



# 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 goes into reverse
- Highlights from the IWTO 2016 Congress
- Slow world economic growth worries the IMF
- China mill personnel training group
- Upcoming events



The **Australian wool market** suffered a reversal of fortune this week after last week's strong rise. The **Eastern Market Indicator (EMI)** fell by 29 cents, giving up almost all of the gains of last week, to close at 1241 Ac/kg. Last week, the most significant gains were for Merino fleece wool; this week, the largest falls were for Merino fleece wool, notably in Sydney and Fremantle. The Northern Market Indicator fell by 33 cents to 1265 Ac/kg and the Western Market Indicator was down by 44 cents to 1312 Ac/kg. The Southern Market Indicator, which increased by the least last week, fell by the least this week, down 26 Acents to 1226 Ac/kg. The A\$ was marginally firmer against the US\$ to 76.61 UScents and was 1.22 €cents higher against the Euro to 67.98 €cents. The EMI fell by 18 UScents to 951 USc/kg and fell by 4€cents to 844 €c/kg.

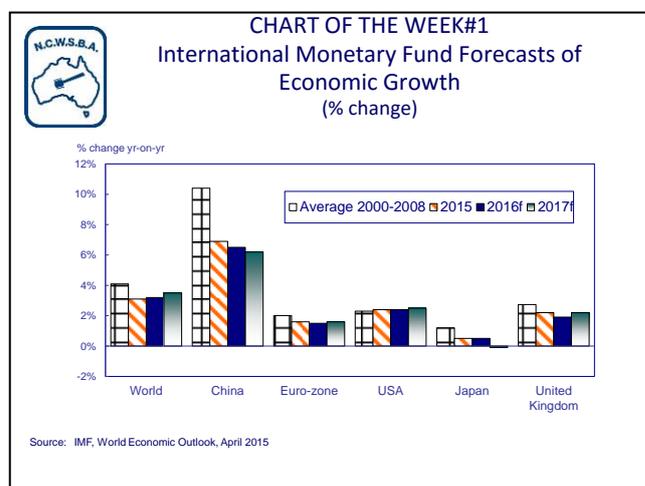
In addition to the Market Intelligence session at the **IWTO Congress**, which I covered in last week's *Newsletter*, there were a number of very interesting sessions at the Congress. Some of the highlights were:

- The **Wool Technology** session featured: a presentation by Kerry Hansford (AWEX) on the eBale technology for wool bales (the use of a Radio Frequency ID implant to identify wool bales); a presentation by Peter Morgan (ASWGA) on an approach to measure the change in production of traditional superfine wool in Australia; and a paper from China on new technology to allow chloride-free shrink proofing in wool tops.
- The **Sustainable Practices Working Group** was extremely well attended reflecting the strong and growing interest in the issues about sustainability research to back up wool's eco credentials. There has been very good progress on developing a realistic, peer-reviewed Life Cycle Assessment for wool including its environmental footprint. It was noted that wool garments (such as socks) need far less washing than similar garments made from cotton or synthetics. This has been well covered in the Australian media in recent days.
- The **Education, Extension and Adoption** session on Tuesday morning covered the various training and development programs available in Australia to encourage increased knowledge of, awareness of and interest in wool, from primary school through to tertiary education and vocational training in Australia and Italy. There was also a presentation on innovations within Deakin University in the use and processing of wool. The most interesting from a practical sense was the new spinning technique to reduce pilling in knitted wool garments.
- The session on Tuesday afternoon on **Economic Sustainability** had a presentation from Will Roberts (the owner of a sheep property in Queensland) and the investment he and his neighbours are making in building dog fences and the progress in eliminating feral dogs, and the biodiversity benefits that is starting to bring. There was also a presentation by Craig Vanderoef from adidas, who talked engagingly on attracting the Gen Z generation to wool. One of his key messages was the need to address the various perceived negatives with wool by emphasising the advances and positives for wool, including next to skin comfort in all climates and its easy care. He also said that while the growing active leisurewear ("athleisure") sector was important for wool, the industry needed to hold on to wool's dominance in men's suiting.

- For me, the highlight of the third and final day was the presentation by Dr Clint Laurent of Global Demographics. He looked at the **changing demographics around the world**, bringing a potentially dry subject to life. He said that contrary to popular opinion which focused on the younger demographic, he considered that the key target consumer audience for wool in the next decade or more is the mature, well-off consumer in the 10 countries, which account for 73% of the world's premium clothing market segment. The age grouping for this is 40-64 years old (and even older). This group are becoming 'empty-nesters' with fewer dependents which means that the per person household disposable income rises. This group provides the driver for the premium clothing product markets which will continue to grow even at the slow economic growth rates expected in the next few years. The group has a particular interest in health and wellbeing and would buy products which fit this interest.

With that in mind, I was interested to see that the **International Monetary Fund** released its **updated forecasts for the global economy** this week. It has once again wound back its forecasts for economic growth, notably for the major advanced economies. It now expects the world economy to grow at 3.2% in 2016 before slightly faster growth of 3.5% in 2017. This compares with 3.1% growth in 2015 and is 0.2% and 0.1% lower respectively than the IMF projected in January. While there have been downgrades of growth in all of the major advanced economies, the most significant change is for Japan, with growth in 2016 now forecast at 0.5% compared with the January forecast of 1%. The IMF has become slightly more positive about economic growth in China, putting growth at 6.5% in 2016 and 6.2% in 2017, both 0.2% higher than the January forecasts.

The IMF commented that it was becoming more concerned about the slow economic growth rates, saying that it has been "too slow for too long", and recommending that policy makers take further action to stimulate growth. The **Chart of the Week** shows the current IMF forecasts for 2016 and 2017 in the major wool consuming countries and regions compared with the level in 2015 and the average between 2000 and 2008. The slowing growth rate in China is clear and also that for many regions the projected economic growth rate is lower than in the 2000-2008 period.



There was a group of **around 20 mill personnel from China** in Australia this week participating in a training program as part of the China-Australia Joint Working Group. I was with the group on Monday and Tuesday. On Monday we visited Ken Heal's property near Nagambie to look at shearing and wool preparation. Rex Bennett from Elders (the winner of the 2014 NCWSBA Broker Award) joined us and shored a few sheep so the group could experience first-hand shearing, classing and then baling of wool.

On Tuesday the group visited the Melbourne wool selling centre and showfloor to see coring, grab sampling, the sale catalogue and so on. Phillip Lipscombe of Landmark showed the group around. After a few presentations on AWEX (Kerry Hansford), wool broking (from me) and wool exporting (from Chris Kelly), we then visited the Rodwells showfloor and warehouse to be briefed by Michael de Kleuver on bulk-classing. On Wednesday the group did a tour of AWTA and attended the Melbourne auction, before flying to Sydney to visit AWI and AWEX. **Thank you to all broker staff who helped out with the training group.**

#### OTHER INDUSTRY EVENTS

The **2016 AWIS Wool Week** will be held at the Crowne Plaza in Melbourne on 25<sup>th</sup> & 26<sup>th</sup> August. The NCWSBA AGM will be held on Thursday, 25<sup>th</sup> August 2016.

The **Nanjing Wool Market Conference** will be held in Wuxi on 23<sup>rd</sup>-27<sup>th</sup> September. Click [here](#) for details.

The **IWTO Wool Roundtable** will be held in Biella, Italy on 28<sup>th</sup>-29<sup>th</sup> November.

#### WOOL SALES WEEK BEGINNING 18<sup>th</sup> APRIL 2016 – week 43 (roster as at 14/4/2016)

<u>Sydney</u>		
Wed, 20 <sup>th</sup> April; Thurs, 21 <sup>st</sup> April		11,941 bales
<u>Melbourne</u>		
Wed 20 <sup>th</sup> April, Thurs, 21 <sup>st</sup> April		27,486 bales
<u>Fremantle</u>		
Wed, 20 <sup>th</sup> April, Thurs, 21 <sup>st</sup> April		9,651 bales

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