The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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From the desk of Chris Wilcox, Executive Director



- The Australian Eastern Market Indicator lifts again
- World economic growth to slow in 2019 as risks rise
- Retail sales in the major wool consuming countries
- Higher premiums for most Non-Mulesed fine wool in 2018/19 to date
- IWTO 2019 Congress in Venice – registration now open
- Upcoming industry events

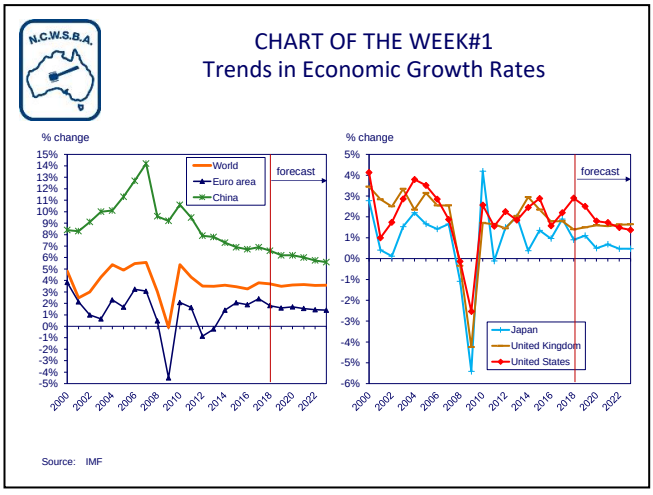
Another rise for the **Australian wool market** this week, although the results were patchy between selling centres and wool types. The **Eastern Market Indicator** was 4 cents higher to 1927 c/kg. This was led by a 10 cent lift in Sydney, helped by higher Merino wool prices, with the Northern Market indicator closing at 1970 c/kg. In Melbourne, there were some inconsistent movements among the micron price guides, mainly due to higher discounts for poorer specc'ed wools. The Southern Market Indicator was 2 cents higher at 1901 c/kg. Prices fell for all micron price guides in Fremantle, with the Western Market Indicator down 13 cents to 2092 c/kg. While the EMI lifted in A$ terms, it fell by 3 UScents to 1373 USc/kg as a result of a slide in the A$ against the US$. The A$ was also lower against the Euro and the Renminbi, with the EMI falling by 5 €cents to 1203 €cents/kg, but it was virtually unchanged in Renminbi terms at 9298 RMB/kg.

The International Monetary Fund (IMF) released its updated **forecasts of world economic growth** on Monday. It lowered its forecasts for 2019 and 2020 compared with the October forecasts. It says that the outlook is less positive due to a number of factors, including the impact of new automobile fuel emission standards in Germany, rising sovereign and financial risks in Italy, and a slowdown in China's economy as the recent tariff increases into the US start to bite. The IMF also notes that there are further downside risks to their updated forecast. These include an escalation of the trade dispute between the US and China, a greater than expected adverse impact in key economies from the rising interest rates, a 'no deal' for Brexit and a greater than expected economic slowdown in China.

Despite all of these negatives and the breathlessly pessimistic reporting by the daily media, the IMF forecasts for economic growth remain quite bright. The first **Chart of the Week** shows the trends in annual economic growth for the world and key wool consuming countries since 2000 out to 2023.

The IMF is expecting a continued slowing of the annual economic growth rate in China to around 6% per annum. This is well below the 10%+ growth rates seen before 2010. But remember that the Chinese economy is much bigger than it was 10-20 years ago. In 2000, China's total GDP was US$1.14 trillion; in 2010 it was US$6.07 trillion; and by 2018 it was US$13.46 trillion. So, a 6% growth rate adds much more to GDP each year now than a 10% growth did in 2000 or 2010.

The other thing to note is the economic growth rate in the US is expected to peak in 2018 and then slide steadily as the 'sugar-rush' of the Trump Administration's 2017 tax cuts dissipates.



It is interesting to see how **retail sales of clothing** in the Northern Hemisphere did in 2018 given the very good economic growth rates in many countries. As the second **Chart of the Week** shows, the growth in retail sales of clothing was higher in 2018 than in 2017 in four of the eight major wool consuming countries (this is shown by the green shading in the table). This includes China and the US, two of the biggest wool consuming countries. It also includes Japan, but actually this year's number is negative (again) and is simply less negative than it was last year. The other four countries recorded slower growth in retail sales in 2018.

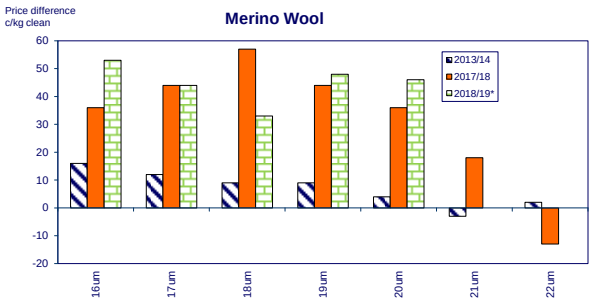
CHART OF THE WEEK #2
Clothing Retail Sales

% change y-o-y	2012	2013	2014	2015	2016	2017	2018*
China	+17.7%	+11.5%	+10.8%	+9.3%	+6.8%	+8.0%	+8.7%
USA	+0.5%	+1.5%	+2.1%	+5.9%	-0.3%	+2.7%	+4.0%
Japan	-0.4%	-0.7%	-0.5%	-2.3%	-5.3%	-3.0%	-3.6%
Germany	+0.2%	+0.2%	+1.6%	+2.8%	+1.9%	+2.5%	+1.4%
UK	+1.6%	+2.0%	+6.0%	+1.2%	-2.5%	+6.4%	+0.4%
Italy	-2.2%	-2.1%	-1.2%	+0.8%	+0.3%	+0.7%	+0.3%
France	+0.6%	+1.1%	+1.3%	+3.4%	+2.8%	+3.9%	+3.0%
South Korea	+3.2%	+0.8%	+1.6%	+3.5%	+4.2%	+2.3%	+4.3%

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.
* Year to November

AWEX this week provided data showing the average **price differences paid** for wool with the various **mulesing status i**n the 2018/19 season to December compared with the previous five seasons. The data shows that the premiums paid for non-mulesed Merino wool at auction in the July to December 2018 period were higher than in 2017/18 for several of the Merino microns (see the third **Chart of the Week**). Some care needs to be taken with the results as the data for some types is very limited, making them statistically unreliable. For this reason, AWEX has not reported the price difference for 21 and 22 micron wool this season. As the chart shows, there has been strong lift in the average premiums paid for non-mulesed 16 micron and 22 micron wool. For 18 micron wool, the average premiums have fallen so far this season compared with the high levels seen in 2017/18. The chart also shows a comparison with the levels in 2013/14. The average premiums are vastly higher than they were in 2013/14. Of course, the average masks some of the much higher premiums that have been achieved for fine non-mulesed Merino wool this season. I have also heard that a considerable quantity of non-mulesed fine Merino wool has been sold outside of the auction system, which would affect the analysis.

CHART OF THE WEEK #3
Price Difference for Non-Mulesed Wool~



Source: AWEX
~ Compared with Mulesed Wool
* Season to December

Registrations for the International Wool Textile Organisation's 2018 Congress in Venice are now open. Click here for details and to register. You will need to log in with your IWTO member log-in. If you have not yet created an account with the IWTO, there are instructions on how to do that. The Early Bird fee for IWTO Members is €1300 (valid until 6th March). Note, there is a 22% Italian VAT to add to the fee, which brings the total to €1,586. **REMINDER: Applications for the Young Professional Programme for the 2019 Congress in Venice** close on 4th February 2019. Application forms from https://www.iwto.org/events/2019-congress

INDUSTRY EVENTS

The **Australian Wool Production Forecasting Committee** meets on Monday, 1st April 2019 at AWTA in Melbourne.

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

WOOL SALES WEEK BEGINNING 25th JAN 2019 – week 31 (roster as at 24/1/2019)

Sydney	
Wed, 30th Jan. Thurs 31st Jan	8,929 bales
Melbourne	
Wed, 30th Jan. Thurs 31st Jan	21,683 bales
Fremantle	
Wed, 30th Jan. Thurs 31st Jan	10,017 bales

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