



Wool Market in the Balance: Global Wool Prices, Supply and Demand

Chris Wilcox
Chairman, Market Intelligence Committee

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Events Affecting the Wool Industry since 84th IWTO Congress in 2015



Anticipated

- Slow economic recovery in advanced economies
- China economy in transition
- Better raw wool demand
- Low world wool production
- Pull-back in superfine wool production
- Higher wool prices, particularly merino cardings
- Continued strong demand for double-faced woollen fabric



Surprises

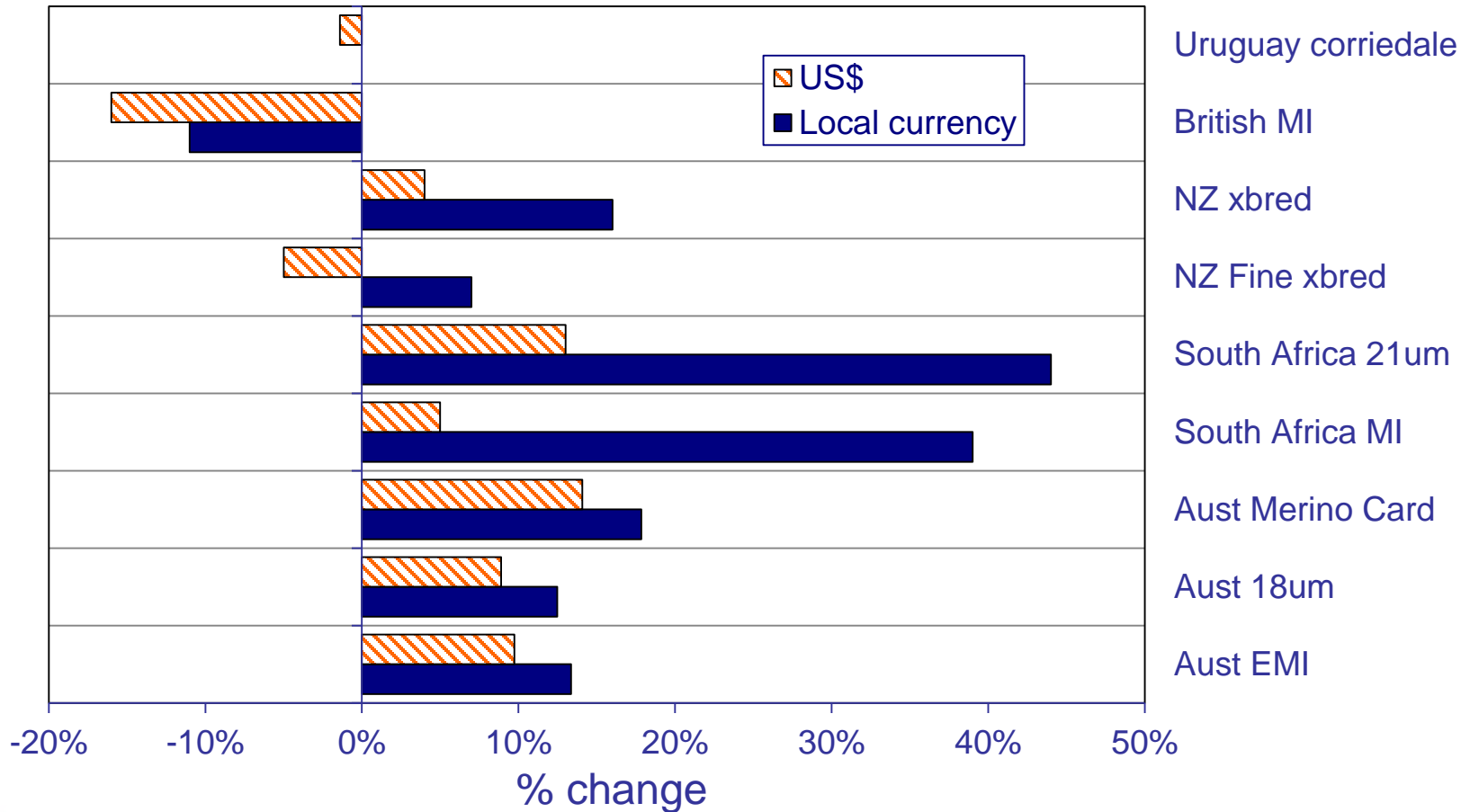
- Spike in prices and surge in supplies in Australia in May-June 2015
- Large decline in commodity prices
- Periods of global sharemarket upheaval
- Recovery in A\$ and NZ\$ against US\$





World Wool Prices In the Past Year

(% change March 2016 compared with March 2015)



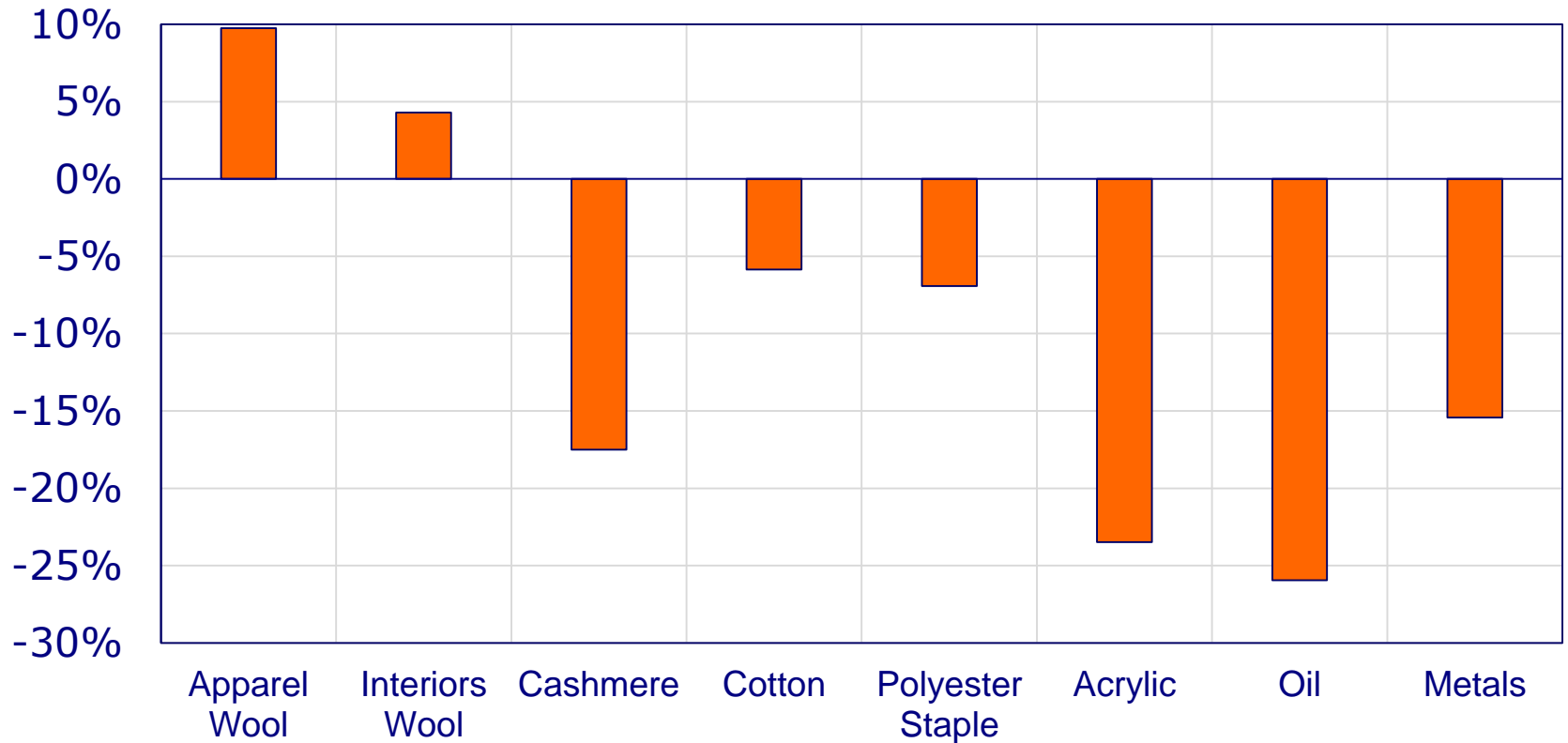
Source: AWEX, NZ Wool Services, Capewools, BWMB, Zambrano & Cia (Uruguay)



Wool Outperforms Other Commodities

% change March 2016 vs March 2015 – US\$ base

% change y-o-y



Source: AWEX, The Economist, CotLook, PCI Fibres
Prices to March 2016
Apparel wool – Australian EMI; Interiors Wool – NZ Crossbred wool



World Wool Production Down then Flat

- World wool production steady in 2014/15 at 1,166 mkg clean
- World production predicted down by 1.5% in 2015/16
 - Up in China, India, UK, Mongolia and USA
 - Down in Australia (-7%), New Zealand, South Africa, Uruguay (-9%)
- Continued interest in sheep for meat or dual-purpose
- Competition from other agricultural enterprises lessens (e.g. dairy in NZ)
- Superfine (18.5 micron and finer) wool production falls back from peak
- Major decline in medium and broader Merino wool
- World wool production predicted to be flat in 2016/17
 - Lower production in Australia offset by expected increases in most other IWTO countries



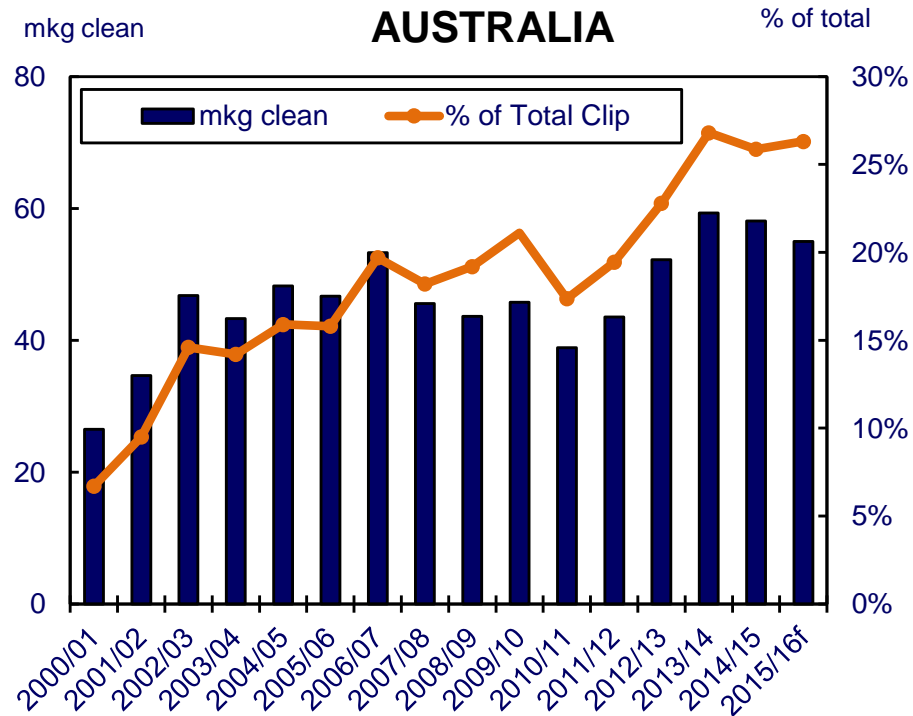
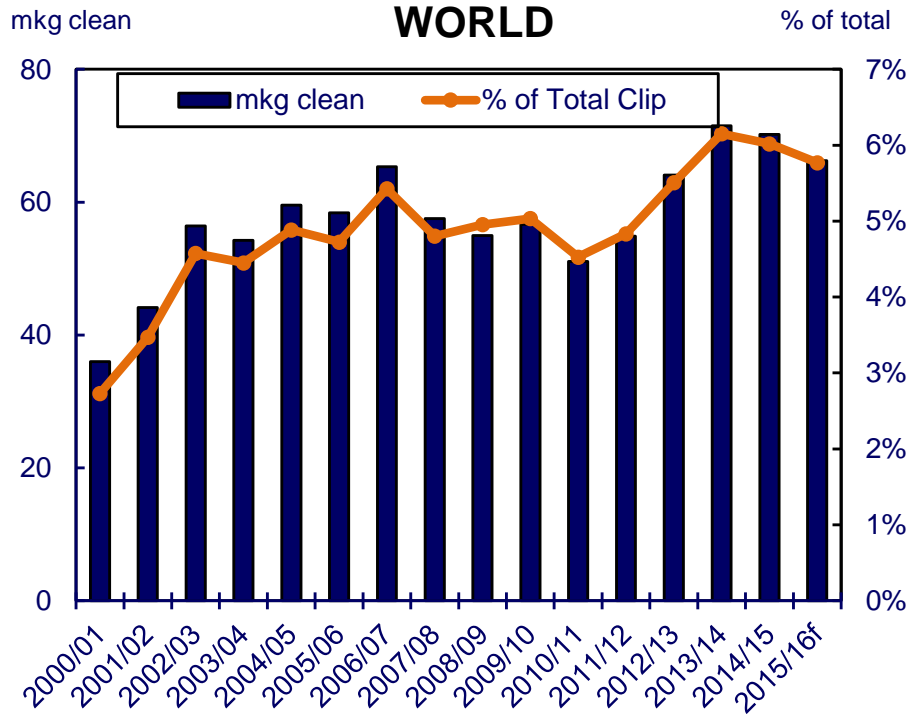
World Wool Production Trends

Total wool production - mkg clean

mkg clean	2015	2016f	% change	2017f	% change
“Apparel” wool IWTO countries					
Australia	277	258	-7.0%	256	-0.6%
Argentina	28	28	0.0%	29	+0.7%
South Africa	30	30	-1.0%	30	+1.6%
Uruguay	22	19	-8.8%	20	+3.8%
USA	7.2	7.3	+1.5%	7.4	+1.9%
“Interior textile” wool IWTO countries					
China	176	177	+0.3%	177	0.0%
New Zealand	114	112	-2.2%	112	+0.1%
India	39	39	+0.6%	39	+0.5%
UK	22	22	-1.0%	22	0.0%
Mongolia	17	18	+8.4%	21	+11.1%
Others	442	446	+0.8%	449	+0.7%
Global	1,166	1,148	-1.5%	1,154	+0.5%



Superfine Wool Production Pulls Back from Peak



Source: Poimena Analysis, AWTA, NZWTA, Cape Wools, FLA, Delta, American Sheep Industries, China Wool Textile Association.

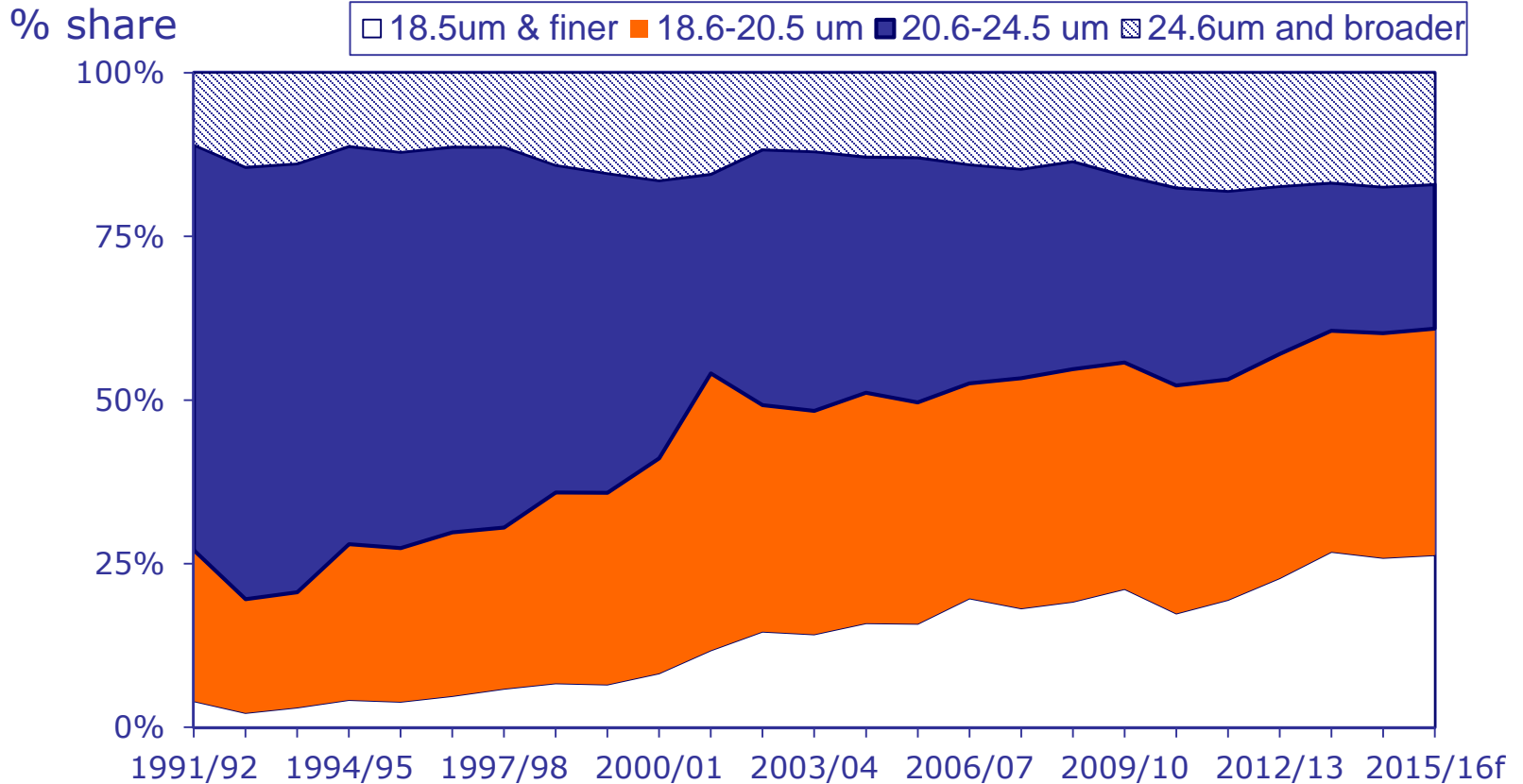
Updated March 2016





Medium Merino Wool Production Drops

Australian Wool Production by Micron Range Shares



Source: Australian Wool Production Forecasting Committee and Australian Wool Testing Authority

Updated: March 2016



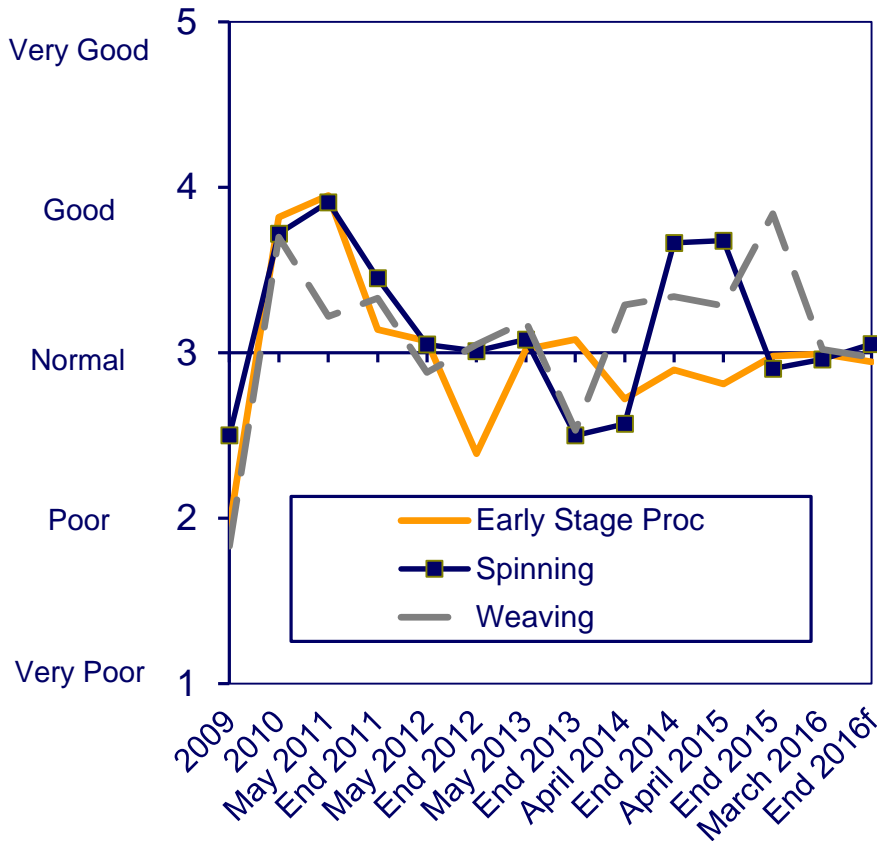
IWTO Wool Textile Business Survey 2016

- Eleven countries reported
 - Care with interpreting results
- Early stage processing tracking slightly below “normal”
- Knitting, weaving and interior textiles sectors come back from “good” conditions
- Spinning improving a little
- Excess stocks in weaving, knitting, garment making and interior textiles in 2015
- Stocks now under control?
- Low stocks currently in ESP

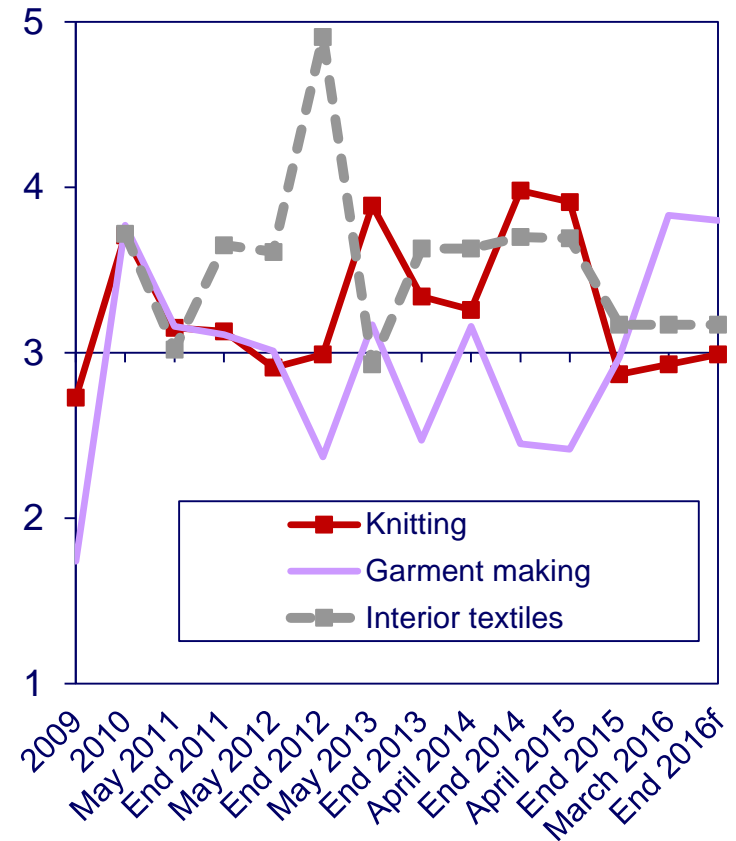


Wool Textile Industry Production Activity: Return to Normal Levels?

Rating



Rating



Source: IWTO Wool Textile Business Survey
Weighted results for China, Italy, Germany, Uruguay, Mongolia, Argentina, South Africa, Japan, France, Spain and the United Kingdom



Wool Textile Industry Stock Levels Pull Back from Highs

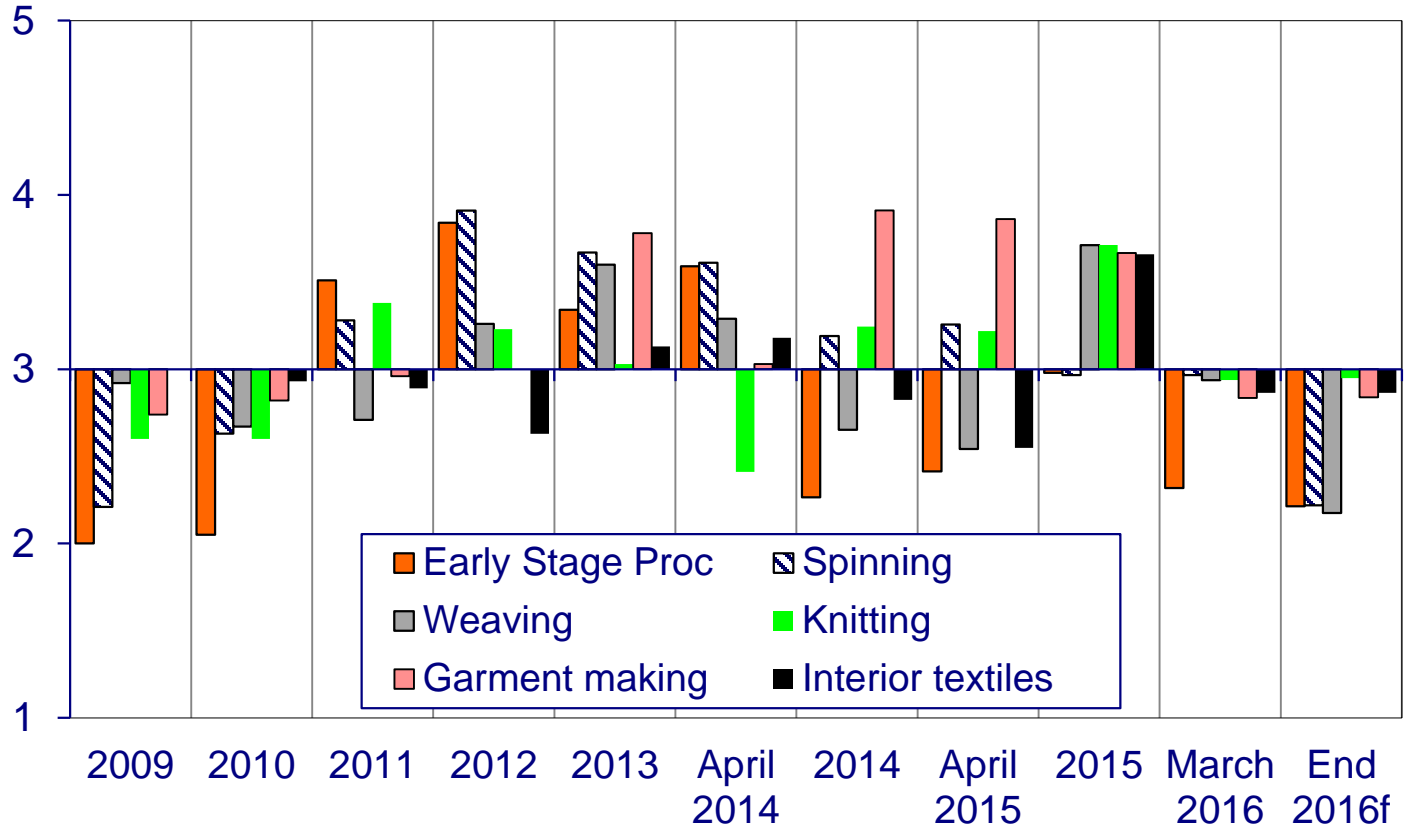
Well above normal

Above normal

Normal

Below normal

Well below normal

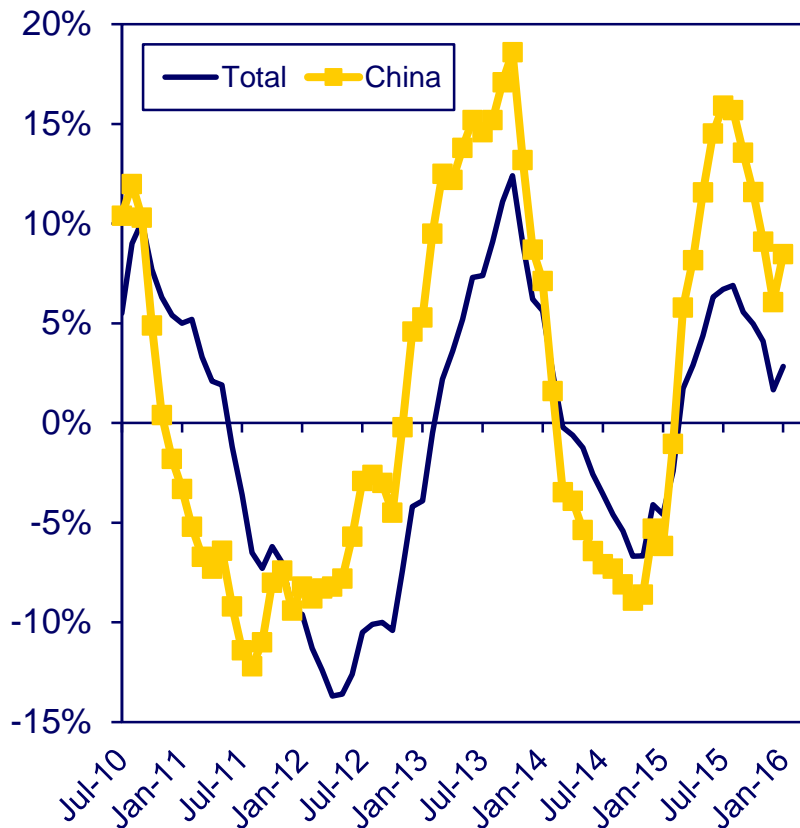


Source: IWTO Wool Textile Business Survey
Weighted results for China, Italy, Germany, Uruguay, Mongolia, Argentina, South Africa, Japan, France, Spain and the United Kingdom

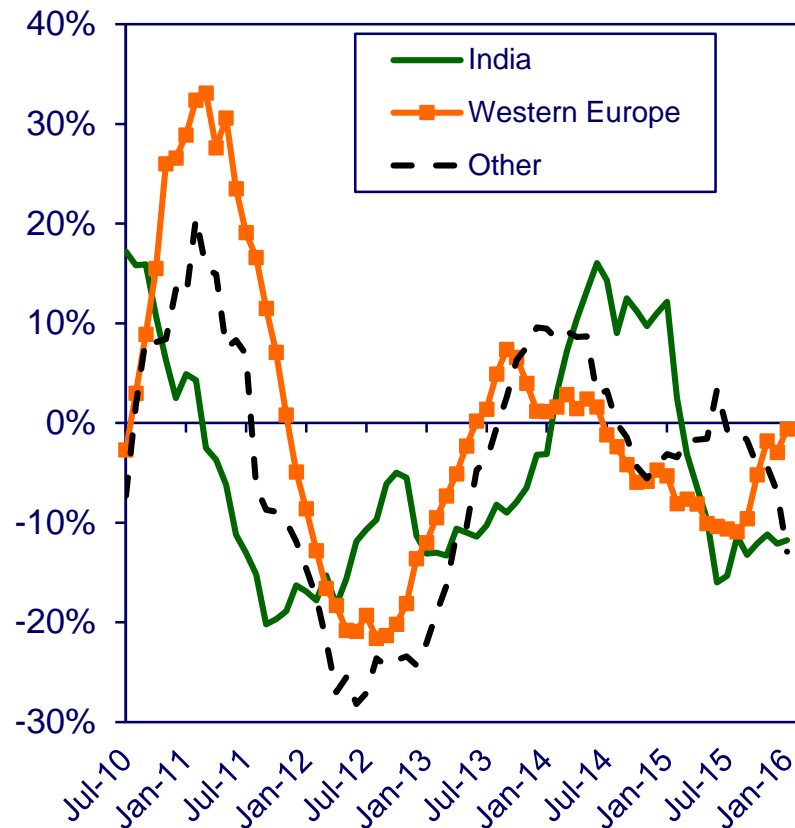


Raw Wool Imports by Europe Turns Up 12 month rolling aggregate

% change y-o-y



% change y-o-y





Clothing Retail Sales in the Major Wool Consuming Countries

% change y-o-y	2010	2011	2012	2013	2014	2015	Oct-Jan	
							2014	2015
China	+25.8%	+25.1%	+17.7%	+11.5%	+10.8%	+9.5%	+8.9%	+6.6%
USA	+6.0%	+3.4%	+0.9%	+1.3%	+1.1%	+3.8%	+5.1%	+1.5%
Japan	-6.3%	+3.2%	-0.4%	-0.7%	-0.5%	-2.3%	-1.0%	-3.3%
Germany	+1.2%	+0.9%	-0.3%	+0.1%	+1.3%	+2.6%	+2.1%	+1.6%
UK	+5.4%	+3.3%	+1.5%	+3.1%	+5.2%	+1.6%	-1.0%	+0.2%
Italy	+0.8%	-1.1%	-2.3%	-2.1%	-1.3%	+0.8%	-1.1%	+0.7%
France	+2.8%	+1.7%	+0.6%	+1.1%	+1.2%	+2.9%	+1.6%	+2.0%
South Korea	+9.8%	+8.6%	+3.2%	+0.8%	+1.6%	+3.5%	+0.7%	+5.6%

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.



Retail Sales of Furnishings and Floorcoverings in Selected Countries

% change y-o-y	China	USA	Japan	UK
2010	+37.2%	+2.1%	-4.0%	-17.6%
2011	+32.8%	+9.6%	-1.8%	-22.1%
2012	+27.0%	+6.3%	+1.7%	+28.9%
2013	+21.0%	+10.4%	-2.5%	+14.5%
2014	+13.9%	+6.5%	-1.8%	-3.1%
2015	+16.1%	+5.9%	-14.8%	-28.9%

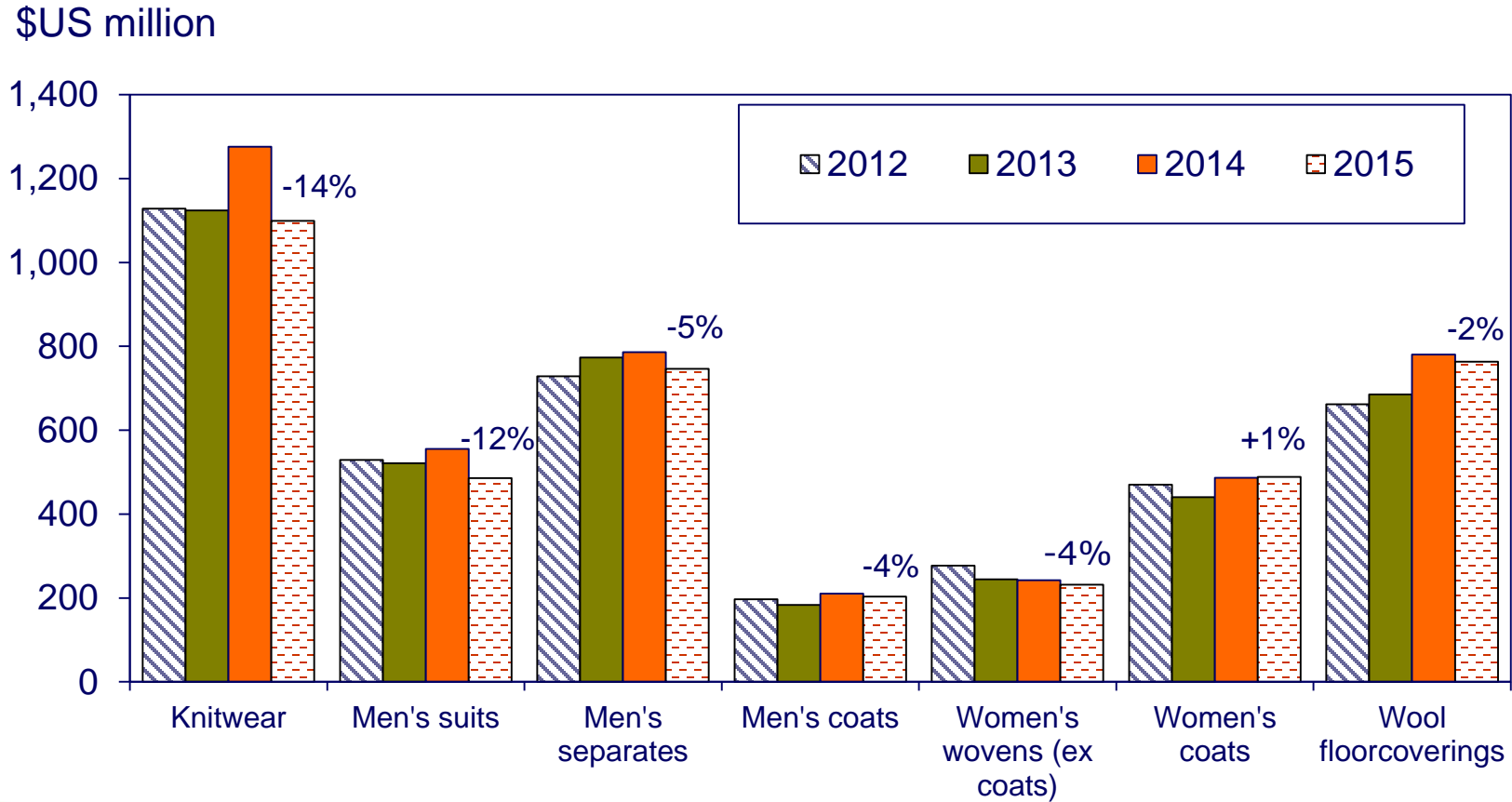
Source: Government statistical bureaus.

Notes: Value of retail sales. China is for retail sales of furniture including floorcoverings, USA is for carpets and other floorcoverings. Japan is for sales of furniture in major department stores. UK is for floor covering retail stores.



Disappointing US Imports of Wool Products in 2015

(Value - Calendar Year)



Source: OTEXA



Drivers and Prospects for 2016/17

- Slower world economic growth in 2016 and 2017
 - Solid in US and UK, improving in Europe and Japan
 - China slowing and in transition – a key for wool
- Positive consumer confidence in the US, Europe and Japan
- BUT... Disappointing results for US imports of wool products
- Mixed forecasts for growth in private consumption
- Wool textile industry stocks now under control?
- Low world wool production continues
- High price ratio for wool against cotton prices and synthetic fibres – does it matter?
- US\$ predicted to be strong against grower country currencies, but how accurate are the forecasters?





Private Consumption Forecasts in Key Apparel Wool Consuming Countries

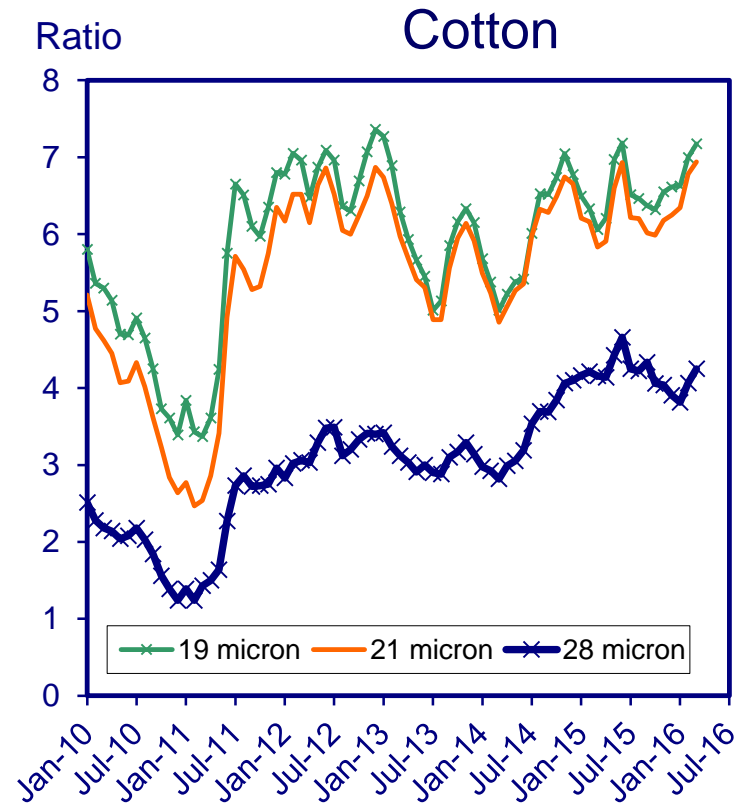
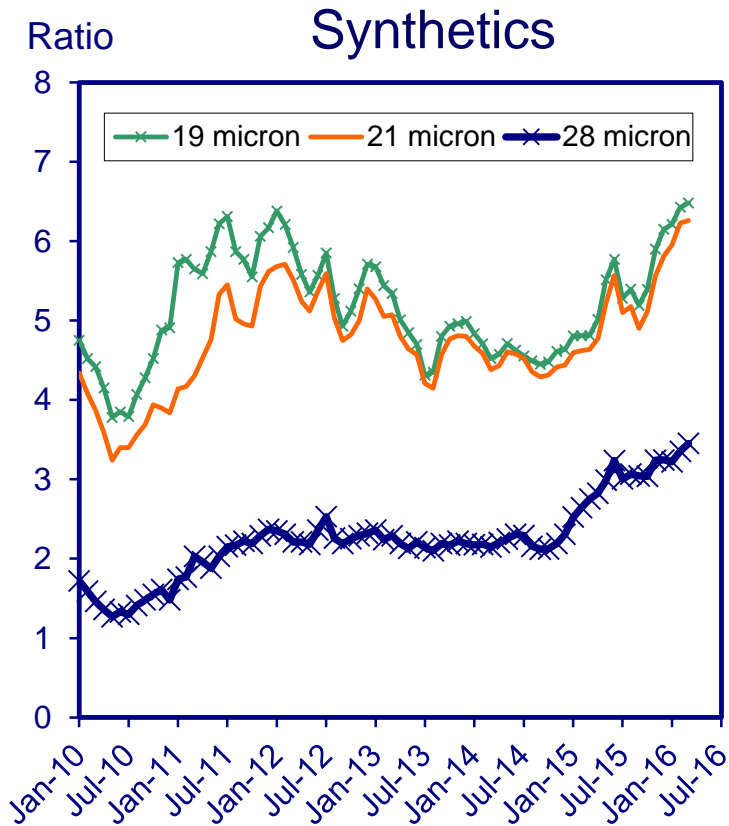
Country	Share of wool at retail	Private Consumption Forecasts			
		2014	2015	2016(f)	2017(f)
China*	23%	7.3%	6.9%	6.4%	6.2%
USA	11%	2.4%	2.4%	2.7%	2.6%
Japan	9%	-1.0%	-1.2%	0.4%	0.1%
Italy	5%	0.4%	0.9%	1.4%	1.2%
Germany	5%	0.9%	1.9%	2.0%	1.6%
South Korea	5%	3.3%	2.6%	2.5%	2.4%
UK	4%	2.6%	2.9%	2.7%	2.2%
France	3%	0.6%	1.4%	1.3%	1.6%

(f) forecast. * China is GDP growth.

Source: Poimena Analysis for wool at retail, three year average 2012-14, Consensus Forecast (March 2016)



Wool Price Competitiveness US\$ terms



Source: AWEX, Cotton Outlook, PCI Fibres, CIRFS, Woolmark, Poimena Analysis
Data to March 2016

Note: for 28 micron wool, the ratio is against acrylic fibre



Thank You!

