The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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From the desk of Chris Wilcox, Executive Director

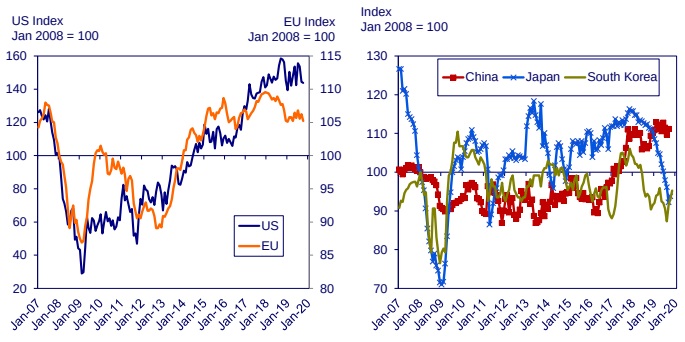


- Australian wool market slides again
- Mixed consumer confidence and retail sales in key markets
- Next week's wool auction in South Africa postponed to January
- Some results from the AWI Annual General Meeting
- Young Professional Programme at the 2020 IWTO Congress
- Upcoming industry events

Weak demand conditions continued to bear down on the **Australian wool market** this week and prices declined on both auction days. The **Eastern Market Indicator (EMI)** fell by 25 cents over the week to 1530 c/kg. In general, prices for both Merino and Crossbred wool declined, although there were small gains for 17 and 17.5 micron wool in Melbourne and 21 micron wool in Fremantle. The Northern Market Indicator fell the most, down by 30 cents to 1561 c/kg. The Southern Market Indicator was 21 cents lower at 1511 c/kg while the Western Market Indicator fell by 15 cents to 1640 c/kg. On a positive note, prices strengthened a little on Thursday in Fremantle. The A$ was weaker against the US$ and the Chinese Renminbi, and was steady against the Euro. The EMI was 22 UScents lower at 1035 USc/kg, fell by 14 €cents to 940 €cents/kg and was down by 168 RMB to 7272 RMB/kg.

We are well into the Autumn/Winter retail season in the Northern Hemisphere, a critical season for sales of wool clothing in the Northern Hemisphere. It is therefore a good time to take stock on how **consumer confidence and retail sales** are shaping up in the major wool consuming countries in the Northern Hemisphere.

CHART OF THE WEEK#1
Consumer Confidence in the Major Wool Consuming Countries



Source: The US Conference Board, the European Commission and www.tradingeconomics.com
Data to October 2019

The current trends and levels of **consumer confidence** in the major wool consuming countries reflect the uncertain economic conditions in many countries. As the first **Chart of the Week** shows, consumer confidence in the EU has weakened over the past 12 months as the economies in the EU have weakened. There has been a particularly sharp fall in consumer confidence in Japan in the past 12 months to the lowest level since 2012. Consumer confidence in South Korea also remains well below the levels seen in 2017 and the early part of 2018.

In contrast to these rather gloomy consumers, consumers in the US remain upbeat, helped by still strong economic conditions, low unemployment levels and signs that wages are rising. The surprise in the latest figures is the strong consumer confidence levels reported in China. This is in contrast to the lower economic growth rates in China recorded recently and the impact of China's trade war with the US.

These mixed consumer confidence results translate into retail sales for some countries, but not all. The **latest clothing retail sales** growth data for 2019 to date compared with the same period in 2018 are shown in the second **Chart of the Week**. The data for the full years of 2013 to 2018 are also shown. The green

shading shows where growth rates are higher this year than last, while the red shading shows growth rates which are lower than last year. It is a very mixed picture. Germany and the UK both surprise on the upside and contrast with the negative economic conditions and consumer confidence levels.

CHART OF THE WEEK #2
Clothing Retail Sales

% change y-o-y	2013	2014	2015	2016	2017	2018	Year-to-date* 2018	Year-to-date* 2019
China	+11.5%	+10.8%	+9.3%	+6.8%	+8.0%	+8.5%	+9.1%	+2.6%
USA	+1.5%	+2.1%	+5.9%	-0.3%	+2.7%	+3.9%	+4.2%	+3.1%
Japan	-0.7%	-0.5%	-2.3%	-5.3%	-3.0%	-3.4%	-3.4%	-3.4%
Germany	+0.2%	+1.6%	+2.8%	+1.6%	+2.5%	+1.6%	+1.8%	+3.1%
UK	+2.3%	+5.9%	+1.2%	-2.5%	+6.4%	+0.7%	+0.5%	+3.5%
Italy	-2.1%	-1.2%	+0.8%	+0.3%	+0.7%	+0.1%	+0.1%	+0.7%
France	+1.1%	+1.3%	+3.4%	+2.8%	+3.9%	+3.0%	+3.2%	+2.8%
South Korea	+0.8%	+1.6%	+3.5%	+4.2%	+2.3%	+4.2%	+4.6%	+2.0%

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.
* To September for Germany, Italy and France and to October for the US, China, the UK, Japan and South Korea

One of the most notable results is for China, where retail sales of garments have grown by just 2.6% year-on-year in the first ten months of 2019. This is the slowest rate of growth for clothing retail sales in China at least since 2000. Remember that China is the world's largest retail consumer of wool clothing. This slow growth rate for clothing retail sales will no doubt be a major reason for the reduced demand throughout China's wool textile industry and a key driver of the lower raw wool demand by China's early stage processors. Add to this the slower retail sales growth in the US, one of China's major export markets for wool clothing, and the impact of the US-China trade war and you have the reason for anecdotal reports of excess stocks of finished wool garments, fabric and yarn through China's wool textile industry.

I received a notice from the South African Wool & Mohair Buyers' Association earlier this week announcing that a joint meeting of the Buyers' Association with South African Wool Brokers' Association had decided that **next week's scheduled auction in South Africa will be postponed** until 9th January 2020. The reasons cited the situation with the impact of the Foot and Mouth Disease outbreak earlier this year and the Time/Temperature requirements for exports to China, which has caused a shipping backlog and problems with availability of ships. Next week's sale would have been the last before Christmas. The on-going problems in South Africa from the small outbreak of FMD almost 12 months ago demonstrates the huge issues Australia would face if ever there were to be an outbreak of FMD in this country.

The **AWI Annual General Meeting** was held last Friday, with the election of directors creating the most interest. There were three vacancies and two new directors were appointed, and a director was re-appointed. The news coverage centred on the omission of long-serving director and past Chairman, Wal Merriman. Other items of interest were that AWI announced it will reduce expenditure further and draw down a further $7.5 million from reserves as a result of the lower than expected shorn wool production this season and subdued prices. As well, AWI had commissioned a review of WoolQ (the platform on which AWI has spent several $ millions) which included interviews with industry members. Lamentably, NCWSBA was not consulted. Details from the AGM can be seen here.

The **detailed report** on the latest forecasts from the **Australian Wool Production Forecasting Committee** is now available. The report is attached to the email with this week's *Weekly Newsletter* as a supplement.

The International Wool Textile Organisation has just opened **applications for the Young Professional Programme for the IWTO 2020 Congress in Tongxiang, China** in May. Applications close on 24th February 2020. Please contact me for details including application forms at chris.wilcox@ncwsba.org.

INDUSTRY EVENTS

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

The **NCWBA Centenary Auction and Cocktail Reception** will be held in Melbourne on Thursday, 20th February 2020.

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

WOOL SALES WEEK BEGINNING 2nd DEC 2019 – week 23 (roster as at 29/11/2019)

Sydney	
Wed, 4th Dec; Thurs, 5th Dec	10,163 bales
Melbourne	
Wed, 4th Dec; Thurs, 5th Dec	23,158 bales
Fremantle	
Wed, 4th Dec; Thurs, 5th Dec	7,953 bales

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