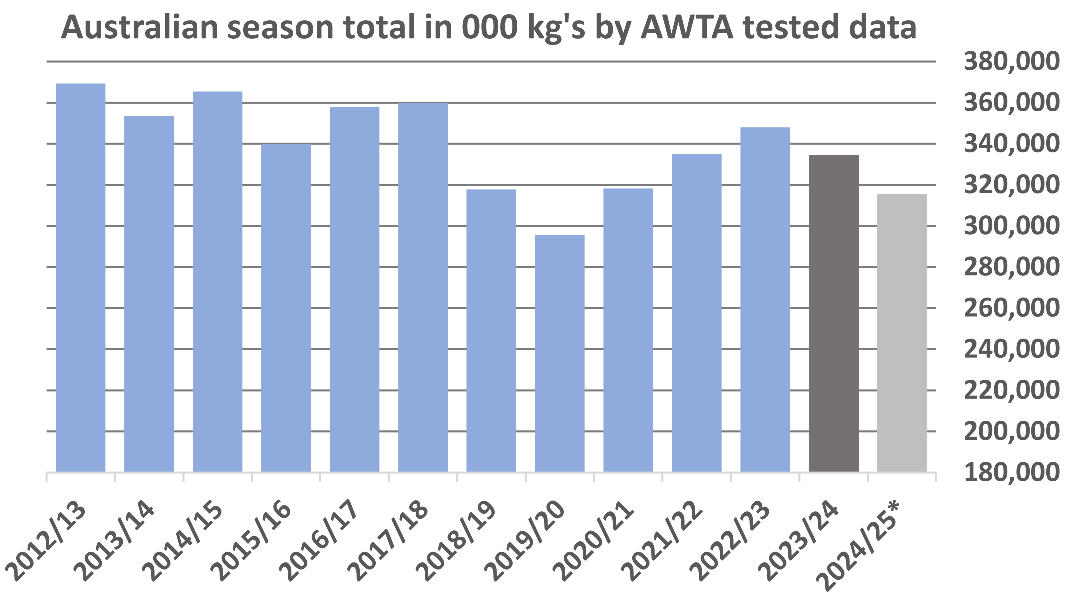
Market Intelligence July 2024 Update

This report provides information and analysis from greasy wool supply through to consumers, with country macroeconomics, trade data and insights. Information is sourced through your Woolmark Regional Mangers globally and intel sources, including GlobalData, ITC Trade Map, AWEX and AWTA.

Another example of how your levy dollars ensure that we stay abreast of decisions made around the world, by Governments, processors, designers, brand & retailers - and even our competitors to ensure the profitability and sustainability of the Australian wool industry.

AUSTRALIAN WOOL PRODUCTION

AWTA LTD tested 334.7 mkg (million kilograms) for this past season compared with 348.0 mkg for the previous full season – a 3.8% drop in production by tested wool figures.



∗ *Given the AWPFC initial forecast of a 5.8% drop in production for the 2024/25 season, this extrapolates the AWTA KTD to hit around 315mkg next season.*

Production by State

NSW leads the shortfall at 4.4% lower percentage than last season which is a 5.6mkg loss. WA dropped a higher percentage rate (7.3% down) of their last season's production, at slightly less kgs, but still at a substantial 5mkg loss.

Queensland's production by AWTA KTD was 16% lower than last season.

South Australia was the only state to record an increase at 4.8% or 2.4mkg.

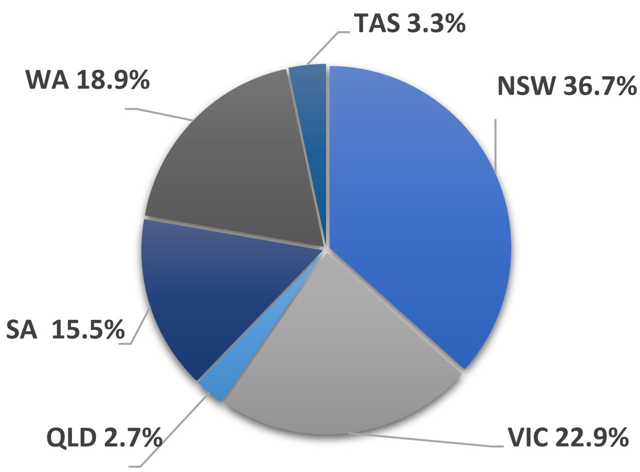
AWTA ktd end June 24	2023/24	2022/23	tonnes diff.	% diff.
NEW SOUTH WALES	**122,691**	128,351	-5,660	-4.41%
VICTORIA	**76,629**	79,632	-3,003	-3.77%
QUEENSLAND	**8,992**	10,707	-1,715	-16.02%
SOUTH AUSTRALIA	**51,921**	49,525	2,396	4.84%
WEST AUSTRALIA	**63,338**	68,358	-5,020	-7.34%
TASMANIA	**11,130**	11,435	-305	-2.67%
TOTAL	**334,701**	348,008	**-13,307**	**-3.82%**

This shifted the SA contribution of the clip to 15.5%, up from 14.2% in the 20-22/23 season.

NSW remained the dominant wool producing state and provided well over a third at 36.7% of the national volume by weight of wool tested for the 2023/24 season.

Despite the NSW drop in weight tested, that is a similar percentage to the 36.9% that NSW recorded the previous season.

WA fell to 18.9% of the clip after making up 19.6% of last season's total.



2023/24 season production by state

Production by Fibre Diameter

Fibre diameter is the primary influencer of price returns. The seasonal data shows the trend in wool growing enterprises quite clearly, as growers target the higher price superfine wool production zone, whilst anecdotally trying to retain cut/ha.

Seasonal testing data shows distribution of the national clip is enlarging predominantly at the finest end of the merino spectrum, which in theory, is good for total clip value and GDP from wool exports. Production gains of 7.4% have been recorded year on year on the super fine and ultra fine Merino (less than 18.5micron) wool types. This is the only wool sector where gains have been registered.

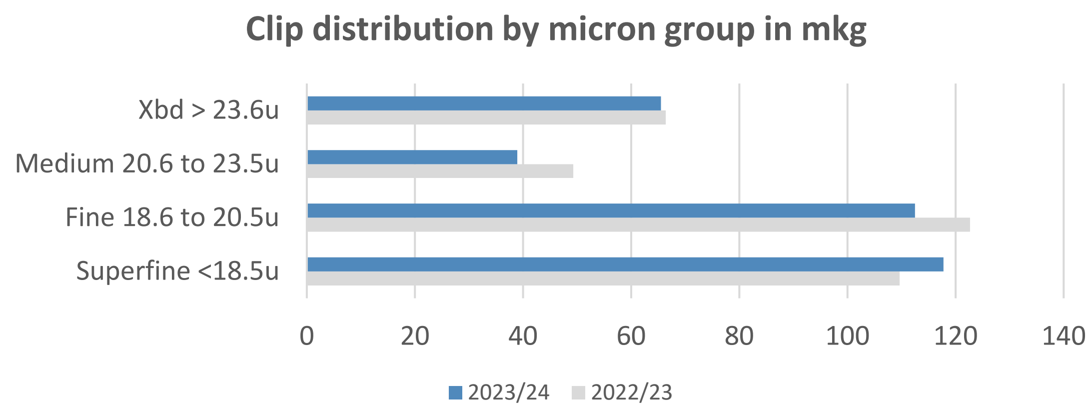
Production by Micron Range (mkg)	2023/24	2022/23	Difference mkg	% change
Superfine <18.5u	117.78	109.63	8.15	7.43%
Fine 18.6 to 20.5u	112.49	122.68	-10.19	-8.30%
Medium 20.6 to 23.5u	38.91	49.30	-10.39	-21.08%
Xbd > 23.6u	65.51	66.40	-0.89	-1.34%

The largest loss of wool type production has been in the Medium wool sector between 20.6 and 23.5 micron, which has seen its percentage share of the clip drop by 21.1% year on year. By weight though the loss is equivalent to the fine wools drop in production which is a touch over 10mkg in each wool fibre diameter sector.

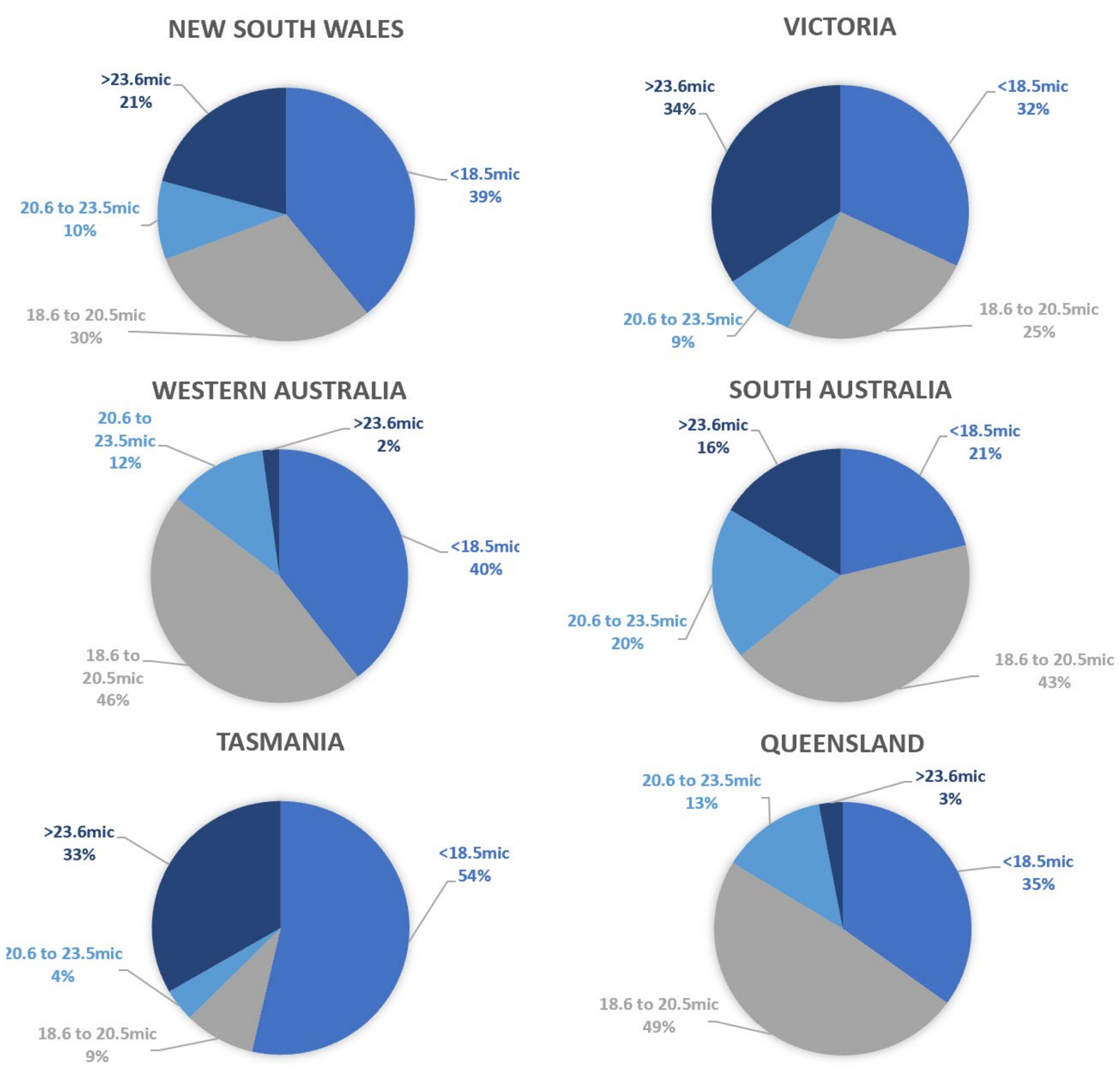
The broadest -generally crossbred- wools of greater than 23.5micron have decreased by 1.3% season to season, although the percentage share of the clip of crossbred grew from 19% to 19.6%.

In wool production terms, Wools finer than 23.6 micron are 80.7% of the national volume tested and the broad wools greater than 23.5micron make up 19.3% of the national clip for the 2023/24 season.

In sheep terms though, that percentage would be more favourable to the crossbred breed, as the determination of wool cuts are substantially lower than Merino, so more crossbred sheep are needed to produce same wool content against each Merino animal.



State breakdown by Micron Group



AUCTION VOLUME

Wool selling at auction at the end of the 2023/24 selling season has seen:

- **Offered 1,797,792** bales (approx. 321.8mkg greasy) at auction compared to the **1,850,110** bales (approx. 331.2mkg) offered through the selling season last year. That is **52,318** bales (approx. 9.4mkg) **less** or **2.8% less** wool offered.
- **Sold 1,659,497** bales (297.1mkg greasy) at auction this season compared to **1,607,799** bales (259.8mkg) sold last season. That is **51,698** bales (9.3mkg) **more** or **3.2% more** wool sold.
- **Clearance** at auction rates this season was **92.3%** nationally of all wool offered sold compared to the **86.9%** cleared over the period of the 2022/23 season. Whilst offerings were down slightly, more wool was sold. The selling intent of growers was also far more prevalent, and saw an improvement rate of **6.2%** of wools being offered being sold.
- Sold **A$ 2.24** billion through the auction system compared to the **A$ 2.42** billion last season, a fall in gross raw wool value of approximately **A$ 180** million for the past year.

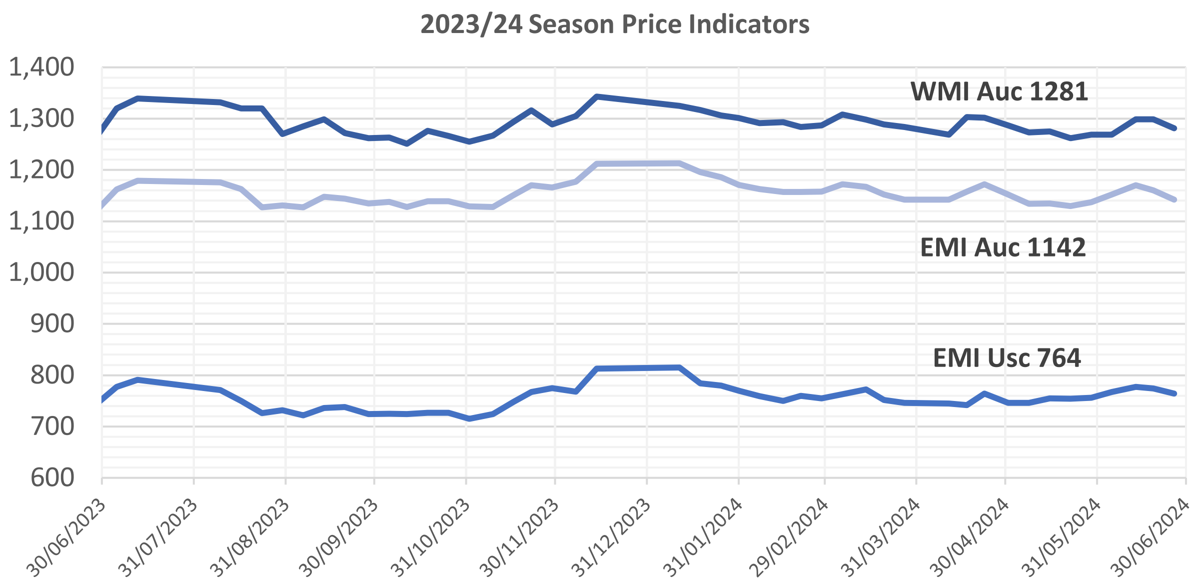
WOOL PRICE

The past season could only be described as average, with possibly one of the least fluctuating price ranges seen in many years. The low of the season was at the commencement being 1126ac, with the top weekly closing EMI of 1213ac in the first week of the new 2024 calendar year. This was an intra seasonal difference of just 87ac, with a trading range of just 3.8% around the mean.

Just two weeks straddling December 2023 and January 2024 had weekly closing levels above the 1200ac mark on the EMI.

The just past seasonal average of 1155ac was underwhelming. Put in context, the average was 39ac lower than the covid affected season of 2020/2021 of 1193ac/clean kg. The past 12 months is also the lowest season average since the 2014/15 season.

- The 2023/24 season has seen the Eastern Market Indicator (EMI) in AUD appreciate from 1126ac/clean kg to conclude at 1142ac/clean kg. This is an intra seasonal gain of16ac/clean kg or **1.42%** in Australian dollar terms. The season averaged an AUD EMI of **1155ac/clean kg**
- The USD EMI has gained 16usc/clean kg from 748usc/clean kg at the start of the season in July 29023 to conclude at 762usc/clean kg in June 2024. This is a seasonal gain in USD of 16usc or **2.14%,** slightly outperforming the Australian dollar value gain. The season averaged a USD EMI of **755usc/clean kg**



The 2023/24 season has seen the Western Market Indicator (WMI) in AUD gain 9ac/clean kg to **1281ac/clean kg** after opening the year at 1271ac/clean kg. This is an intra seasonal gain in the AUD WMI of **0.79%.** The AUD WMI averaged **1291ac/clean kg** for the season.

Price – Merino by micron

Prices measured by the USD EMI has seen price degradation for the season greatest within the Merino sector and at the finest end. Prices have depreciated by over 12% for the 16 to 17micron and most exclusive quoted end of the Merino segments.

Super fine Merino 17 to 18.5micron wools were an average of 7.9% cheaper from start to end of the season, whilst fine wool merino wools charted 5.5% lower by the conclusion of the season.

At the other end, the broader than 20 micron types have held on much better to their values and whilst disappointing, these wools recorded a loss of value of 3% since July 2023.

Highlighting the depressed state of the finest wools, the price gaps for 16.5 micron against 20 micron was around 46% at the start of the season, but that price differential is now 32.3%.

US dollar	16.5 mic	17 mic	18 mic	19 mic	20 mic	21 mic
Jul-23	$ 13.64	$ 12.65	$ 10.89	$ 9.97	$ 9.33	$ 9.06
Aug-23	$ 12.78	$ 11.85	$ 10.18	$ 9.26	$ 8.75	$ 8.52
Sep-23	$ 12.36	$ 11.13	$ 9.89	$ 9.15	$ 8.53	$ 8.30
Oct-23	$ 11.53	$ 10.75	$ 9.62	$ 8.89	$ 8.38	$ 8.24
Nov-23	$ 12.02	$ 11.32	$ 10.11	$ 9.64	$ 8.63	$ 8.54
Dec-23	$ 13.30	$ 12.66	$ 11.05	$ 10.38	$ 9.24	$ 9.00
Jan-24	$ 13.49	$ 12.57	$ 10.97	$ 9.73	$ 9.05	$ 8.82
Feb-24	$ 12.30	$ 11.60	$ 10.30	$ 9.21	$ 8.71	$ 8.61
Mar-24	$ 12.14	$ 11.43	$ 10.17	$ 9.33	$ 8.82	$ 8.63
Apr-24	$ 11.83	$ 11.17	$ 10.02	$ 9.30	$ 8.86	$ 8.62
May-24	$ 11.76	$ 11.17	$ 9.97	$ 9.25	$ 8.87	$ 8.63
Jun-24	$ 11.96	$ 11.39	$ 10.24	$ 9.43	$ 9.04	$ 8.77
$/kg +/-	**-$ 1.68**	**-$ 1.25**	**-$ 0.65**	**-$ 0.54**	**-$ 0.29**	**-$ 0.29**
	-12.3%	**-9.9%**	**-6.0%**	**-5.4%**	**-3.1%**	**-3.2%**

Price – Crossbred by micron

In comparison to the entire Merino sector, the crossbred wool types have maintained a steady price recovery since the start of the season - albeit from a very poor, low price basis.

All crossbred wool types by percentage have recorded gains of between 15 and 20%, far outstripping the value position change in the season for all other types and descriptions.

The season closing quotes were at or very close to the seasonal highs of October for the finer crossbreds.

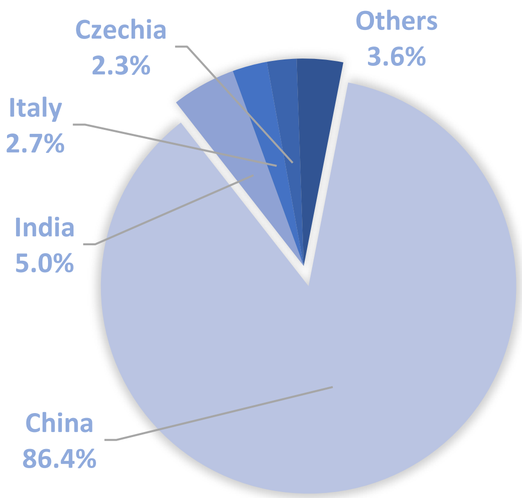
October and February saw the 32 micron types average over 2 usd/kg for the month, which the season closing basis almost matches.

US dollar	28 mic	30 mic	32 mic
Jul-23	$ 2.15	$ 1.94	$ 1.72
Aug-23	$ 2.19	$ 2.02	$ 1.67
Sep-23	$ 2.35	$ 2.20	$ 1.84
Oct-23	$ 2.46	$ 2.32	$ 2.00
Nov-23	$ 2.30	$ 2.17	$ 1.99
Dec-23	$ 2.33	$ 2.15	$ 1.96
Jan-24	$ 2.35	$ 2.19	$ 1.95
Feb-24	$ 2.36	$ 2.20	$ 2.01
Mar-24	$ 2.34	$ 2.21	$ 1.95
Apr-24	$ 2.32	$ 2.16	$ 1.93
May-24	$ 2.35	$ 2.19	$ 1.89
Jun-24	$ 2.56	$ 2.29	$ 1.98
$/kg +/-	**$ 0.41**	**$ 0.35**	**$ 0.26**
	19.1%	**18.2%**	**15.3%**

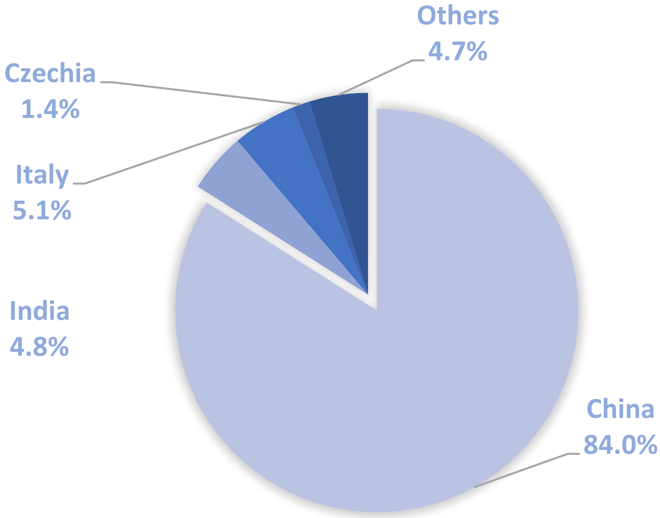
Export destinations for Australian wool 2023/24 season

With just a month left of data from the ABS (Australian Bureau of Statistics) to be added, the May 2024 export figures for the 2023/24 season has seen the Chinese Import of Australian wool grow even further to **86.4%** for the current season.

On a percentage basis, this means that China has increased its market share of the Australian clip by **4.6%** by volume year on year thus far.
China's share in dollar value of that import dominance falls to a still very healthy **84.0% o**f the total export dollars. Last full season saw **78.8%** of value being exported to China, so the growth is much greater in dollars earnt from China for Australian exports of wool at **6.6%** more of the total value.
Whilst Italy's volume share is very low at just 2.7% historically that grows to 5.1% of the value when looking at export earnings.



imports by volume - ABS data



imports by $value - ABS data

It is still quite a disappointing figure when the earnings from the Italian import are usually well above 12% of the export value of the Australian clip. India has imported around 5% of the clip by both volume and value. Exports to Czechia (100% Modiano) are heavily weighted towards crossbreds so the volume figure sits well above the dollar value.
For the current season, Australia has exported 96.3% of weight of wool in the greasy, raw form. 1.2% is scoured wool and 2.5% carbonized.
There are a total of 13 countries that receive greasy wool, but in a commercial sense, that destination list drops to 6 significant and viable users given our volumes produced.
29 countries have received exports from Australia this current season in all wool forms – either greasy or semi processed.

Export destinations by wool state

	Country	Greasy	Scoured	Carbo
1	China	✓	✓	✓
2	India	✓	✓	✓
3	Italy	✓	✓	✓
4	Czechia	✓		
5	South Korea	✓		✓
6	Thailand		✓	✓
7	Egypt	✓		
8	Bulgaria	✓		
9	United Kingdom	✓	✓	✓
10	Germany		✓	✓
11	United Arab Emirates		✓	
12	Japan	✓		✓
13	USA	✓	✓	✓
14	Turkiye		✓	✓
15	Spain		✓	✓
16	Mexico			✓
17	South Africa			✓
18	Vietnam			✓
19	Mauritius			✓
20	Pakistan			✓
21	Singapore	✓		
22	Portugal		✓	✓
23	Iran		✓	
24	Tunisia			✓
25	Uruguay	✓		
26	New Zealand	✓		✓
27	Lithuania		✓	
28	Taiwan			✓
29	Myanmar			✓

CHINA UPDATE

National Bureau of Statistics of China

Annual Macroeconomic Indicators (2023)

GDP Growth	5.23%
Inflation Rate	0.40%
Unemployment	4.16

Monthly Macroeconomic Indicators (May)

Business Confidence Index	98.4	-
Consumer Confidence Index	94.0	-
Purchasing Managers Index	51.7	↑

Sustainability in China: A Continued Quest from Policy to Production, Product to Promotion

Key Highlights:

- Sustainable fashion is gaining traction in China due to increased environmental awareness among consumers and businesses. The Chinese government is actively promoting sustainable development through "high quality development" policies aimed at reducing carbon emissions, waste and water usage.
- Fashion brands are increasingly adopting environmentally aware business models, incorporating natural and biodegradable fabrics into their collections, as well as seeking out low impact supply chains. For instance, in the 2023 fiscal year, the proportion of sustainable material procurement for JNBY Group reached 16.6%, a significant increase compared to 6.3% in the 2022 fiscal year. JNBY Group is working towards fulfilling its 2025 ESG commitments. By the end of the 2025 fiscal year, the company aims for sustainable materials to account for 30% or more of the total raw material procurement.
- Chinese consumers' awareness of sustainable fashion is increasing, with some preferring brands with traceable and transparent origins. According to a survey conducted by Daxue Consulting, 77% of surveyed Chinese consumers are willing to pay a premium of 5-20% for sustainable fashion products.

For the past decade the Chinese government has been taking significant strides to reduce waste and pollution in the country, while promoting green business practices across industries.

Most notably, in its "14th Five-Year Plan" the government pledged to hit peak carbon emissions before 2030 and achieve carbon neutrality before 2060. Given this stance, the notion of sustainability in the fashion and textiles industry is becoming a social normal and business imperative. This shift is further driven by growing market awareness of the environmental impact of the fashion industry and increasing demand for more sustainable practices and products.

In terms of local industry initiatives, the China National Textile and Apparel Council (CNTAC) launched its "30:60 China Fashion Brand Climate Innovation Carbon Neutrality Acceleration Plan" in June 2021. The "30:60 Carbon Neutral Acceleration Plan" signifies a comprehensive strategy aimed at propelling the Chinese fashion industry towards achieving carbon neutrality by 2060, with significant milestones by 2030. It presents both challenges and opportunities for companies and manufacturers. By embracing green production practices, manufacturers can not only contribute to global sustainability efforts but also realize significant business benefits, including cost savings, market differentiation, and enhanced brand reputation. Adapting to these changes proactively will position manufacturers for success in a rapidly evolving market landscape.

Drilling further down, supply chain partners of The Woolmark Company have been taking the initiative and championing sustainability in their own product innovations.

- **Danmao** launched its own sustainable water-saving dyeing technology. In traditional dyeing method the water in the dyeing bath must be discharged, which, in addition to creating much wastewater, can also negatively impact the environment. At the same time, colour fastness can also be further improved.
- **Xinao** debuted its REMAKE Sustainable Yarn collection. Developed jointly by Xinao and InResST, REMAKE products are composed of 40% post-consumer recycled nylon and 60% superfine Merino wool.

Conclusion: A Comprehensive Approach to Sustainable Fashion in China Requires Active Engagement from All Stakeholders

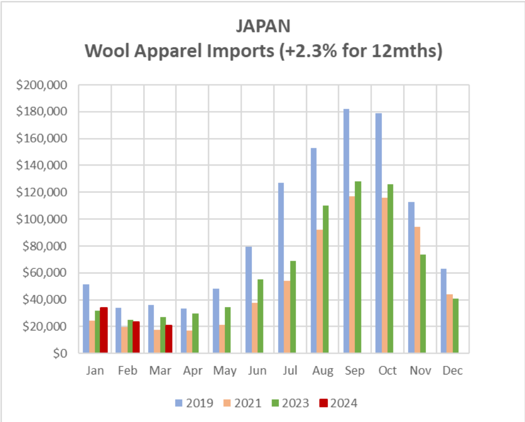
The path to a sustainable fashion industry requires concerted and active participation from policymakers to manufacturers and retailers to consumers. Each link must be committed to transformative change and take measurable action with accountability in mind. This call-to-action hinges on the integration of the 4P's of Policies, Production Methods, Product and Promotion.

1) ***Policy***: China's government has set a promising precedent with initiatives such as its "30:60 Carbon Neutral Acceleration Plan." Future policies must continue to enforce and incentivize sustainable practices, ensuring that environmental responsibility is at the forefront of socioeconomic strategies.
2) ***Production Methods (Supply chain)***: Transforming production methods is essential. Embracing technologies that reduce water usage, minimize waste and incorporate recycled materials is crucial. Establishing closed-loop systems and promoting circularity in design and manufacturing will enhance sustainability throughout the supply chain.
3) ***Product (Retail)***: Retailers have a crucial role in driving consumer demand and market trends towards sustainable choices. They must prioritize transparency, traceability and ethical sourcing in their product offerings. Promoting durable, eco-friendly materials and fostering consumer awareness about sustainable consumption habits are key to influencing market preferences.
4) ***Promotion (Education)***: Education is fundamental in shaping consumer behavior. Engaging with consumers through clear messaging about garment care, the environmental impact of their fashion choices, and the lifecycle of products will foster a culture of responsibility and conscious consumption. Moreover, industry leaders and key opinion influencers could advocate for sustainable practices, setting a standard that resonates across all demographics.

In summary, achieving sustainable fashion in China demands commitment and proactive engagement from all stakeholders. By aligning policies, revolutionizing production practices, enhancing product sustainability, and promoting consumer education. This is not an option but an imperative for ensuring the long-term viability and ethical integrity of the textile industry.

Jeff Ma, Woolmark Shanghai.

JAPAN UPDATE



ITC imports for wool knits, Men's suits & M&W coats

Annual Macroeconomic Indicators (2023)

GDP Growth	1.89%
Inflation Rate	3.23%
Unemployment	2.58%

Monthly Macroeconomic Indicators (May)

Business Confidence Index	100.8	-
Consumer Confidence Index	98.6	-
Purchasing Managers Index	50.4	↓

<u>Yen's purchasing power hits all-time low, at one-third of peak</u>

- The yen depreciated as far as 161.20 to the U.S. dollar on Friday, the lowest in over 37 years.
- The yen fell to the 172 range against the euro, breaking the record low set at the end of April.
- The yen is also at its lowest against the Australian dollar since 2007.
- The broad decline makes purchasing overseas goods more expensive in yen terms.
- If households become more frugal as a result, consumption could be further suppressed.

<u>Garment Outlook</u>

- Many large apparel and retail brands are looking to reduce their reliance on Chinese manufacture by diversify to other ASEAN countries such as Vietnam, Thailand and Bangladesh.
- Although there are clear advantages with Chinese suppliers (good price-quality balance, decreasing MOQs), diversification of their supply chains is essential to avoid risks.
- Over the past couple of years the school uniform business has been stable, though the downward trend toward lower wool percentages is continuing.
- Annual sales of major budget suits retailers are recovering but have yet to reach 2019 results
- A recent survey by industry newspaper Senken Shimbun showed showed:
    - 45% of respondents owned less than two suits
    - Over 40% of respondents had not bought a suit in the past 10 years
    - Over 50% of respondents wore suits less than once a year. (men and women aged 20-69)
- Positive signals from premium retailers who see sales of suits featuring fabrics of well-known Japanese or Italian mills pick-up gradually, in line with the increased polarization of the market.
- Autumn/Winter 2025 collections are adapting to shorter, warmer winters. Long, heavy wool coats will be replaced by light-weight outerwear with a dry touch including short length coats, jackets, and blousons.
- Trans-seasonal tops and layered knitwear, including cardigans and knitted jackets, will also be at the core of the collections. Average wool percentage across all products is expected to increase slightly, to the 40- 55% range.

<u>Fabric Production</u>

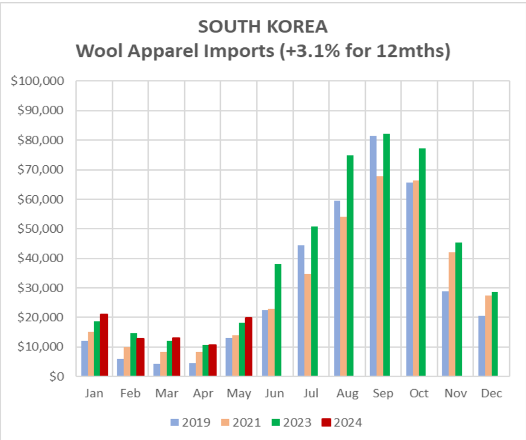
- The Japan Wool Textile Finishing and Dyeing Association reported that the production of worsted wool textiles in April 2024 increased by 9.8% compared to the same month in 2023.
- Woolen fabrics production dropped by 15.4% over the same period. This is caused by the styling trend mentioned above, and by overstock (fabrics and finished products) due to disappointing sales caused by 2 consecutive warm winters. Production of woolen yarns decreased by 4.7%.
- Overstock is affecting knitted fabrics as well, with production decreasing 11.6% YoY in April.

Japanese Ministry of Economy, Trade and Industry (METI) publishes guidelines for environmental transparency in the textile and apparel industry

- The “Guidelines for the Disclosure of Environmental Considerations in the Textile and Apparel Industry” were published on 25th June 2024.
- While not legally binding, they encourage textile and apparel companies to voluntarily and independently disclose numerical information on the items below, in line with international standards such as the CSRD and the IFRS Sustainability Disclosure Standard:
    - Energy consumption and GHG emissions in the manufacturing process
    - Water consumption in manufacturing processes
    - Use of environmentally friendly raw materials
    - Environmental impact of product use and disposal
    - Use of chemical substances
    - Waste volume of products sold
    - Disposal methods for collected garments
    - Biodiversity initiatives
    - Other environmentally friendly initiatives

- The METI targets full information disclosure by select representative big apparel companies in Japan by 2026, followed by major apparel companies by 2030. Small and medium enterprises are also required to work on this without a set deadline.

SOUTH KOREA UPDATE



ITC imports for wool knits, Men’s suits & M&W coats

Annual Macroeconomic Indicators (2023)

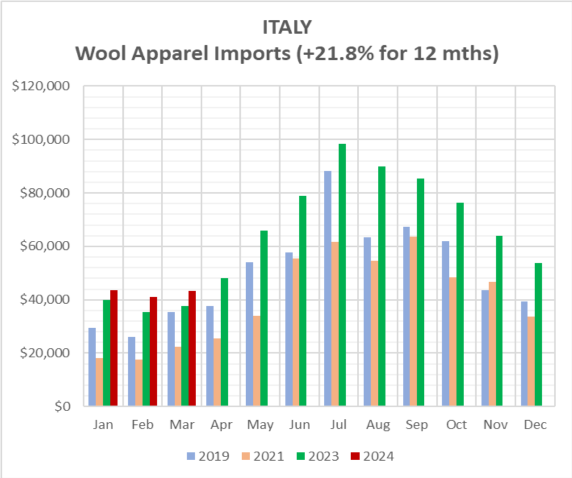
GDP Growth	1.35%
Inflation Rate	3.66%
Unemployment	2.67%

Monthly Macroeconomic Indicators (May)

Business Confidence Index	98.6	
Consumer Confidence Index	99.7	-
Purchasing Managers Index	51.6	

- South Korea’s economic outlook for 2024 appears optimistic, with a forecast GDP growth of 2.4%, a significant improvement from 1.4% in 2023. Q1 2024 saw robust growth driven by increased domestic consumption and strong exports, indicating a positive momentum.
- Overall, in 2024, real household consumption expenditure is expected to rise by 1.8%, up from 0.5% in 2023, while exports are projected to accelerate by 3.7%, following a 3.1% growth in the previous year. These indicators suggest a favorable economic trajectory for South Korea, although challenges related to global market dynamics and domestic factors may influence the overall outlook.
- Korea’s retail industry grew 10.8% year-on-year in April 2024, the Ministry of Trade, Industry and Energy announced on 28 May. The data also said that offline sales dipped by 0.2%, whilst online sales surged by 22.2%.
- New research from Vlerick Business School found that consumers in South Korea and Singapore showed the highest willingness to pay for brands that prioritise "sustainability and inclusivity."
- The Woolmark Korea team will be participating in the largest International Textile Fair in Seoul Korea on August 21-23.

ITALY UPDATE



ITC imports for wool knits, Men's suits & M&W coats

Annual Macroeconomic Indicators (2023)

GDP Growth	0.68%
Inflation Rate	5.98%
Unemployment	7.80%

Monthly Macroeconomic Indicators (May)

Business Confidence Index	100.0	-
Consumer Confidence Index	98.9	↓
Purchasing Managers Index	45.6	↓

The spinning sector closed 2023 with an average decline of about 8-12%. The wool spinning sector remains the dominant segment, contributing 82.3% of the total turnover, while cotton yarn accounts for 13.6%, followed by linen yarn at 4.1%.

Analyzing the performance of each segment, negative trends are evident: **wool yarns experienced a sectoral revenue decline of 9.8%** year-on-year; cotton spinning saw a decrease of 18.6%, and linen spinning recorded a drop of 6.4%.

At recent trade fairs, key market players have reported **a slight market decline of around 8-12%.** However, there was an average increase of 5% in client appointments. According to all feedback, the small decline is not a huge concern for spinners because the large stock of materials purchased in the last two seasons is still being cleared, and **there is confidence in a positive recovery in the coming seasons.**

Certainly, climate variability does not aid in purchase planning and does not support sell-out. In a climate of consumer uncertainty, brands remain more cautious in their purchases. The decline is structural and related to the general market downturn. The sector is still undergoing a reorganization phase, especially among fashion houses.

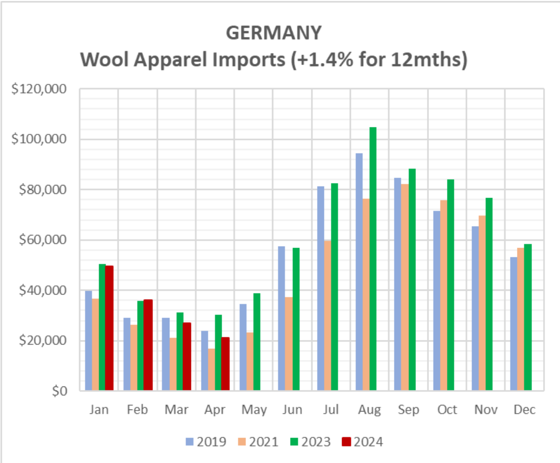
Merino wool seems to be gaining an advantage over cashmere because very fine wools have a similar hand feel but are much cheaper, allowing for higher margins. Therefore, if five years ago there was fear of a "disappearance" of wool, today, thanks to sustainability certifications (the current trend is definitely regenerative wool), wool competes on equal terms, if not with greater chances, due to better margins.

From a pricing perspective, the price lists show no changes and are in line with previous years, absorbing the effect of increased energy costs & inflation which return to structural levels close to 3%.

PORTUGAL, *(new business development)*

- Exports in June grew by 4.1% compared to the same month in 2023, reaching €443.6 million.
- Between January and April, the sector exported goods worth €1.86 billion, registering a 7.8% decrease compared to the same period the previous year.
- Despite most product categories recording negative numbers, wool exports grew by 10%, reaching €5.01 million.
- Natural textile fibers saw an increase of 18.6%, totaling €2.94 million.

GERMANY UPDATE



ITC imports for wool knits, Men's suits & M&W coats

Annual Macroeconomic Indicators (2023)

GDP Growth	-0.15%
Inflation Rate	6.04%
Unemployment	3.10%

Monthly Macroeconomic Indicators (May)

Business Confidence Index	98.7	-
Consumer Confidence Index	99.7	↑
Purchasing Managers Index	45.4	↑

In the first quarter of 2024, fashion retailers increased their sales by 4% compared to 2023. Summer temperatures in February and March led to good sales. The second quarter was marked by a slowdown in fashion demand (minus 3%). May and June were characterized by weather conditions that did not fit with retailers' summer collections. The result was a sharp drop in sales. In rainy and cool weather, T-shirts, shorts, and summer dresses did not sell.

Interesting Market Research Published:
Financial consumer situations, as well as time management and sustainability, are driving forces behind a change in purchasing behavior in Germany. Consumers in Germany are increasingly losing interest in shopping. In a survey by the Gottlieb Duttweiler Institute (GDI), more than 40% of women said they enjoyed shopping less than they did five years ago. "The issue of sustainability in consumption is particularly important to women. Half of the women said they want to consume less for sustainability reasons.

Supply Chain:
More and more brands want to reduce dependency and uncertainties in procurement and production and have more manufacturing in Europe and America. Hugo Boss CEO Daniel Grieder stated, "Our strategy is: What is sold in America should be produced in America. What is sold in Europe should be produced in Europe."

Workwear, First Responders & Armed Forces:
NATO Support & Procurement Agency (NSPA) currently have put out a tender for 15million garments (knitted base-layers). The Woolmark team and partner suppliers are meeting with relevant procurement managers to discuss and educate about Merino properties. All NATO countries will be able to order against this tender.

Marketing/Business Development:

The clothing context today is in continuous search of authenticity, and certifications have increasingly become a model for adding value to the product. It started with sustainability certifications, which, in addition to being a necessary condition, have become inflated. Therefore, the new trend is to focus on quality certifications.

In a competitive and certification-inflated context, brands and consumers themselves are disoriented and less sensitive to sustainability certifications. These, although necessary, have exhausted their cycle of added value creation. Today, quality certifications have become the new value-added impetus that brands seek.

We have recently seen a significant increase in requests for collaboration and WOOLMARK certification, often translating into a greater increase in wool products in collections. Once in contact with us, they seized the opportunity to expand their wool product offering.

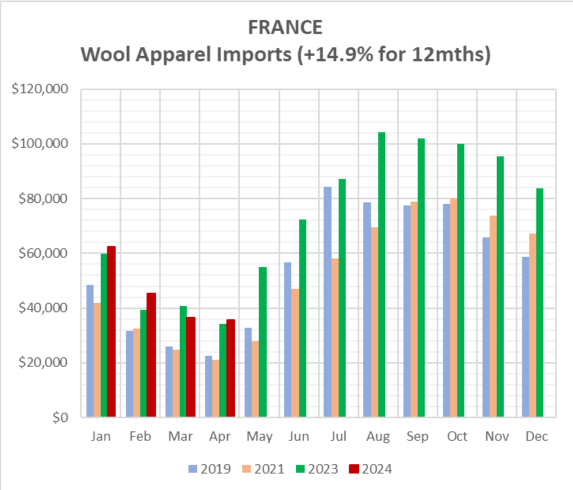
A global sustainability campaign certainly helps, but the result we have obtained and are obtaining using a global ambassador like Prada Luna Rossa is very positive. The fact that Prada and Luna Rossa have chosen wool creates a domino effect in the market that a simple global campaign alone cannot achieve. This "business model" opens the doors of brands to our product experts, who guide product offices towards new business opportunities with wool.

Conclusion

Our commitment and investment in strategic projects continue to generate positive results. Despite the current market stagnation, the expansion of our marketing with K-ambassadors and especially business development initiatives demonstrate the resilience and future growth potential of the wool business.

Francesco Magri, Woolmark Milan

FRANCE UPDATE



ITC imports for wool knits, Men's suits & M&W coats

Annual Macroeconomic Indicators (2023)

GDP Growth	0.84%
Inflation Rate	5.50%
Unemployment	7.34%

Monthly Macroeconomic Indicators (May)

Business Confidence Index	99.9	↓
Consumer Confidence Index	98.5	↑
Purchasing Managers Index	46.4	↑

EU to impose customs duties on products purchased from AliExpress, Temu and Shein
The European executive is due to propose abolishing the current threshold of 150 euros below which goods purchased online in a third country are not subject to customs duties.

Two billion parcels with a declared value of less than €150 arrived in the European Union (EU) from third countries in 2023, according to figures from the European Commission.

Less than a month before Olympic Games, sports brands to open new flagships in Paris
Salomon opened a 295sq meters shop in Champs Elysées. The brand recorded sales growth of 22% last year, compared with 2022, said the group without disclosing the amount. It joins sports brands as Fusalp and Moncler in the Champs Elysées avenue.

Canadian brand Arcteryx opened a 515sq meters in Madeleine area with a repair offer.

Sustainable fashion: young consumers at odds with their elders
The IFM/Première Vision chair surveyed consumers aged 18 to 65 in five European countries: France, UK, Italy, Germany and Belgium. While young consumers stand out from the general population, there are significant differences between the 18-24 and 25-34 age groups.

Among 18–24-year-olds, sustainable fashion is defined first and foremost by environmental protection, while the issue of materials only comes second. However, 25–34-year-olds see materials as the most important aspect of sustainable fashion, ahead of environmental issues.

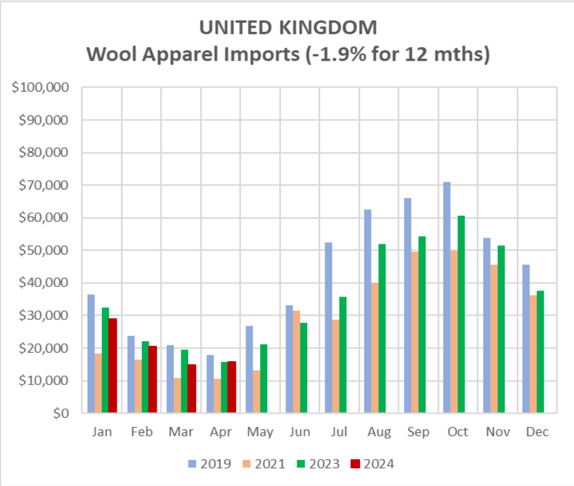
The two age groups largely agree on the issues of the social conditions of production and the places of production, ranked 3rd and 4th respectively in the responses.

Trade – The falls continues for Premiere Vision
Premiere Vision launched their summer edition from July 2nd-4th. The edition gathered 930 exhibitors: a 27% decrease respect to last July 23. Olympic Games in Paris has discouraged international travellers to come to Paris.

Textile sales in France tainted by current events
Net decline of 5.8% in activity in the French textile and clothing sector for the month of May (compared to 2023).

This setback is partly due to the "unfavourable economic environment" and difficult "weather conditions". May was the rainiest month since 2013. This scenario is highlighted by inflation and political elections.

UNITED KINGDOM UPDATE



ITC imports for wool knits, Men's suits & M&W coats

Annual Macroeconomic Indicators (2023)

GDP Growth	0.14%
Inflation Rate	7.32%
Unemployment	4.20%

Monthly Macroeconomic Indicators (May)

Business Confidence Index	99.2	↓
Consumer Confidence Index	99.5	↑
Purchasing Managers Index	51.2	↑

According to the UK Office for National Statistics, retail sales volumes (quantity bought) rose by 2.9% in May 2024, following a fall of 1.8% in April 2024 (revised from a fall of 2.3%).

Sales volumes rose across most sectors, with clothing retailers and furniture stores rebounding following poor weather in April.

More broadly, sales volumes rose by 1.0% in the three months to May 2024 when compared with the previous three months. However, they fell by 0.2% when compared with the three months to May 2023.

Online retailers, rose by 5.9% on the month. This was the largest monthly increase and index level since April 2022. Commodity breakdown data indicated that the increase in May 2024 was because of strong clothing and other non-food sales.

Woolmark has been present at the Future Fabrics Expo in London, which has received growing interest and attendance over the last 2 years. Talks and seminars were scheduled around circularity, regulation/certification and regenerative recycling.

Innovation and sourcing hub for less impactful products and processes, a decent showcase of wool materials from UK and European suppliers

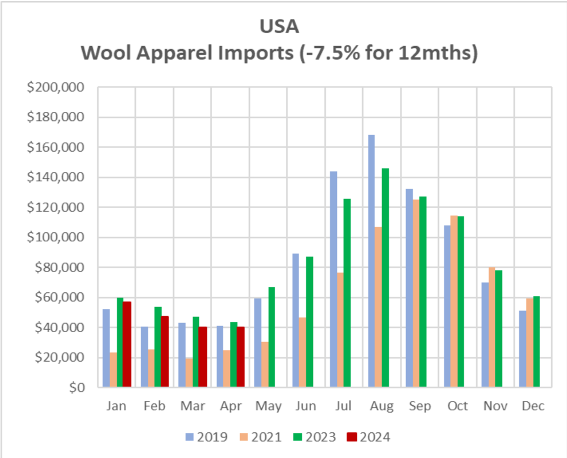
TWC was included in the innovation table for its research work with De Montfort University (and other commercial partners) on recapturing dye from wool materials to dye new wool materials

TWC spoke at World Bio Markets on the Fashion for Good panel on the intersection of wool with bio materials.

Bio tech solutions are vital for de-fossilisation and resiliency of our supply chains, not least incoming legislation around hazardous chemicals such as the integration of ZDHC into the New York Fashion Act.

As a result of new regulative pathways there will be growing demand for bio-based alternatives to chemicals used in the finishing and dyeing of wool as well as the make-up of materials used in conjunction with wool.

AMERICAS UPDATE



ITC imports for wool knits, Men's suits & M&W coats

Annual Macroeconomic Indicators (2023)

GDP Growth	2.47%
Inflation Rate	4.12%
Unemployment	3.65

Monthly Macroeconomic Indicators (May)

Business Confidence Index	99.1	-
Consumer Confidence Index	98.3	
Purchasing Managers Index	51.3	

- Advance estimates of U.S. retail and food services sales for June 2024, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were $704.3 billion, virtually unchanged from the previous month, but up 2.3 percent above June 2023.
- Total sales for the April 2024 through June 2024 period were up 2.5 percent from the same period a year ago. The April 2024 to May 2024 percent change was revised from up 0.1 percent to up 0.3 percent. Retail trade sales were down 0.1 percent from May 2024, but up 2.0 percent above last year.
- Non-store retailers were up 8.9 percent from last year, while food services and drinking places were up 4.4 percent from June 2023.. *U.S. Census Bureau*.

<u>Emerging Market – Latin America</u>

The Peruvian textile market is oriented towards major luxury fashion and sportswear brands. The focus on sustainability by these brands and local manufacturers presents a significant commercial development opportunity for Australian wool. Woolmark has experienced a very positive reception in the region, there are opportunities in key market sectors for both knit and woven fabrics, including 100% AU Wool and blends with Pima Cotton and Alpaca. In addition to Peru, there are many top makers in South America who have expressed a willingness to procure and process AU Merino wool greasy wool to service increasing downstream demand.

The Mexican textile industry see the luxury and performance export market in the United States, Canada and Europe as an emerging opportunity, with some working with Woolmark to connect them with downstream customers, upstream fiber and material inputs and valuable training on processing and innovative technical transfer as the right resources, right now. Given our tight fiscal circumstances the challenge is to continue to leverage these opportunities whilst also managing partners expectations in terms of our ability to support.

The large manufacturing base identified in Latin America, from early stage processors to final product producers, along with their capacities, economic influences, proximity to consumer markets, and eagerness to grow their wool offerings represents potentially a large, new demand for Australian wool.

The growing urgency in which major brands, based in the global west, are sourcing their supply nearer shore and manufacturers look to diversify their processing into more natural and luxury performance, Woolmark is presented a window of opportunity to capitalize on these trends. Project successes will build the necessary confidence among many more Latin manufacturers to incorporate Australian wool into their product portfolios.

EMERGING MARKETS UPDATE

INDIA

Domestic Retail Market Insights

- Due to general elections and subdued demand retail sales grew only 1% in May’24. **The business pressure has pushed brands and retailers to start silent sales since mid-June which shall peak around mid-July.**
- **Overall fashion retail is on a modest growth trajectory at 6% but fast fashion retail is growing at an unprecedented rate of 30%.** This growth is fuelled by the large population transitioning to the middle-class group with strong aspirations.
- Retailers across all categories are opening large-format physical stores with an aim to give a better brand experience.
- **Maison Margiela, Charles Tyrwhitt and Dockers** have launched their 1st physical stores in India. Charles Tyrwhitt is in partnership with Reliance Retail.
- SNPCs brands **Sandro** and **Maje** and **Galeries Lafayette** are scheduled to open their stores by the end of 2024. **French brands and retailers are betting on India as their next growth market.**
- **Wool for occasion wear** is the new category we are exploring to promote merino wool. Festive and weddings are one of the biggest value and volume purchase drivers in India falling in the AW season. Partnership discussion under progress with one the largest festive and wedding occasion wear brands for men.
- A **sportswear** category partnership discussion with our brand partner incorporating merino wool base layers in their collection suited for Tropical weather. These products are being planned to be positioned on the dynamic breathability attributes of merino wool.

Licensing

- The License renewal for 24/25 is at a moderate flow with an **expected retention of 95%** which is expected to be 5% higher than the previous year.
- Two brand licensees were added: **Taroob**, an online premium Indian heritage-inspired brand selling shawls, stoles and jackets, and **Octave**, which is a mass-market casual wear brand that introduced merino wool sweaters in their collection.
- The standard sale orders for partners are favourable for categories such as - Blanket and Jerseys which contain majorly 50% wool. This has resulted in 100% retention in our programme.

Supply Chain Visits

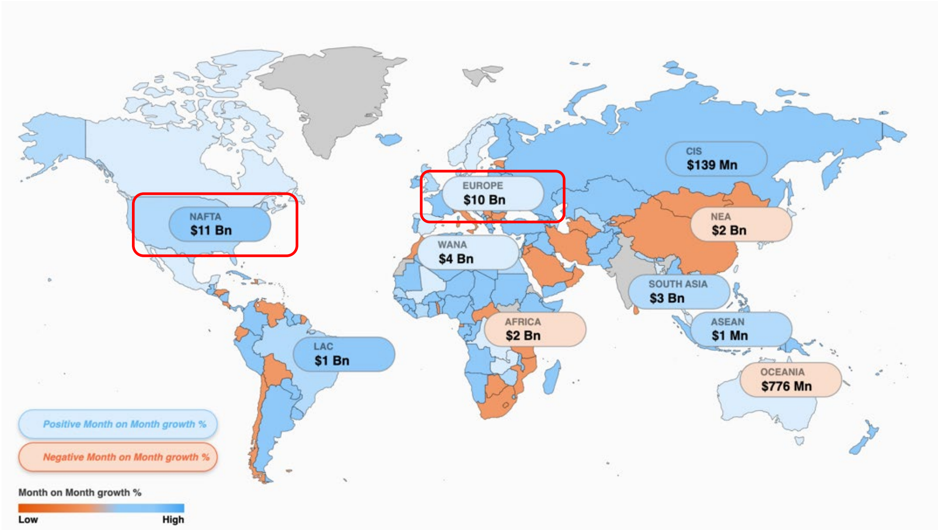
- Looking at the upcoming AW’24 season which is the key season for wool, the knit manufacturers are showing positive sentiments due to better order flow from trade. A few partners are also receiving new enquiries for woven and knit products from markets like Japan and Korea but with low volume.
- There have been process additions and upgrades by early-stage processors to add more overseas business prospects and decrease their sourcing dependencies.

Manufacturing and Exports

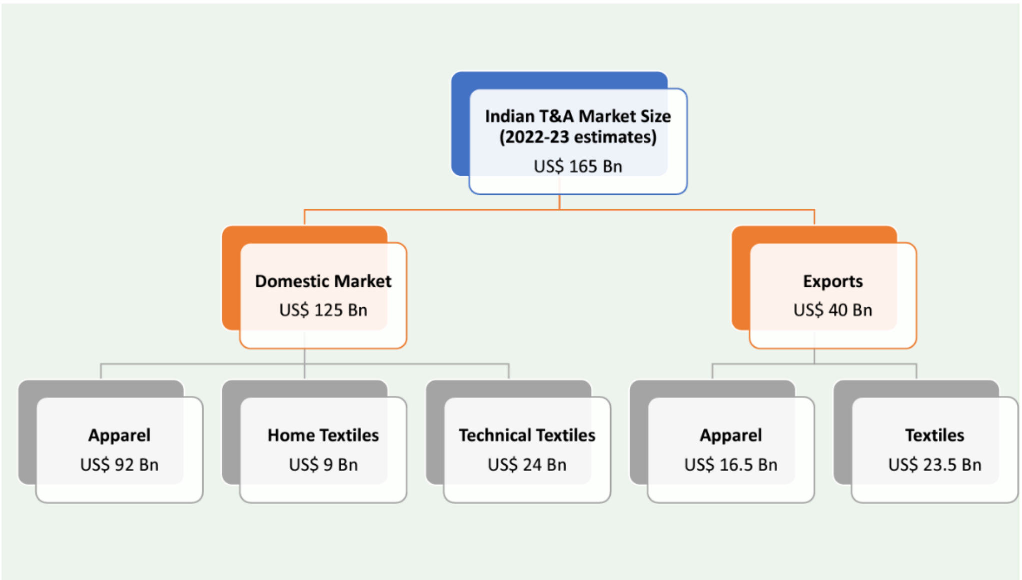
- After the textile exports decline (impact of geopolitical issues) in the last FY, there has been some **marginal uplift in exports** due to increased demand for summer clothing in the West. As per trade, there is a demand for breathable and light materials and a rising demand for ethically and sustainably made clothing from India.
- In the **current FY, April, May and June’24 months have shown improvements in the overall textile manufacturing** & export sector due to demand from overseas. As a result, organisations have also stepped up hiring which has led to notable job creation.
- A new Textile Minister has been appointed by the government who intends to continue to focus on textile capacity and quality enhancement with various govt incentives & infra support to the industry. All the efforts would be guided towards job growth and export growth.

- India's textile industry is waiting for the free-trade-agreement with the UK and EU (which is in the pipeline) as it would help the country come to a level playing field with Bangladesh and increase its share in garment imports by those countries.

Textile Exports by Country (FY22-23)



India Textile and Apparel Market Overview



Source – Wazir textile report

BANGLADESH

Woolmak's new BDM based in Chittagong has started his role and is building relationships across the supply chain whilst building a plan for the market which he will present in 3 months' time. He is also currently working on:

- Technical transfer for wool yarn dyeing for one of the largest sweater manufacturers and yarn dyers in Bangladesh
- Sourcing and education as well as market opportunities.
- Potential for TWC presence at upcoming tradeshows – Bangladesh Denim Expo in October and the presenting on sustainability at the Bangladesh Climate Action Forum in November.

Due to a severe gas crisis, local yarn production in Bangladesh has dropped to 40% capacity, leading to a 13% increase in yarn imports. The high cost of local production, coupled with reduced government incentives, is making the textile industry less competitive. Garment manufacturers are now importing yarn from countries like India and China. Industry leaders are urging the government to restore gas supplies and revise policies to support the sector, warning that prolonged disruptions could lead to job losses and reduced export earnings.

VIETNAM

Woolmark Technical staff had a successful trip to Vietnam to run workshops with leading spinners, knitters and weavers. Key aspects include technical support for new fabric developments, QA & staff training in wool dyeing techniques.

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