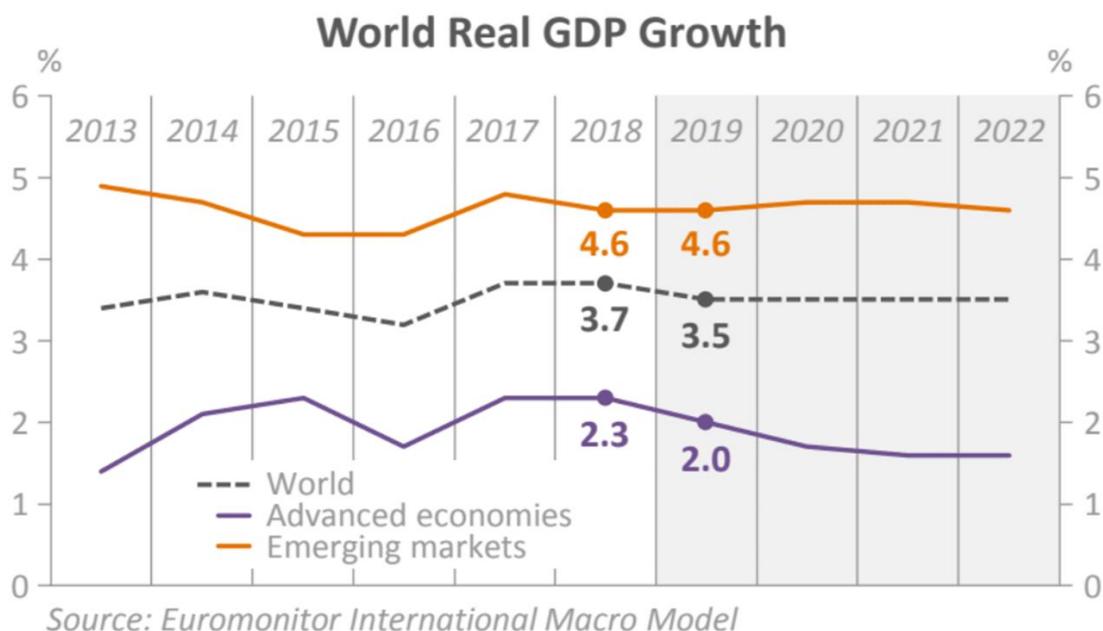




This month we discuss what is making news amongst processors, retailers and brands who choose to use wool; we examine economic growth and what it means for demand and ultimately price.

The most recent textile trade show Milano Unica, was held on 5th to 7th February in Milan Italy. This is a highly influential event and reflects the trends of the global textile market. AWI/The Woolmark Company representatives held discussions with all sectors of the European (mainly Italian) supply chain processors, with the most common feedback being the reduction in sales. In the past few years, double digit percentage increases in sales have been the norm, but for the first time after years of success, most have seen their orders reduced by at least 10%.

The most stated reason was the current economic stagnation that is emerging in Europe and being forecast by many pundits to last in the doldrums for the next few years. On the opposing and positive side, the USA is holding its economic position and small signs of better conditions are becoming evident, particularly with regards to a promising resolution of the tariff and trade disagreement with China. The People's Republic of China (PRC) is still in a growth pattern, albeit at levels not as strong as the past. In fact, China's economy grew at an enviable 6.2% in 2018; this was the lowest pace in 28 years, but still a level above the majority of developed western countries with the International Monetary Fund also quoting economic growth last year in the USA of 2.5%, Germany 1.9%, Japan 0.9%, Italy 1%, the UK 1.5% and Australia 2.8%.



In addition to the economic stagnation, the perceived high price of wool is being reported as not helping processors' profit margins. In response, processors are increasing blends as opposed to 100% wool and from their marketing point of view they have "turned the omelet" justifying this blending with performance. The meaning behind the "performance" story is that it still allows the addition of nylon to reduce the cost of the fabric whilst maintaining an appropriate retail price. If they haven't moved to blends, they have shifted to using broader wool for its anti-wrinkle and greater resistance properties. This broader wool is traditionally cheaper and in recent weeks we have noticed the price of these wools lift accordingly.

Another reason processors cite a reduction in sales growth is the decrease of formal wear. This means woven fabrics are giving way to more jersey fabrics. The market is dressing less formally and more casually and sporty (the "health and wellbeing" trend). The big spinners are increasing woollen orders whilst the worsted (woven fabrics) are decreasing sales: that's the biggest change, knitted (jersey) is increasing, woven (formal wear) is decreasing.

Regarding the sportswear and athleisure sector, wool is increasingly being used in this growing market. During this Milano Unica trade show and also the last ISPO fair in Germany, The Woolmark Brand has seen more brands coming to its stand looking for fabric innovation/information about wool. The nature/sustainability story is not merely a trend, it has become a reality and a must for brands to show their commitment to a renewable, biodegradable natural fibre, and this one of the reasons for the rising interest in wool, and Merino in particular. The essential messages from the long running Campaign for Wool still have resonance with modern consumers.

Another significant issue is traceability, and this is the most requested value/element from manufacturers and brands wanting to use wool. In effect, traceability and transparency are the most successful of marketing leverage, so brands are focusing more on it and largely not because they believe in it, but because traceability can make the consumer feel better when purchasing a garment and inevitably increase their sales. "Be good" and "take care" (animals included) is the biggest trend in fashion and is why developments such as WoolQ and other supply chain opportunities hold significant promise for woolgrowers, processors, brands and consumers alike.

So the summary is that economic slowdown is being balanced with lower wool supply; those choosing to use wool in their retail collections are adapting to higher prices for wool with more blends, broader wool and more knitted fabrics for casual and sporting wear rather than formal clothing which is traditionally woven. As a natural and renewable fibre, wool is still in demand at retail and the requests for higher traceability and transparency will offer woolgrowers and collective woolgrower marketing groups greater opportunities in the future.

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