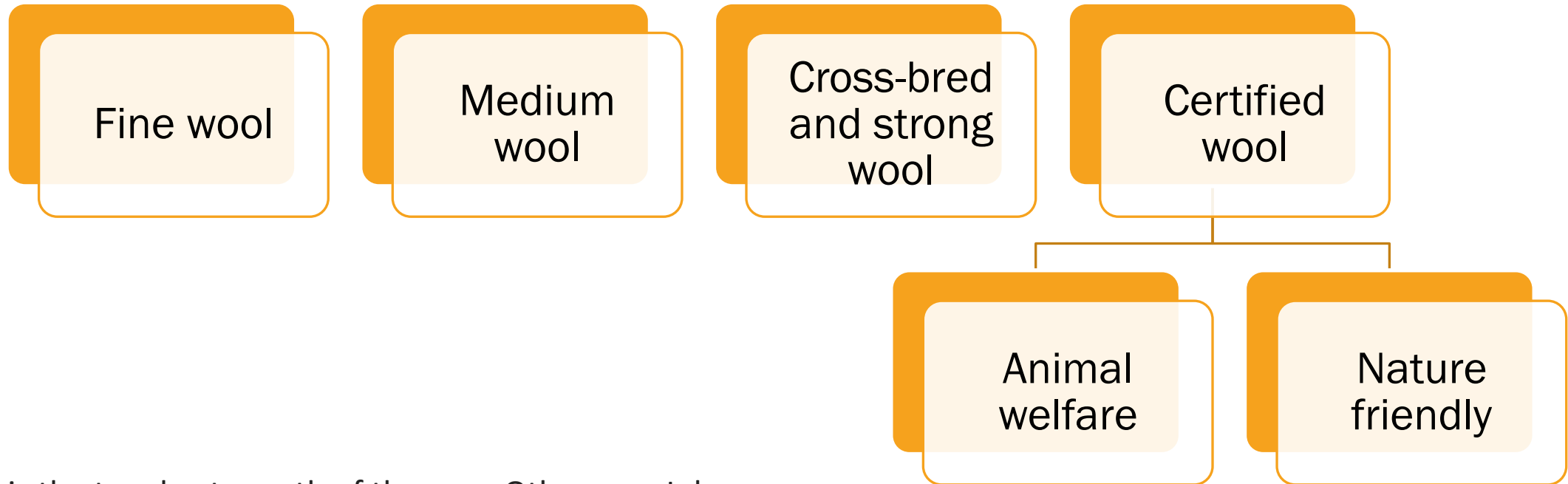




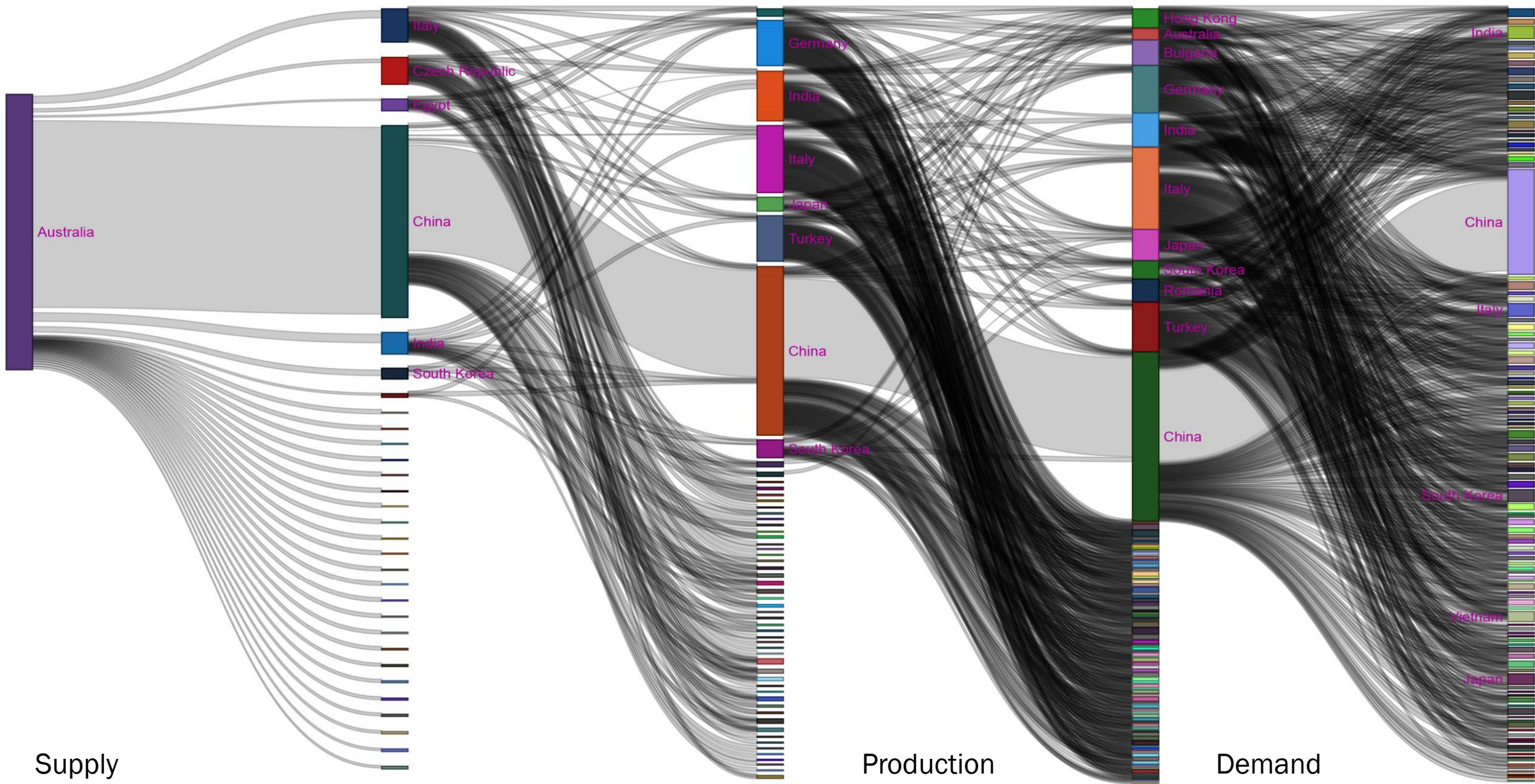
ASI 2025

The tale of four wools



December is the toughest month of the year. Others are July, January, September, April, November, May, March, June, October, August, and February. Mark twain

Australian Wool Export Pathways (1): Raw & Scoured, Tops and Cards, Yarn, Fabrics - Detailed



Supply

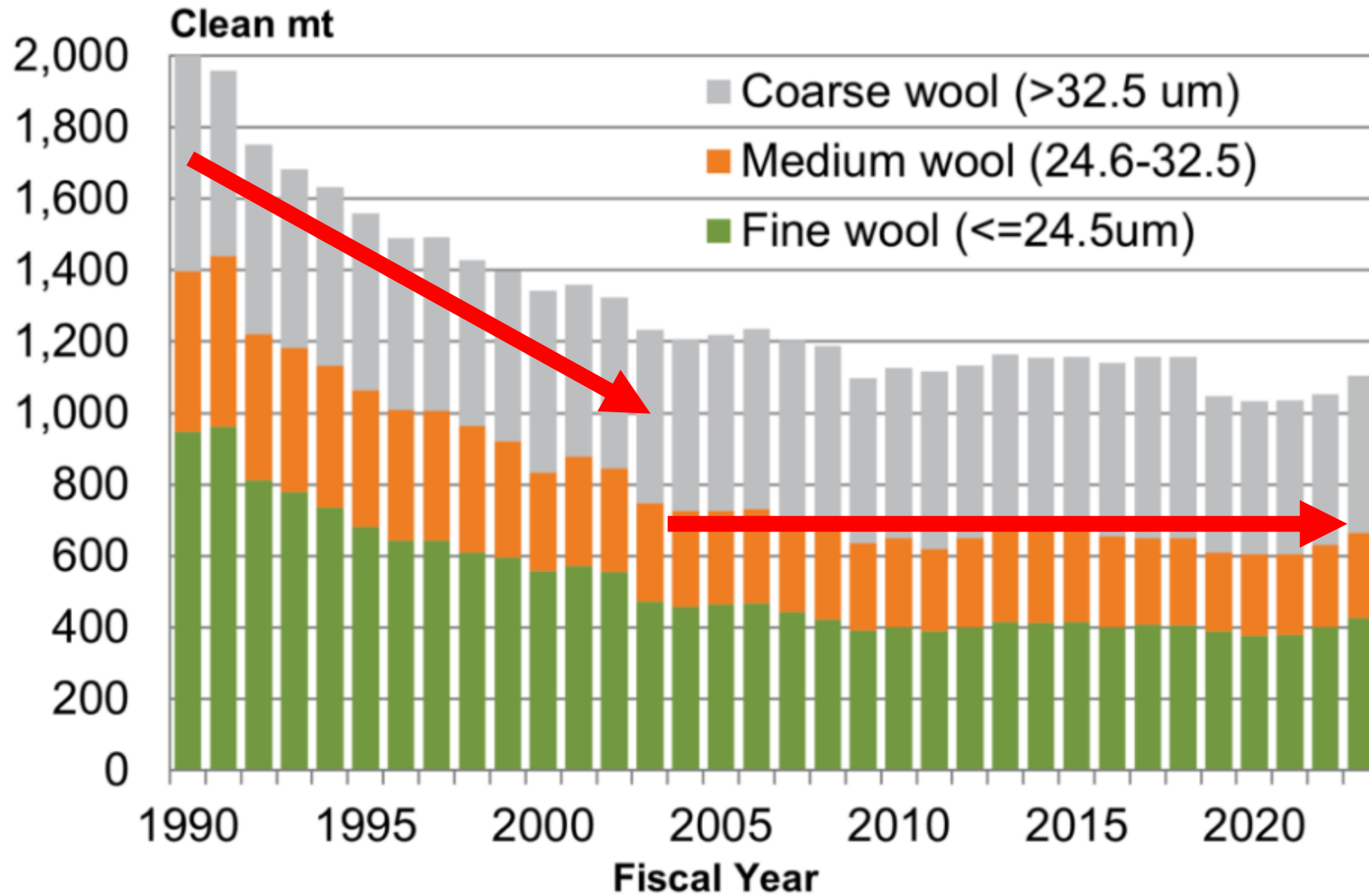
Production

Demand

Supply

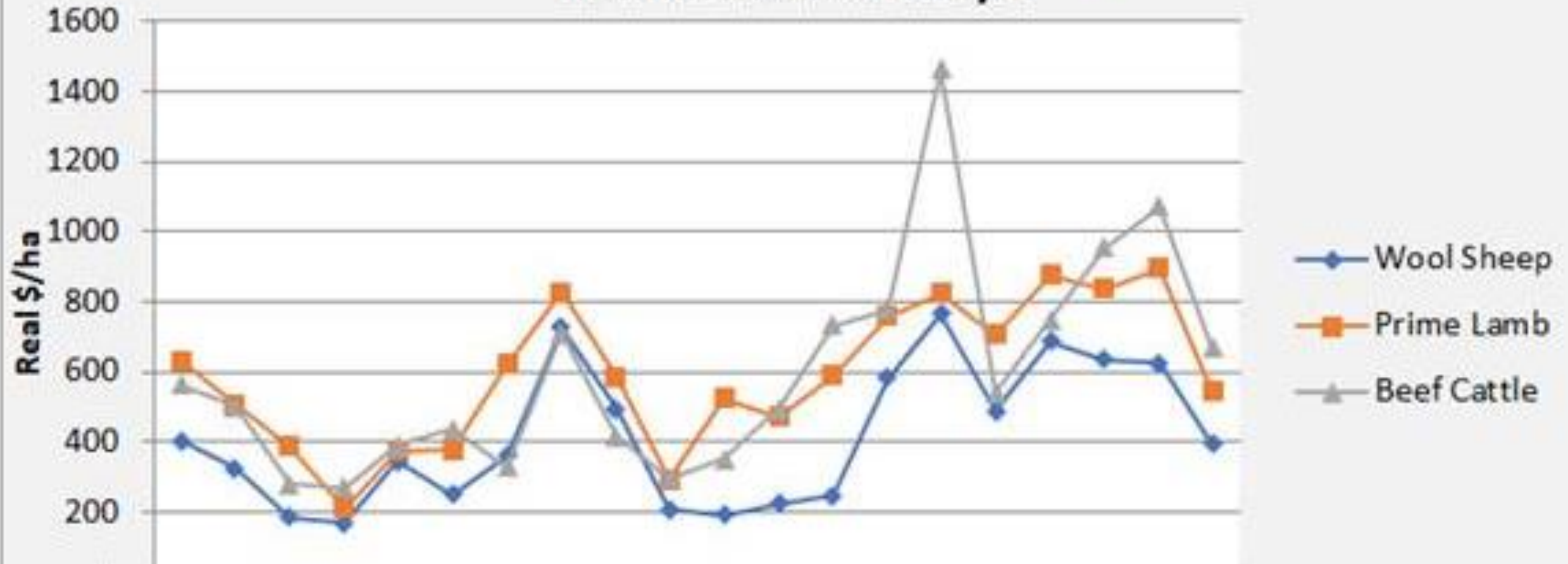


Figure 1. World supply of wool



Source: IWTO, ICS

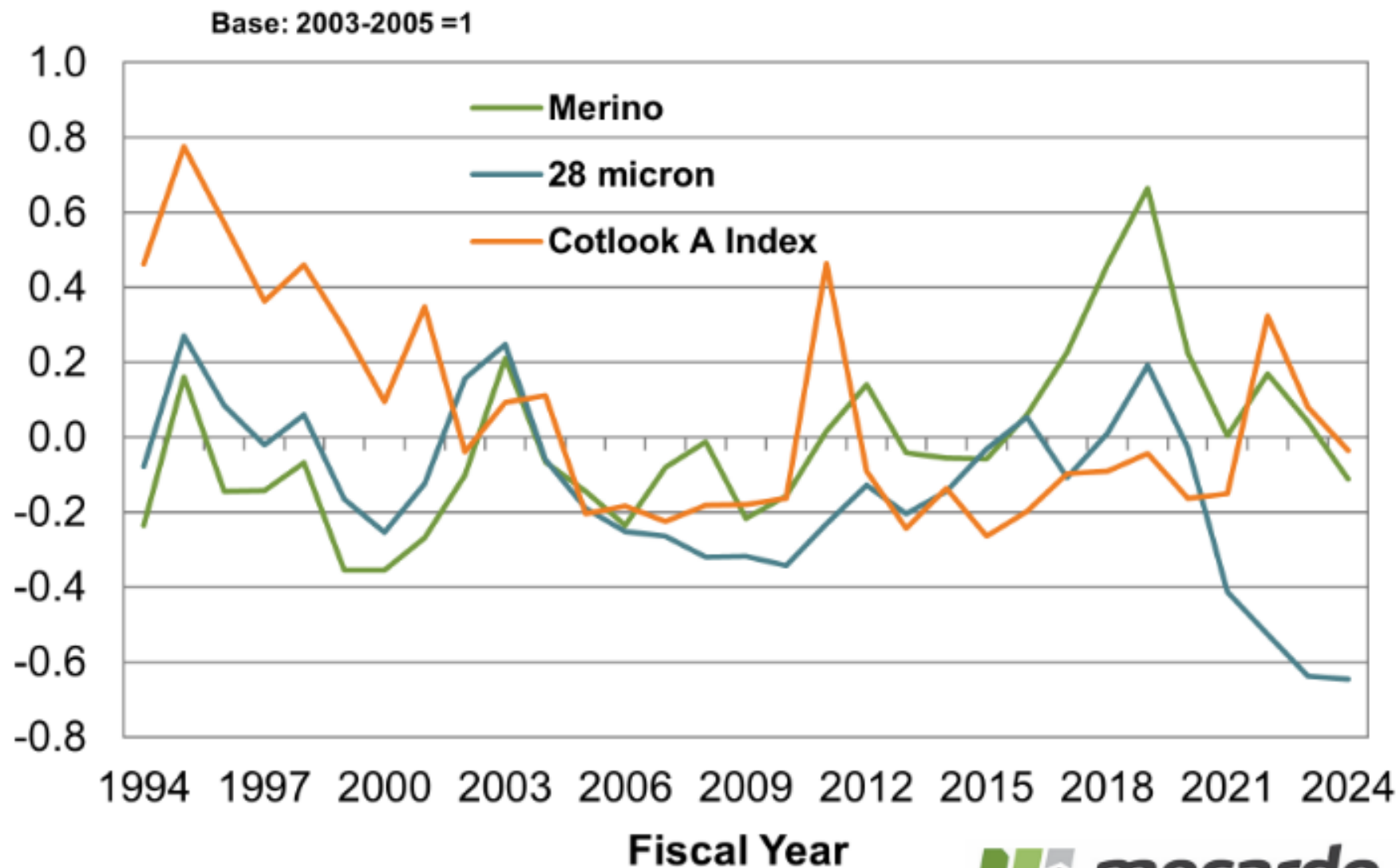
Victorian Farm Monitor Project



Producer profitability

Don't use a five-dollar word when a fifty-cent word will do
Mark Twain.

Figure 3. Fibre prices - deflated Australian dollar terms

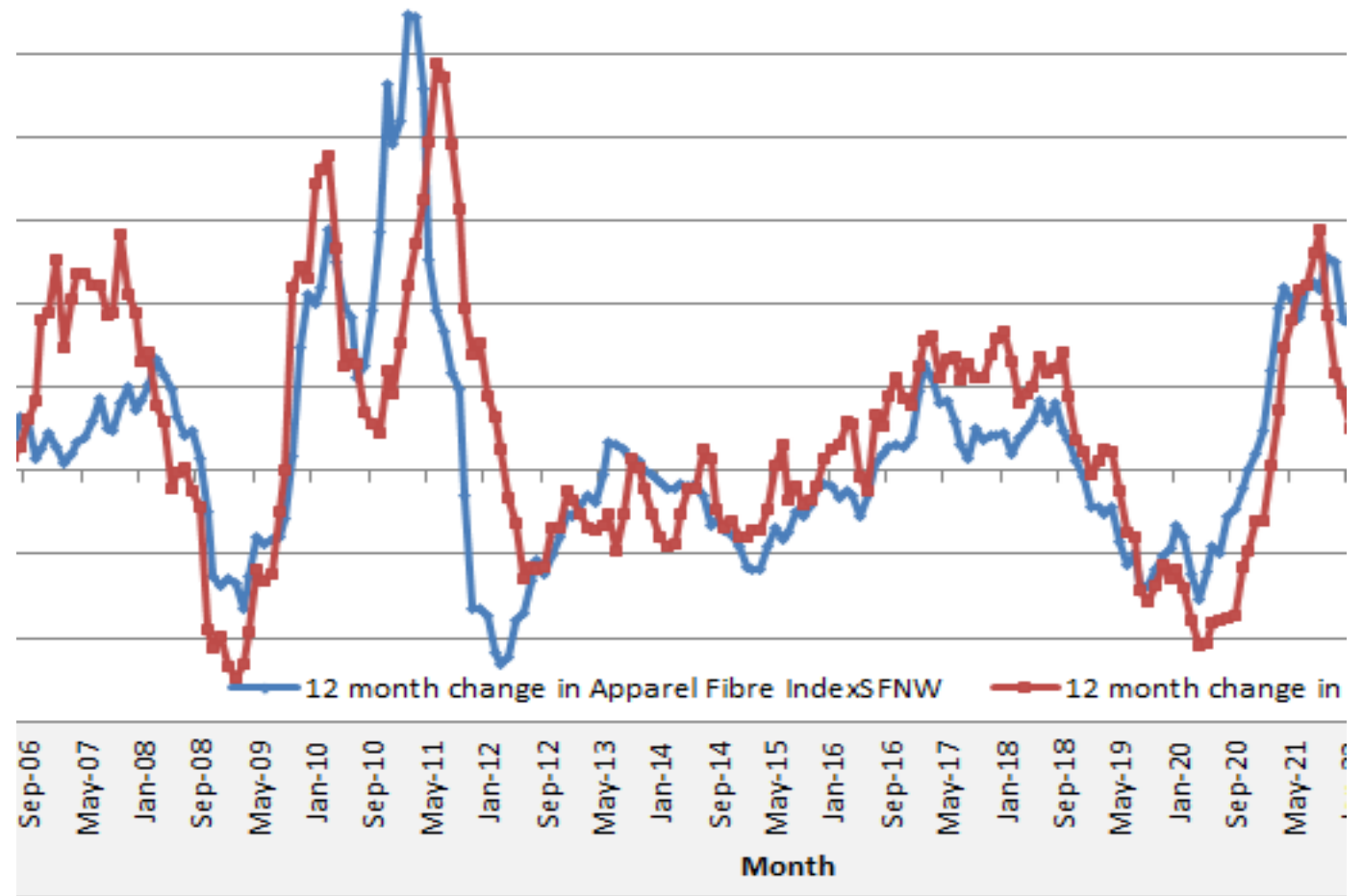


Source: AWEX, Cotlook, RBA, ICS

Do we have a wool problem?



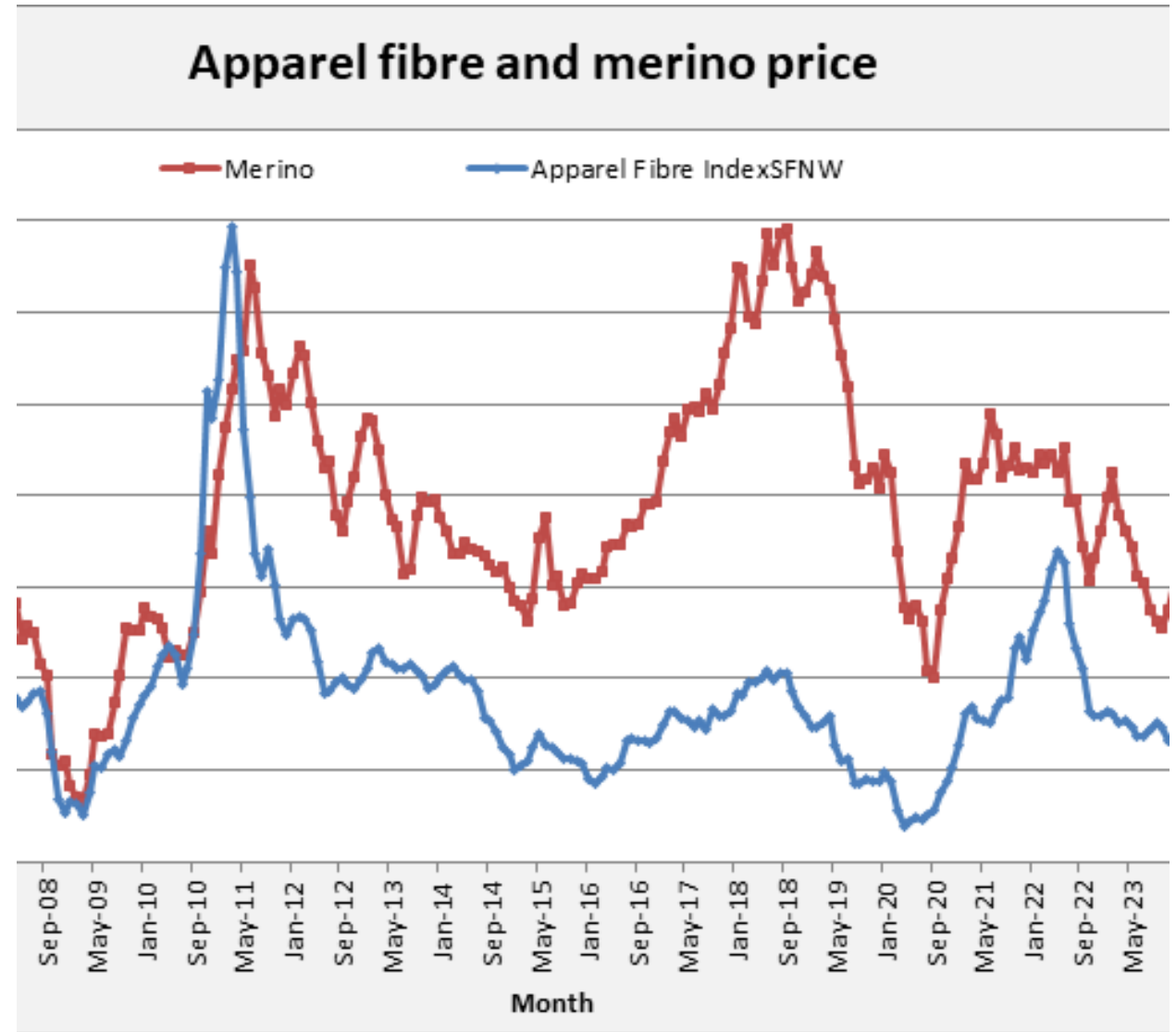
Year on year change in apparel fibre and merino



How does wool fare vs other fibers



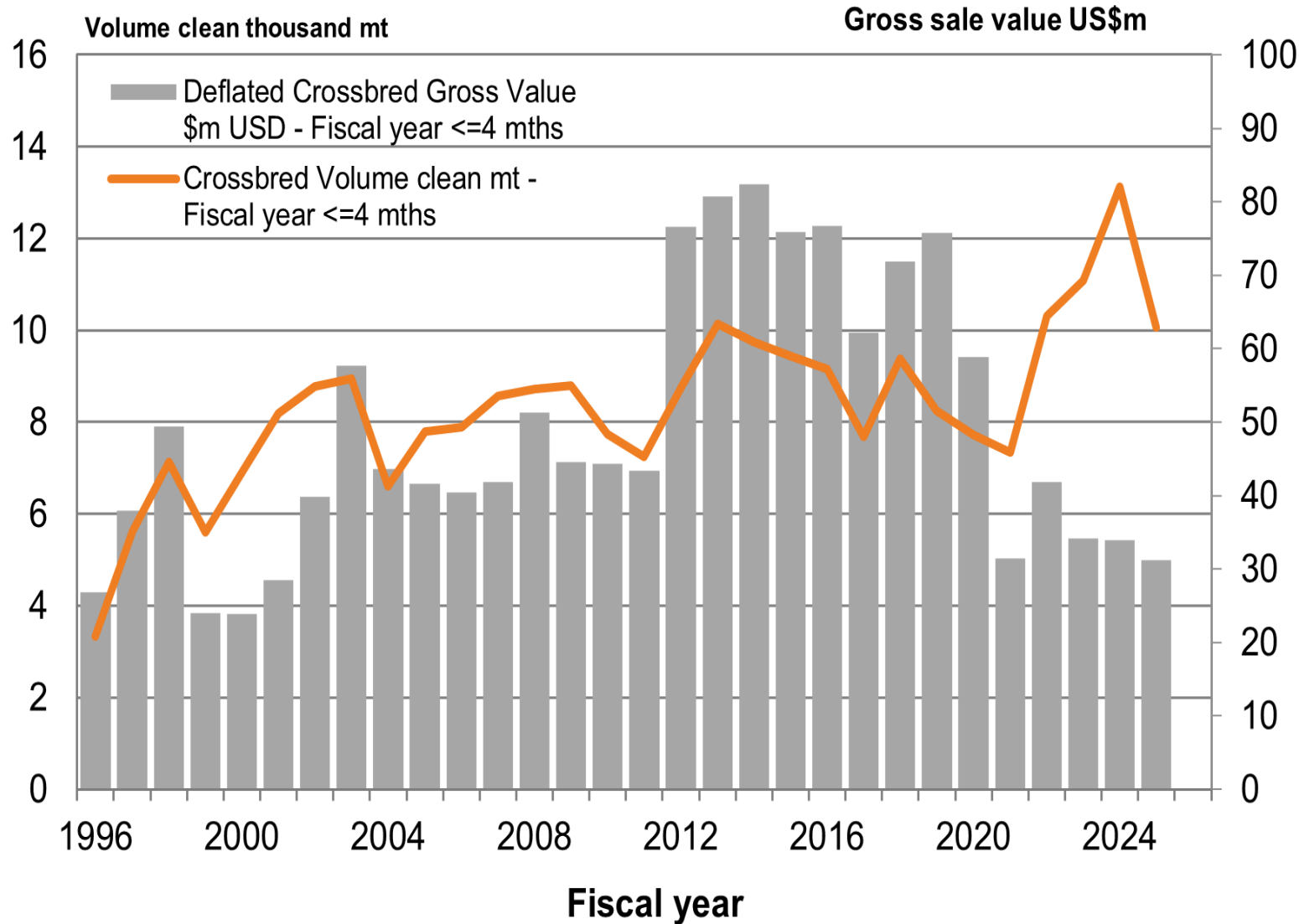
“Comparison is the death of joy.”
– Mark Twain



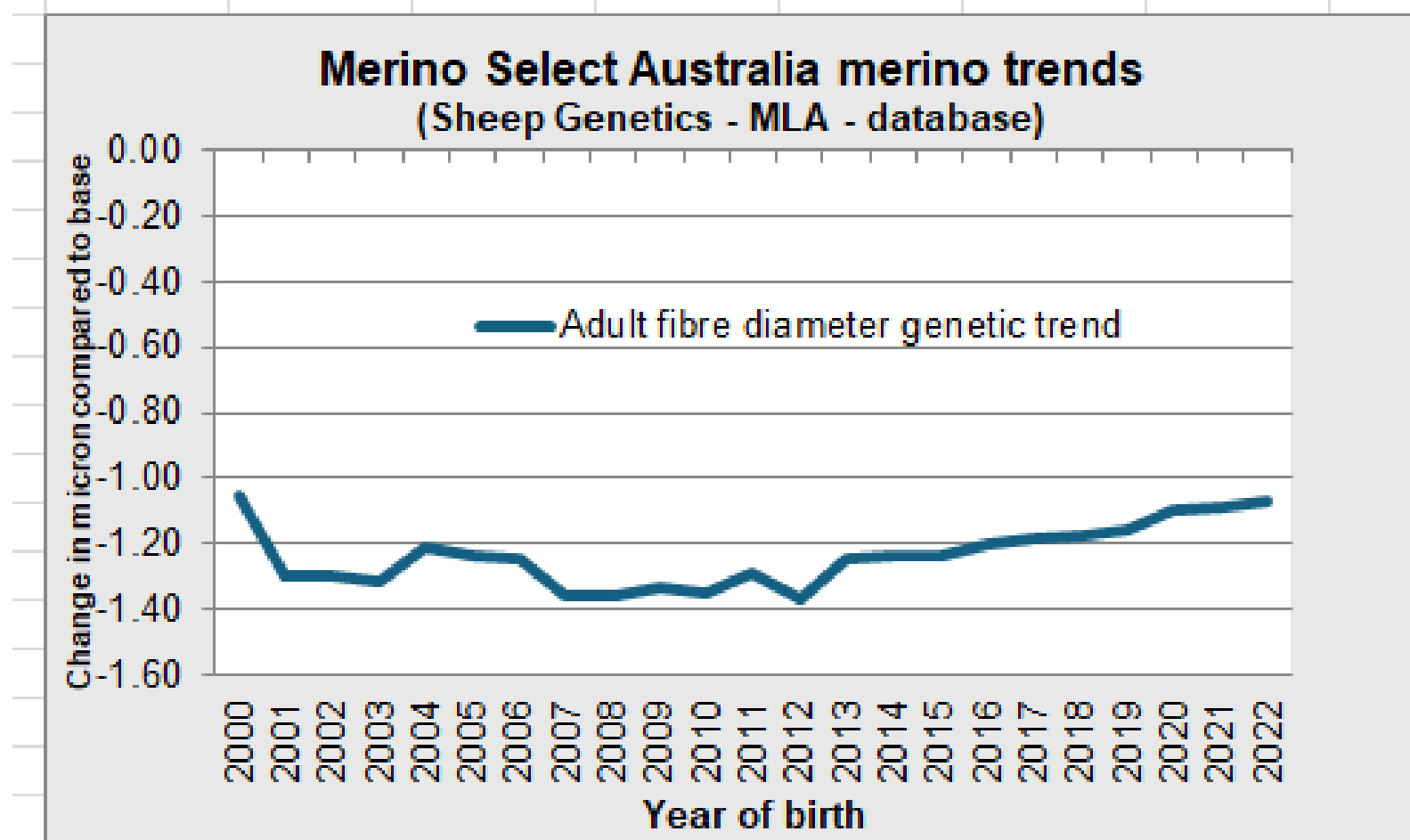
Cross bred wool supply and price

- Demand supply equilibrium
- Market development efforts

Figure 2. Crossbred gross sale value and volume



Source: AWEX, RBA, ICS



Change in Australian micron

TABLE 2.4 | RWS-CERTIFIED WOOL PRODUCTION BY COUNTRY
IN 2020 TO 2022: GREASY EQUIVALENT (UNITS: TONNES)

	2020	2021	2022
Argentina	4 017	6 038	8 186
Australia	5 115	10 422	19 401
New Zealand	493	14 278	16 941
South Africa	11 913	15 117	22 188
Uruguay	2 633	3 878	8 243
Falkland Islands (Malvinas)	-	1 081	1 269
India	-	148	157
USA	25	116	121
Chile	-	-	139
United Kingdom	-	-	21
TOTAL	24 195	51 078	76 666

Certified wool

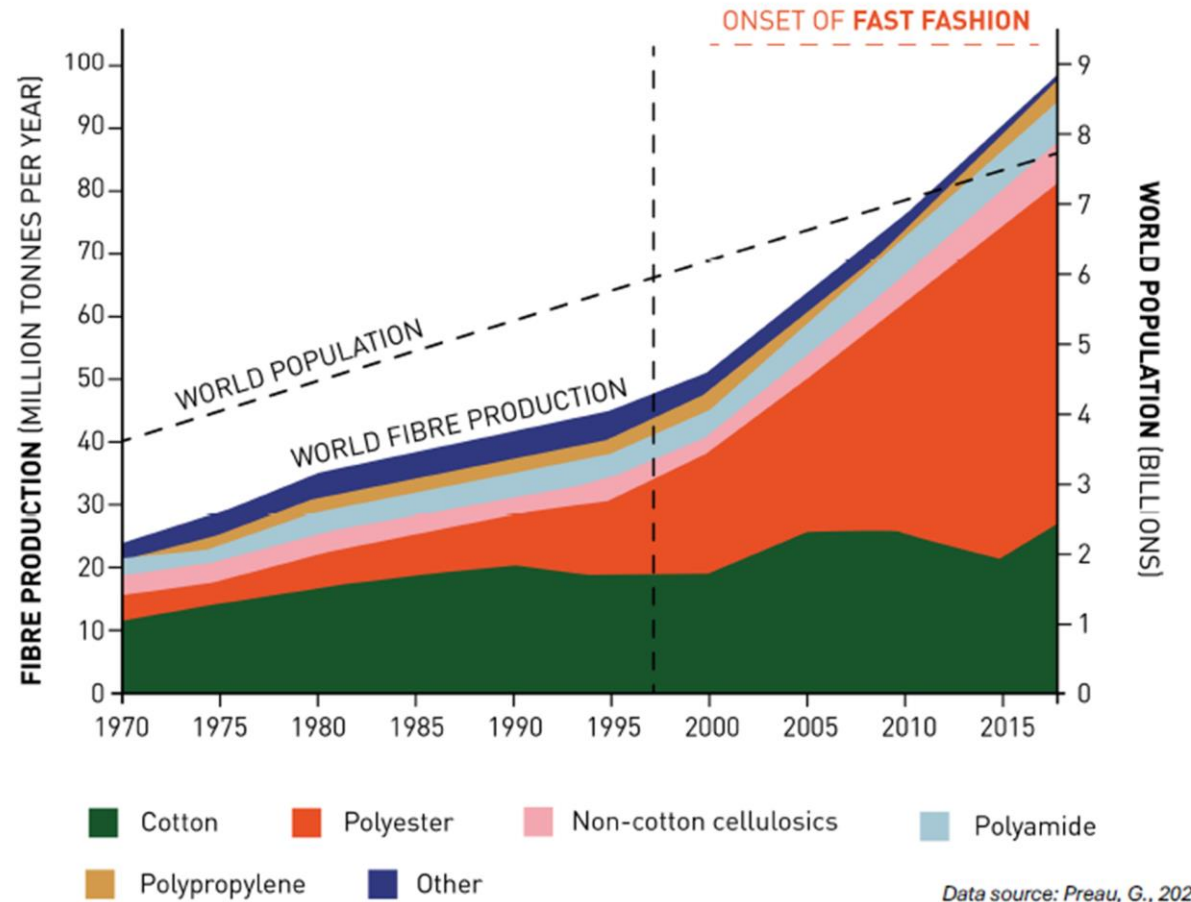
“If it’s your job to eat a frog, it’s best to do it first thing in the morning. And If it’s your job to eat two frogs, it’s best to eat the biggest one first.” – Mark Twain



Production

Textile production

“The lack of money is the root of all evil.” – Mark Twain



Latin America is emerging as a key nearshoring hub for the US, as is Turkey for Europe

LATIN AMERICA

65 percent of US fashion companies say they increased sourcing from USMCA members in 2023, especially Mexico — up from 40 percent in 2020 — owing to advantageous trade agreements for textiles and apparel²⁵ and increased US investments.²⁰

Mexico-US shipping routes have cost and speed advantages compared to China, costing around \$5,000 for a single container vs \$18,000 and taking 5-10 days vs 60 days in China, the latter of which has doubled due to supply chain disruptions.²⁴

The value of apparel and textile exports from Guatemala to the US has increased 10 percent from 2020 to 2023.⁴ While manufacturing in the country costs around 5 to 10 percent more than in Vietnam, shipping times are around 3x faster.²⁶

Columbia

In late 2023, Columbia announced plans to shift production from Asia and double production in Central America over the next three to five years.²⁶

SAE-A

The vertically integrated South Korean apparel manufacturer has invested more than \$150 million in its Latin America expansion.^{27, 28}

Shein

Shein is partnering with ~1,000 manufacturers in Turkey as part of a wider global push to bring production closer to its key consumer markets.²⁹

Kipas Textiles

The Turkish manufacturer is investing in innovation and sustainability to increase competitiveness and attract brands looking to nearshore production to Europe.²³

TURKEY

Turkey's share of global textile production has doubled over the past two decades. In 2023, its share of textile and apparel exports to Europe reached 6 percent, surpassing Vietnam.⁴

More than 25 percent of European brands listed Turkey as a crucial sourcing location, according to supply chain compliance company Qima.²⁵ Brands such as Inditex, H&M, Boohoo and Asos have large sourcing footprints in Turkey.³⁰

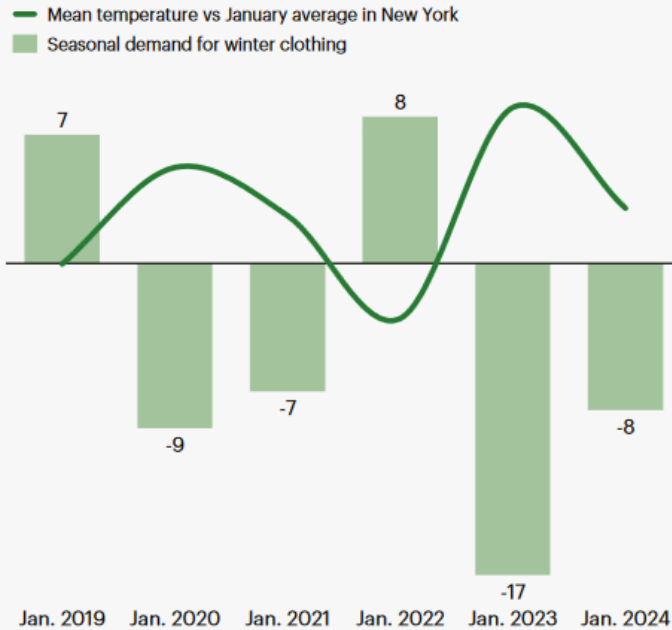
Advantages include increased supply chain traceability and reduced order-to-fulfilment times, from 150 to 170 days in Asia-Pacific to under 50 days in Turkey, with an average of 7 days in transit.²³



Getting the fashion “inventory equation” right has become increasingly challenging

Mean temperature and seasonal demand, Jan. 2019 – Jan. 2024,
%

Above average temperatures drag down consumer demand for winterwear, making it increasingly difficult for brands to sell-through seasonal stock.



Source: Planalytics

The State of Fashion 2025

While inventory challenges are complex for most retail industries, the fashion industry faces distinct issues:

- Rapid trend cycles:** The number of micro-trends has boomed, and trending styles fluctuate in search volume by up to 300 percent in just 12 months, making it hard for brands to predict demand.¹ The number of videos tagged //fashion on TikTok has increased 2.5x in the past three years.² Ultra-fast-fashion players such as Shein are also shortening speed-to-market times to as little as 15 days.³
- Unpredictable seasonality:** Climate change is making it harder to predict weather conditions and correlating demand. Temperature fluctuations from the average make it difficult for brands to sell through stock. While global temperatures for 2024 are higher than any other on record, summer 2024 was the coldest in almost a decade in some European regions.^{4,5}
- Lengthy supply chains:** The complex routing of fashion goods across retailers, brands and manufacturers results in long lead times with limited flexibility. Similarly, the uptick in supply chain disruptions also poses a challenge for brands. Delays at the Suez Canal, for example, can extend lead times by 30 percent.⁶
- Product and channel complexity:** Consumers are increasingly purchasing fashion items across a variety of channels, making it difficult for brands to provide multiple options for size and colour across a growing number of touchpoints, especially if not operating a single stock pool. One example is social commerce, through which a fifth of US customers have purchased clothing in the last 12 months.⁷

Rising sourcing costs, tariffs and sustainability targets may accelerate sourcing diversification

>165%

increase in Asia-to-US shipping costs between Dec. 2023 and Feb. 2024 due to logistics disruptions⁶

5x

increase in the number of trade restrictions since 2015, with ~3,000 imposed in 2023⁹

63%

share of fashion brands that need to accelerate emission reduction efforts to reach 2030 targets¹⁴

Mc Kinsey key insights

KEY INSIGHTS

- Trade barriers and supply disruptions have increased 5x since 2015, with around 3,000 trade restrictions imposed in 2023.
- US apparel and textile imports are diversifying away from China at the fastest rate since 2010, down 6 percentage points (%points) in 2023 vs 2019.
- The share of apparel manufacturing foreign direct investment into nearshoring regions has increased 20%points in the last five years for the US and 8%points for the EU.

“Don’t go around saying the world owes you a living. The world owes you nothing. It was here first.” – **Mark Twain**



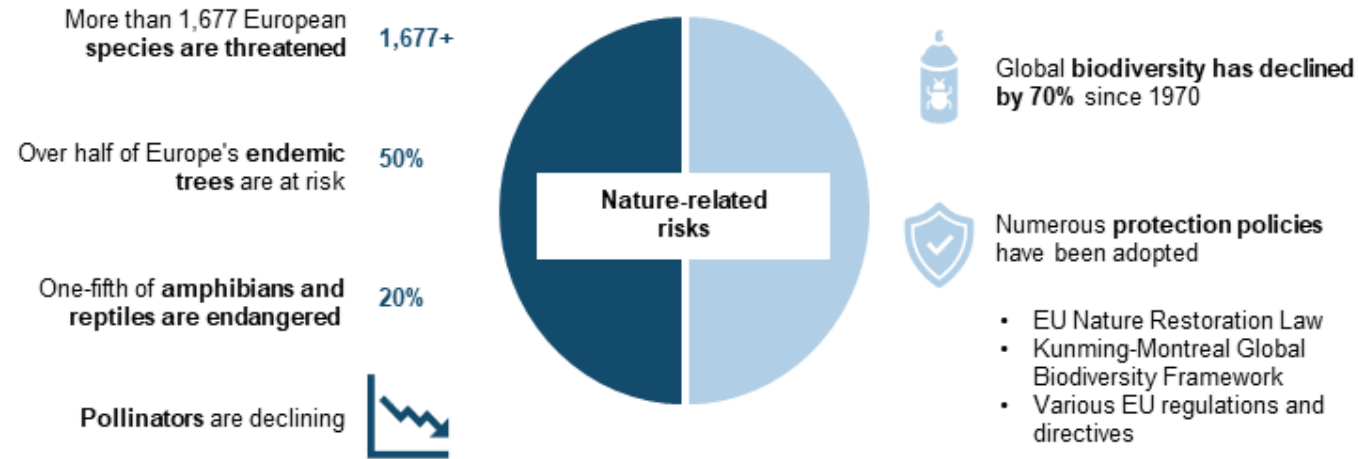
**Fashion
shouldn't cost
the earth**

Demand

Nature degradation, including biodiversity loss, leads to physical and transition risk for the European economy and the financial system

Physical risk may be **acute risks**, like severe natural disasters, or **chronic risks**

New regulations to halt and reverse nature loss and changing **consumer preferences** could lead to transition risks



Source: ECB.

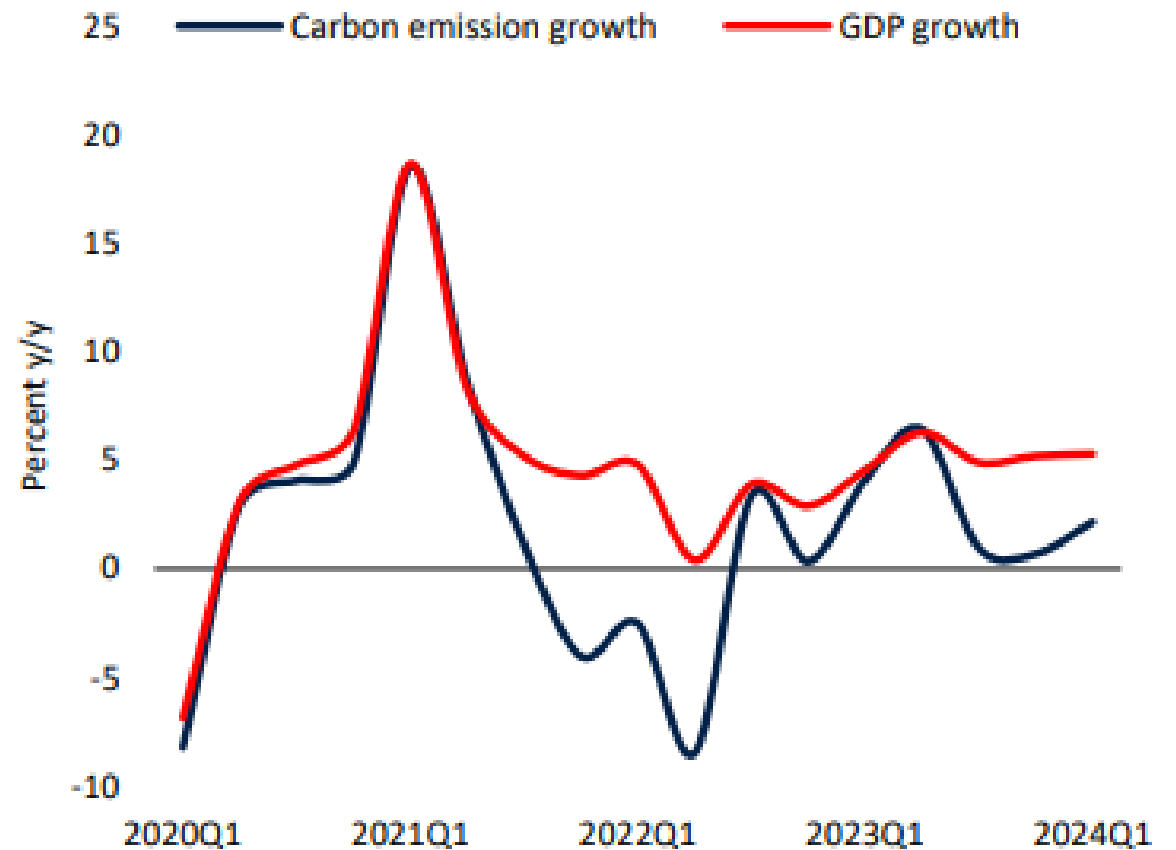
How serious is the problem?

. “There are basically two types of people. People who accomplish things, and people who claim to have accomplished things. The first group is less crowded.” – Mark Twain

How serious is China about climate change?

“It’s not the size of the dog in the fight, it’s the size of the fight in the dog.” – Mark Twain

A. Carbon emissions growth and GDP growth



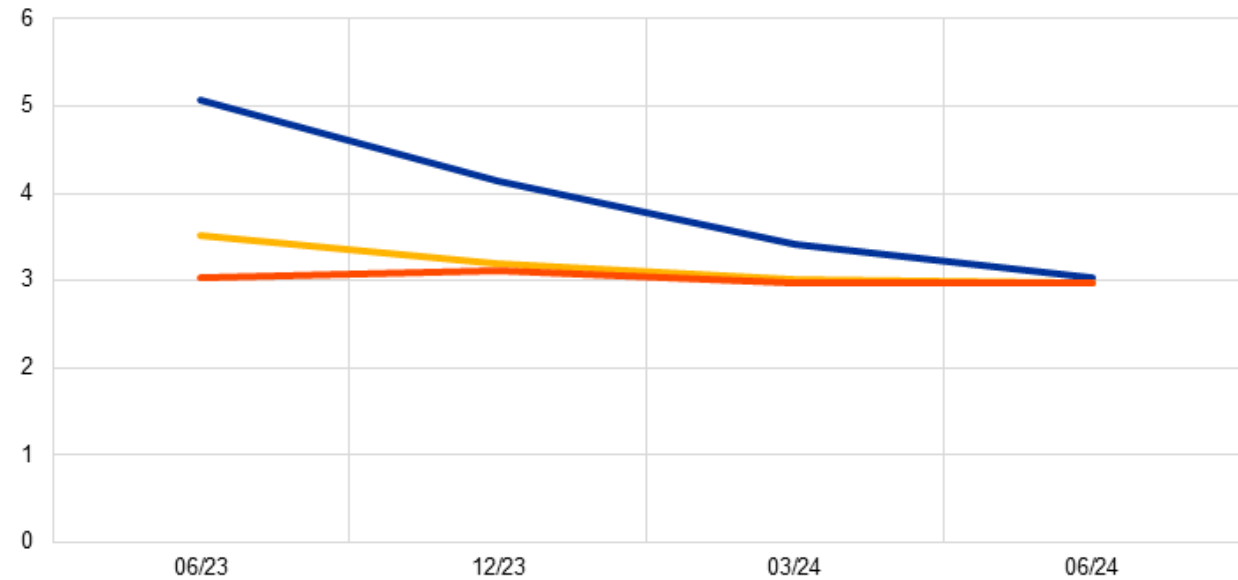
European inflation expectations

Inflation expectations at different horizons and relationship between firm characteristics and inflation expectations

a) Inflation expectations

(annual percentages)

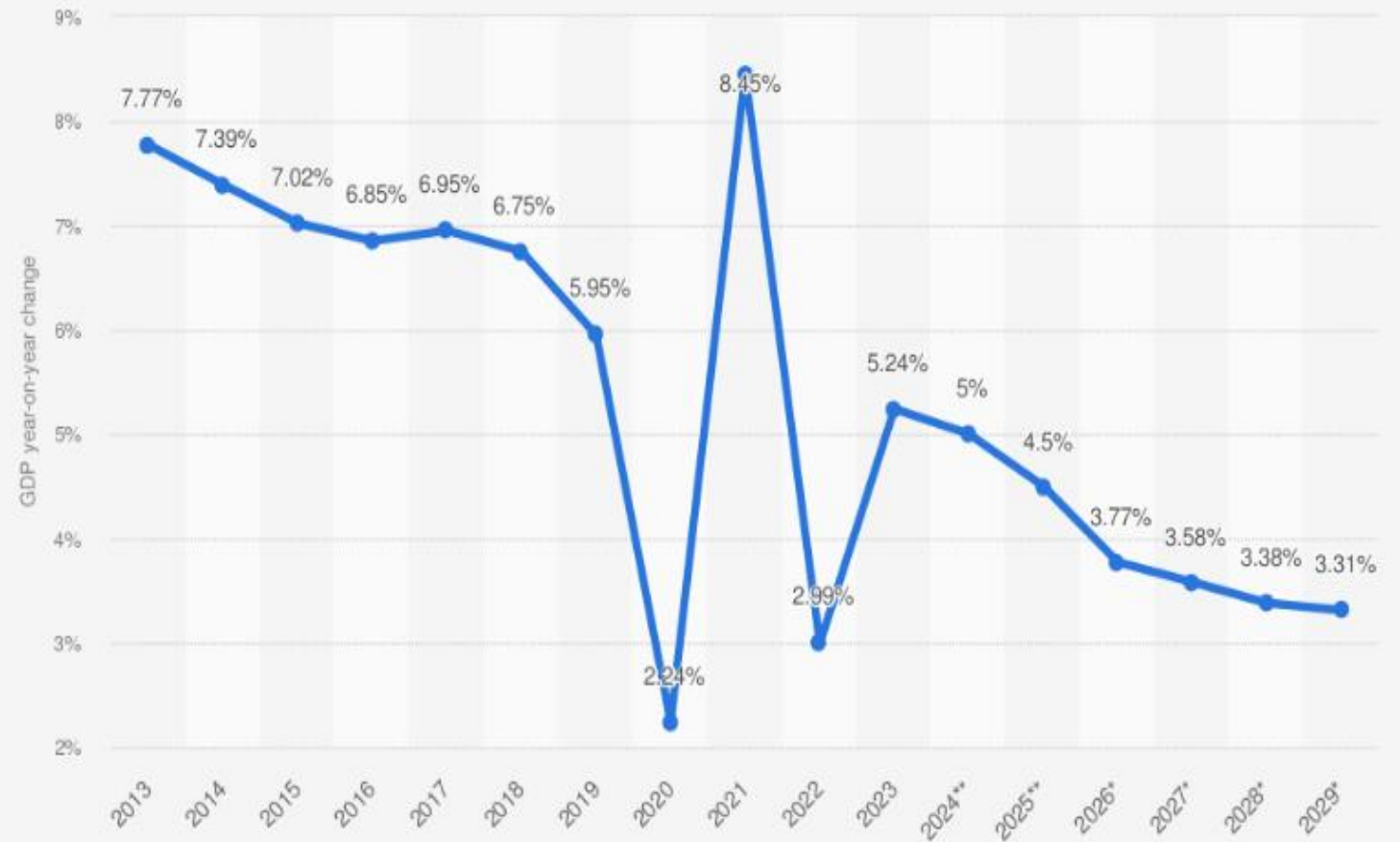
- 1-year ahead
- 3-year ahead
- 5-year ahead



China outlook

“Clothes make the man. Naked people have little or no influence on society.” – Mark Twain

Growth rate of real gross domestic product (GDP) in China from 2013 to 2023 with forecasts until 2029



Sources
IMF; National Bureau of Statistics of China
© Statista 2024

Additional Information:
China; 2013 to 2023

India is poised to become a key fashion market due to a strong mid-market and potential in luxury

India is expected to become the fourth largest economy in 2025, growing at 7 percent year on year, outpacing all other economies.^{21,22} This puts India on track to become the world's third-largest consumer market by 2027.²³

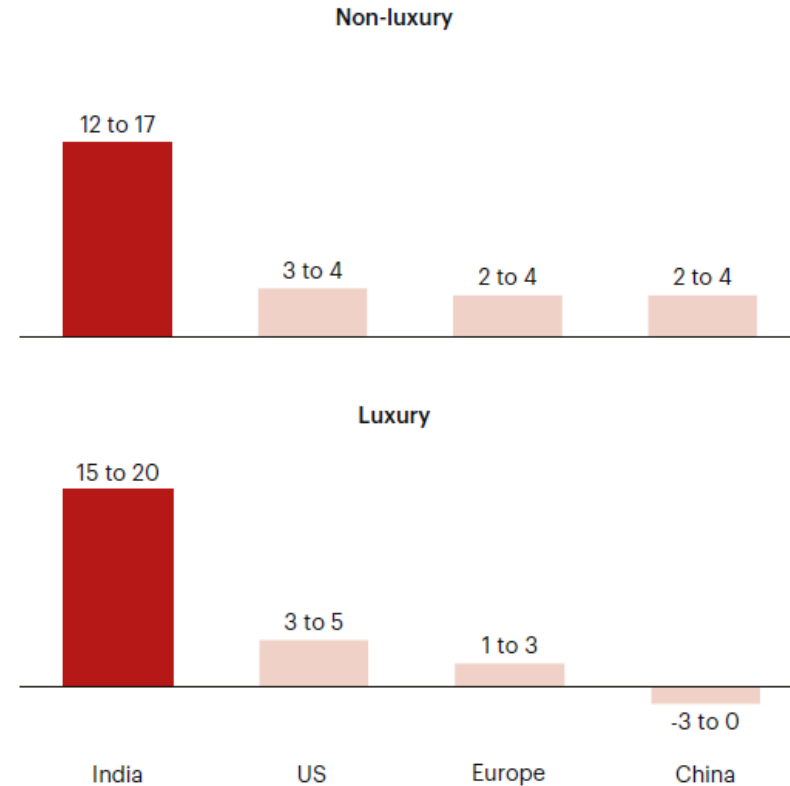
Non-luxury: Strong growth is fuelled by the middle class and digitisation²⁴

- There are 430 million people in India's middle class – greater than the middle classes of the US and Western Europe combined. It is expected to reach 1 billion by 2050, largely from tier-two and -three cities.²⁵
- Indian fashion customers are increasingly trend-focused. Digitisation is accelerating this shift, as is the large share of young consumers in the country. People under the age of 35 make up 66 percent of India's population, amounting to over 808 million people.²⁶

Luxury: High growth is fuelled by demographic and structural tailwinds²⁴

- India's population of ultra-high-net-worth individuals (UHNWI), with over \$30 million in assets, is expected to grow 50 percent from 2023 to 2028, making it the fastest-growing UHNWI population in the world.²⁷
- Aspirational customers, who make up about half of global luxury sales,²⁸ are expected to grow from 60 million in 2023 to 100 million in 2027.²⁹
- As of October 2023, international purchases over INR700,000 (\$8,400) are taxed at 20 percent,³⁰ encouraging domestic spending.
- New luxury malls and department stores, such as the Jio World Plaza and Galeries Lafayette, are increasing luxury real estate in tier-one cities.³¹

Retail sales year-on-year growth by geography and segment, 2025E, %



Three leading strategies

Europe- Regulate, force everyone to become police

America – assist where possible, but protect trade

China- measure and then act decisively



Trump?

Stronger dollar

Increase consumer confidence in first-world

Slow down in “climate laws”, weakening of the EPA?

Trade disruption





International Wool
Textile Organisation

