value of exports of medium Merino wool (20-23 micron) has lifted since 2015, the export value for 24-27 micron and 28 micron & broader wool has only increased more recently. The value of exports of 28 micron & broader wool is particularly lacklustre, reflecting the weak prices for this broader wool.



AWTA Ltd (the Australian Wool Testing Authority) held its **Annual General Meeting** earlier today (19th October) and officially released the financial results for 2017/18. John Colley (NCWSBA President) attended as the Member Representative for NCWSBA. I also attended as the NCWSBA-appointed Director on the AWTA Board. The company reported a net profit of \$5.404 million for the financial year, similar to the \$5.164 million profit recorded in 2016/17. The result was due to higher revenue from all Divisions (Raw Wool, Agrifood Technology, Product Testing and New Zealand Wool Testing Authority), as well as increased income from AWTA's investment portfolio. Further details can be found on the AWTA website at <https://awta.com.au/index.php/en/>.

Wool Week was held in London last week, with a focus on wool's machine washability. There was an installation of stacked washing machines in Covent Garden for the week. It was titled The Wool Care (see the picture). The message was clear – you can put wool straight in the washing machine. As well, the wool fibres that are released from pure wool clothing during washing are safe for the environment as they fully biodegrade. This contrasts with synthetic fibre clothing which leaves behind masses of micro-plastics which enter the water and maritime ecologies and into the food chain through fish and other aquatic creatures. There will be full details about all the events in coming weeks.



INDUSTRY EVENTS

The **Australian Wool Production Forecasting Committee** meets on 14th November 2018.

The **IWTO 2018 Roundtable** will be held in Buenos Aires on 3rd to 4th December 2018.

The **IWTO 2019 Congress** will be held in Venice on 9th to 11th April 2019.

WOOL SALES WEEK BEGINNING 22nd OCT 2018 – week 17 (roster as at 18/10/2018)

Sydney

Wed, 24th Oct; Thurs, 25th Oct 8,842 bales

Melbourne

Wed, 24th Oct; Thurs, 25th Oct 22,627 bales

Fremantle

Wed, 24th Oct; Thurs, 25th Oct 7,233 bales