JANUARY MARKET INTELLIGENCE

Wool market resets higher as demand broadens into 2026

Global wool markets have entered a new phase of firmer prices, tight supply and a broader base of demand across both traditional and emerging textile categories.

According to Stephen Hill, General Manager International at Australian Wool Innovation, the lift seen since the second half of 2025 reflected a structural shift rather than a short-term correction.

"After a long period of subdued prices and activity — basically since COVID — from August 2025 the recovery finally arrived," Hill said.

He said new demand, combined with limited inventory throughout the supply chain, had pushed buying pressure back into Australian greasy wool auctions.

"That activity has been exaggerated by historically low supply and production, resulting in significantly higher prices for producers," Hill said.

Hill said the market was now moving into a phase of strong prices in a higher trading range as it headed towards 2026. Volatility will remain, however at a higher level.

"We have seen a dramatic recovery and looking forward we see a year of stabilisation in a new higher trading range," he said.

This market strength was reflected in the benchmark Eastern Market Indicator (EMI), which finished January 2026 at elevated levels compared with the same period last year.

The EMI closed at 1,665 cents/kg clean. This was a fall of around 24–27 c/kg from the previous sale, with the decline driven by a stronger Australian dollar rather than weaker demand offshore.

The EMI's performance through January was underpinned by strong competition for well-prepared Merino fleece, particularly in the finer and medium microns, as buyers responded to tight supply and improving downstream demand.

Gains were broadly based across most Merino market price guides, reinforcing confidence that the recovery is being supported by genuine demand rather than short-term sentiment.

Hill said wool's recovery had been underpinned by a shift in how and where wool was being used.

While traditional categories such as men's suiting continued to face structural pressure from casualisation and work-from-home trends, wool had successfully repositioned into growth areas aligned with performance, durability and comfort.

"Wool is increasingly popular in blends and in new categories like military, workwear and outer shell, while continuing to grow strongly in base layer and sports performance," Hill said.

He said these demand patterns were now well entrenched and were supporting ongoing interest from a wider range of global buyers.

Asia continued to play a central role in this outlook, both as a processing hub and as a growing consumer market for wool.

"With over 90 per cent of our raw wool going to India and China for processing, we are of course highly active in the region," Hill said.

He said the rising importance of manufacturing centres such as Vietnam and Bangladesh was adding further depth to the supply chain, while domestic consumption across Asia continued to expand.

"More and more wool is being consumed in South-East Asia, with China increasing its domestic consumption every year, while Japan, Korea and India are also following new fashion trends," Hill said.

Hill said Bangladesh had built one of the most efficient apparel manufacturing ecosystems in the world, but the next phase of competitiveness would be driven by materials and product differentiation rather than volume alone.

"The next phase is not just about volume anymore. It's about differentiating through materials and creating more value," he said.

He said wool and wool blends offered Bangladeshi manufacturers a pathway to move up the value chain, access premium buyers and diversify beyond cotton and synthetics.

"Wool and wool blends give manufacturers a way to move up the value chain, reach premium buyers and diversify," Hill said.

He said The Woolmark Company was focused on making wool easier to integrate by providing technical training, improving sourcing efficiency, supporting certification and building capability at factory level.

"This is not about replacing cotton or synthetics. It is about strategic fibre diversification aligned with global trends," Hill said.

Hill said wool use in Bangladesh was still at an early stage, particularly in denim, but momentum was building among manufacturers supplying premium international brands.

"Wool is still early-stage in Bangladesh's denim industry, but we are seeing real momentum," he said.

He said current applications were centred on flat-knit sweaters and winter garments, while recent development work had focused on fine-wool-blended fabrics suited to lightweight, trans-seasonal denim.

"That's an area of strong interest from European and East Asian buyers," Hill said.

He said wool allowed denim to evolve beyond traditional workwear attributes.

"You get comfort, climate adaptability, drape and sustainability — all things consumers are increasingly asking for," Hill said.

For Australian woolgrowers, Hill said expanding demand across emerging manufacturing markets ultimately flowed back to value and resilience at farm level.

"The more markets we are active in, both in the supply chain and with consumers, the more important that is for reducing sovereign risk and diversifying opportunities," he said.

Despite ongoing global uncertainty, Hill said he remained confident in wool's position as the industry moved into 2026.

"Simply, wool is in fashion," he said.

"The amount of interest in new collections, new articles and new categories is very exciting," Hill said.

He said encouraging more consumers to experience wool's performance and quality was key to sustaining demand over time.

"The more people we can get to try the finest fibre in the world, the more likely they are to return with follow-up business once they enjoy the products," Hill said.