The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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From the desk of Chris Wilcox, Executive Director



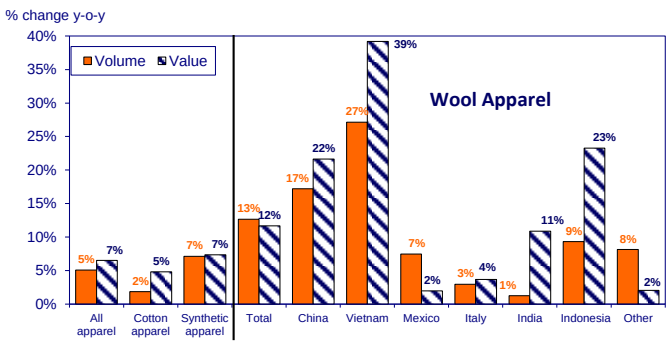
- Australian wool prices in record one-week leap
- US imports of wool clothing surges in June and July
- US consumer confidence and clothing retail sales at highs
- Mixed results for Australian wool exports in July
- Upcoming industry events

A stunning week for the **Australian wool market**! After falling sharply in August, wool prices in the rebounded abruptly this week, with a record leap in prices on Wednesday and strong gains on Thursday. Overall, the **Eastern Market Indicator (EMI)** jumped by 170 cents for the week to 1535 c/kg. AWEX reports that this is the largest weekly gain on record. While all wool types benefited from the rebound, Merino wool prices recorded the strongest week-on-week gains, notably the 19-21 micron indicators which were 250-300 cents higher in Melbourne. Sydney only sold on Wednesday and the Northern Market Indicator lifted by 126 cents to 1534 c/kg. The two-day sales in Melbourne and Fremantle saw the Southern Market Indicator surge by 198 cents to 1536 c/kg and the Western Market Indicator lifting the most, up by 242 cents to 1625 c/kg. The A$ was a little stronger against the main user currencies and the EMI rose by 125 UScents to 1056 USc/kg, by 115 €cents to 959 €cents/kg and by 846 RMB to 7,487 RMB/kg.

I reported in last week's *Weekly Newsletter* that the US imposed an additional 15% import duty on wool clothing imported from China, effective from 1st September and that this will add significantly to the cost of wool clothing imported into the US from China in the lead in to the Autumn/Winter season. The latest data on the **US imports of wool clothing** both in total and from China suggests that US importers and retailers anticipated the additional import duties by importing more wool clothing in June and July. US imports of apparel of all fibres lifted by 9% in both quantity and value in July. By fibre, the year-on-year increase was largest for wool clothing, which leapt by 33% in quantity and by 14% in value for the month. This large increase came following a 27% increase in quantity in June, while the value of imports of wool clothing was 6% higher. Synthetic fibre clothing increased by 14% by quantity and by 2% in value. US imports of cotton clothing was up 2% and 9% in quantity and value respectively.

The monthly increase in July pushed the quantity of US imports of wool clothing up by 13% for the seven months of 2019 to July. The value of wool clothing imports was 12% higher. As the first **Chart of the Week** shows, wool clothing imports for 2019 to date from, China (the largest supplier) lifted by 17% in volume and by 22% in value. [China accounted for almost half of all US imports of wool clothing in the first seven months of 2019.] The largest % increase was seen for Vietnam, which recorded increases of 27% (volume) and 39% (value). Vietnam was the second

CHART OF THE WEEK#1
US Imports of Apparel by Fibre
(7 months to July 2019) - Volume and Value

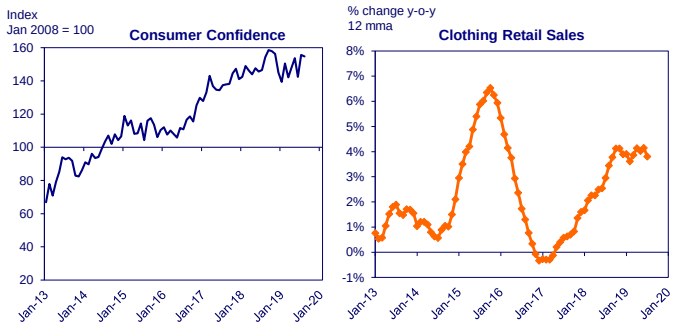


Source: US Office of Textiles and Apparel, US Department of Commerce

largest supplier by volume to the US. Italy was the second largest supplier by value, but it only recorded relatively small increases for 2019 to July. As can be seen from the chart, Indonesia also recorded significant increases as a supplier to the US. It will be interesting to see whether the increases in imports of wool clothing in June and July, particularly from China, continue in August. It is likely that these gains in imports will be reversed in September and for the remaining months of 2019 given the additional 15% import duty that the US has imposed on wool clothing imports from China.

This jump in imports of wool clothing by the US comes when **consumer confidence** in the US remains high and US **clothing retail sales** have increased significantly. The second **Chart of the Week** shows the trends in both consumer confidence levels and clothing retail sales since the start of 2013. As the left-hand graph highlights, consumers in the US remain very confident despite the recent negative media about the US-China trade war, the economic outlook for the US and other geo-political tensions. The US economy has recently marked its 10th anniversary of expansion. Fears of a slowdown in the economy has been allayed by the strongest consumer spending level in over four years. This has been helped by strong employment conditions, with the US unemployment rate of just 3.7% a near-historic low.

CHART OF THE WEEK #2
US Consumer Confidence and Clothing Retail Sales



Source: US Government statistical bureau, in 2012 dollars. Data to August 2019 for consumer confidence and July 2019 for retail sales
US retail sales is on a 12 month moving aggregate basis

The strong consumer spending is reflected in the steady lift in US clothing retail sales throughout 2018 and maintained for the first seven months of 2019 (see the right-hand graph). Hopefully this strong year-on-year growth in clothing retail sales can be sustained over the next few months as the US heads into the Autumn/Winter season, a crucial time for the sale of wool clothing in the US.

The **latest Australian wool export data**, for July 2018, was released on Wednesday by the Australian Wool Industries Secretariat. The data shows that Australian wool exports increased by 2.4% in July by volume (this was compared with a very low level in July 2018 when export volumes were down by 22% year-on-year). The increase came as a result of higher exports to China, Italy, Bulgaria and Egypt which more than offset large year-on-year declines in exports to other countries of the top ten destinations. Exports to China were up by 9.2%, exports to Italy were 5.9% higher and exports to Egypt were up by 41.7%. Australia exported just under 150 tonnes of wool to Bulgaria in July, compared with zero exports in July 2018. In contrast to these increases, exports to India were down by 42%, exports to the Czech Republic were 13% lower, and exports to Korea were down by 29%. Australia's exports to other top ten countries fell: Thailand (-53%), Taiwan (-52%) and Malaysia (-57%). While the volume of exports was a little higher than in July 2018, the value of exports in July dropped by 12% as a result of the sharply lower wool prices at auction in recent months compared with the levels a year ago. All of the top ten export destinations recorded declines, with the exception of Egypt (+24%) and Bulgaria.

INDUSTRY EVENTS

The **Nanjing Wool Market Conference** will be held in Qufu, Shandong on 20th to 23rd September 2019.

The **2019 IWTO Round Table** will be in held in Queenstown, New Zealand on 2nd to 3rd December 2019.

The **2020 IWTO Annual Congress** will be held in Tongxiang, China on 18th to 20th May 2020.

WOOL SALES WEEK BEGINNING 16TH SEPT 2019 – week 12 (roster as at 5/9/2019)

Sydney	
Wed, 18th Sept; Thurs, 19th Sept	8,885 bales
Melbourne	
Wed, 18th Sept; Thurs, 19th Sept	15,802 bales
Fremantle	
Wed, 18th Sept; Thurs, 19th Sept	6,420 bales

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