



Clothing retail sales lift in the US and Europe

Sharp fall in US imports of wool clothing

Australian wool supplies start to dry up

Synthetic fiber prices fall, cutting wool's price competitiveness



A Regular Insight into the U.S. and Global Wool Market

wool journal

Wool Textile Industry Conditions

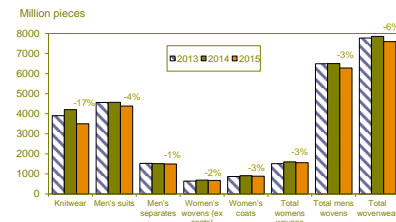
Trends, Drivers and Prospects

The US is one of the largest single country importers of wool clothing in the world. The latest data on US imports of wool clothing show a disappointing fall in recent months.

The data from the US Office of Textiles and Apparel shows that US imports of wool clothing plunged by 20% in October compared with a year earlier. This followed a 10% decline in September. The chart below shows the US imports of wool clothing by clothing category for the past three years to October.

The recent monthly falls have brought the year-to-date decline to 8% for all wool clothing. The most significant drop is for knitwear, with a 17% drop this year for the ten months to October. All categories of wool wovenwear have also fallen. These declines are discouraging for the prospects for retail sales of wool clothing in the Fall/Winter.

US Imports of Wool Clothing by Category (Calendar Year to October)



Retail Demand and Economic Conditions

Trends, Drivers and Prospects

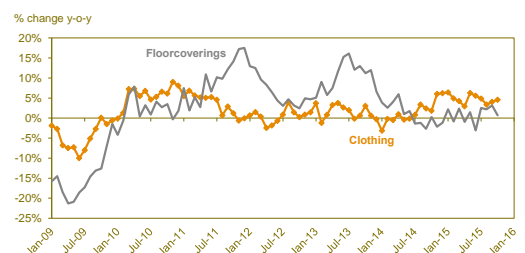
Retail sales in many of the major advanced economies are improving steadily as we begin the crucial Fall/Winter season. Uncertainties and soft-spots remain, notably in Japan and in China.

The Fall/Winter period between October and February in the Northern Hemisphere accounts for around 60% of the annual consumption of wool clothing. The performance of retail sales over these five months are therefore key to the prospects for the wool textile industry, as this affects the orders placed by retailers in the first half of the next calendar year in preparation for the next Fall/Winter season.

In the **United States of America**, which is the world's second largest retail market for wool, clothing retail sales have grown by 4.7% in 2015 to October. This is the fastest rate since 2010 when the US was recovering from the Global Financial Crisis (GFC). As the chart below shows, clothing retail sales have been well above year-earlier levels since mid-2014. Retail sales of floorcoverings have also recovered from the dip seen through 2014 (the US is one of the largest markets for wool carpets and rugs). Retail sales have also grown strongly for the year-to-date in Germany, the United Kingdom, France and South Korea. In **Germany**, retail sales were up by 2.7% this year, which is the strongest growth since before the GFC. **France** has also recorded the strongest retail sales growth since the GFC. In **the UK**, clothing retail sales have increased by 2.2%. Retail sales in **Italy** are even starting to recover, growing by 0.8% this year, the first positive growth since 2010. In **China**, growth rates for retail sales are a robust 9.7%, although this is the slowest growth in 20 years.

The exception to these positive results among the eight major wool consuming countries is Japan, where retail sales have contracted by 1.5% this year.

US Clothing and Floorcovering Sales Up Monthly year-on-year change



Source: US Government statistical bureau, in 2009 dollars. Data to October 2015

Wool Production and Supply

Trends, Drivers and Prospects

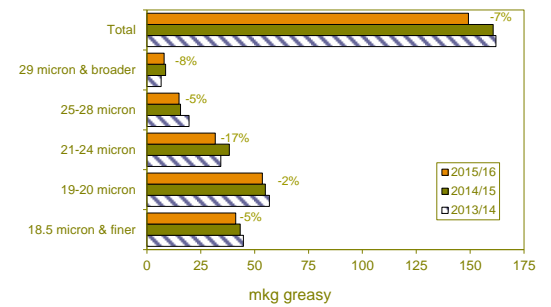
Wool production in Australia, the largest world's largest wool producing country, appears to have dropped substantially in the 2015/16 season. This lower production plus a lower volume of stocks, will mean that available supplies will be tight in 2016.

In the first five months of the 2015/16 season in Australia, the volume of wool tested declined by 7% compared with the July to November period in 2014. (The Australian wool production season is from July to June.) Rainfall has been low over the Southern Australian wet season (April to November) in a number of the major wool producing states and regions, including Victoria, Western Australia, Tasmania, Queensland and parts of South Australia. This low rainfall has contributed to lower fleece weights during the Southern Hemisphere Spring shearing. It has also led to sheep producers selling off some of their sheep to conserve water for their core breeding stock.

As the chart shows, the decline in production for the season to date has been felt most intensely in medium Merino wool (21 to 24 microns), although there have been falls in all micron ranges. The second half of the 2015/16 season (between January to June 2016) is shaping for a continuation of the lower production levels. As well, supply of wool to the market will be further affected by the low level of stocks held in wool warehouses and on-farm. These stocks were run-down in April-June this year when producers rushed to offer the wool in response to the spike in prices.

The lower supplies of wool expected in the next six months will help support wool prices. The Australian Wool Production Forecasting Committee will release its revised forecast for Australian wool production in 2015/16 on 18th December.

Australian Production Falls
Wool Tests By Micron Category
 (By Season – July to November)



Source: Australian Wool Testing Authority

Outlook

There are clearly positives for wool prices as 2015 draws to a close. One of these is the better economic conditions in Europe and in the US. This recovery is helping boost retail sales of clothing in these countries. If this can continue throughout the Fall/Winter 2015, the foundation for good sales of wool clothing is set. This, in turn, will encourage improved orders from retailers for next year.

An additional positive is the likelihood that raw wool supplies will be constrained with lower production in Australia. The lower supplies will provide a firm base for wool prices.

However, there are the risks and uncertainties. One of these is the recent dip in imports of wool clothing by the US and the impact that may have on the availability of wool clothing at retail. The adjustment that the Chinese economy is undergoing (covered in previous editions of the Wool Journal) also creates uncertainty in the short term.

On balance, the start of 2016 is likely to see wool prices continue their recent recovery.

Wool and Fiber Prices

Trends, Drivers and Prospects

The prices for many of the major fibers which compete with wool fell in the past two months. At the same time the decline in wool prices appears to have bottomed as prices have lifted.

Since the last edition of the **Wool Journal** in September, the world price for acrylic fibers and polyester staple fibers have declined. A combination of lower oil prices (which provide the raw materials for these fibers) and excess production capacity has weighed on prices. Acrylic fiber (which is used in knitwear which competes with wool in knitwear) has seen average world prices fall by 12% since September, with the most significant decline being recorded in China. The price for polyester staple fibers (which are used in woven fabrics for men's and women's clothing and competes with wool in these products) have fallen by 5%. The price for cashmere has fallen by 3%, continuing the decline since the start of 2015.

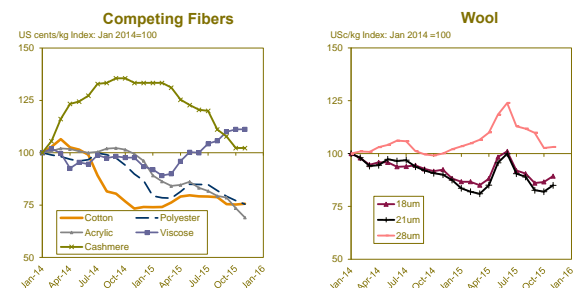
Over the same period, cotton prices increased

and other fibers) are up by 1%. The price of Merino wool has also increased. The price for superfine wool (18 micron wool) rose by 4% while medium Merino wool (21 micron) prices lifted by 3%.

The chart shows the trends in the prices for the various textile fibers since January 2014.

The recent decline in the price for the major synthetic fibers and the improvement in wool prices means that wool's price competitiveness has declined somewhat.

Competing Fiber Prices Fall



Source: AWEX, Cotton Outlook, PCI Fibres and Raw Materials, Poimena Analysis. Monthly average to November

These statistics and charts present a snap-shot of the current situation in the global wool industry. The two charts in this edition show the imports of clothing by the US (with a focus on the imports of wool clothing by source country) and raw wool exports by the major wool exporting countries and the US.

Wool Exports >>>

mkg	Month	% ch	Year to date	% ch.	Major destinations	Trends for calendar year to date
Australia	25.8	-15%	283.0	+9%	China, India, Czech Rep, Italy, Korea	China, Korea, Czech Rep up; India down, Italy flat
NZ	11.1	-21%	140.8	+2%	China, Italy, UK, India, Germany	China up; Germany, Italy flat; UK & India down
Uruguay	3.3	-7%	42.6	-3%	China, Germ, Turkey, Italy, India	China up; Germany, Turkey, India and Italy down
Argentina	3.3	-7%	42.6	+1%	China, Germany, Italy, Peru, Mexico	China and Peru up; Germany, Italy, Mexico down
South Africa	4.6	+19%	35.9	+10%	China, Czech Rep, Italy, India	China, Czech Rep and India up; Italy flat
USA	0.75	+35%	6.19	-4%	China, India	China up; India and other destinations down

Sources: ABS, Beef + Lamb NZ, SUL, FLA, Capewools, USDA

Notes: Raw and semi-processed wool. Australia, New Zealand, Uruguay, Argentina and South Africa are for October and the calendar year from January to October. The month for USA is for October. For the season the period is the US wool season October to September.

Wool Prices >>>

USc/lb clean	Month average	Last year	% change	Year average	Last year	% change
Australia	425	446	-5%	429	461	-3%
NZ	188	196	-4%	194	209	-7%
South Africa	419	461	-9%	436	465	-6%
UK	85	112	-25%	100	116	-14%

Sources: AWEX, NZ Wool Services International, Capewools, BWMB

Notes: Prices are for November. Australia is the 22 MPG, South Africa is the 22 micron indicator, NZ is 25-32 micron average, UK is the British Wool Marketing Board Indicator. Year is calendar year and year average is year to November.

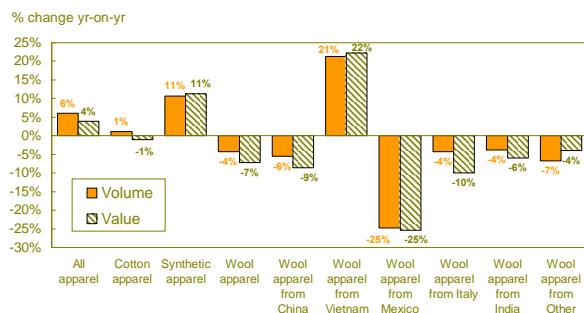
Fiber Prices and Ratios >>>

UScents/lb	Month average	Last year	% change	Year average	Last year	% change
Cotton	69.3	67.0	+3%	70.3	84.2	-17%
Synthetics	76.9	102.4	-25%	87.0	106.6	-18%
Wool: cotton	6.18	6.74	-8%	6.20	5.73	+8%
Wool: synthetics	5.56	4.41	-26%	5.02	4.47	+12%

Sources: AWEX, Poimena Analysis, Cotton Outlook, PCI Fibres

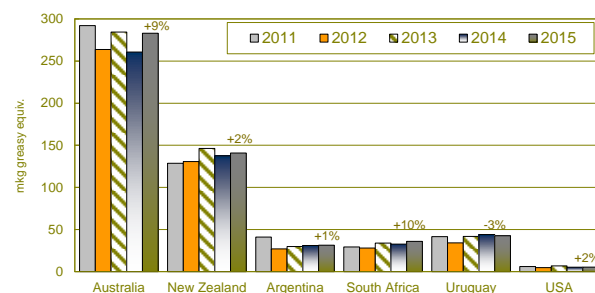
Notes: Prices are for November. Year is the calendar year January to November. The wool:cotton and wool:synthetic ratios are based on 21 micron wool.

US Imports of Wool Apparel Drops (Calendar year to October 2015) - Volume and Value



Source: OTEXA

Raw and Semi-Processed Wool Exports Lift Calendar year to October



Source: Australian Bureau of Statistics, FLA, SUL, Capewools, NZ Meat and Wool, USDA