



The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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2020/12

From the desk of Chris Wilcox, Executive Director

- Prices steady and start to recover in the Australian wool market
- Continuation of wool auctions in Australia and auction innovations
- Consumer confidence plummets
- Australian wool exports slump in February
- IWTO Market Information report Edition 15 now available
- Upcoming industry events



After last week's large drop in prices, it was a great relief to all to see improved demand at auctions this week in the **Australian wool market**, matched by lower wool volumes from growers who were willing to meet the market. Prices for Merino wool lifted by up to 57 cents in the eastern auction centres, while prices were as much as 70 cents higher in Fremantle. In contrast, Crossbred wool prices fell. The **Eastern Market Indicator** (EMI) finished the week 14 cents higher at 1301 c/kg. The Western Market Indicator rose the most, up by 31 cents to 1384 c/kg. The Southern Market Indicator lifted by 16 cents to 1282 c/kg and the Northern Market Indicator was 13 cents higher at 1333 c/kg. The A\$ was steady against the key currencies. The EMI rose by 8UScents to 797 USc/kg, by 86 RMB to 5645 RMB/kg and by 20€cents to 735 €cents/kg.

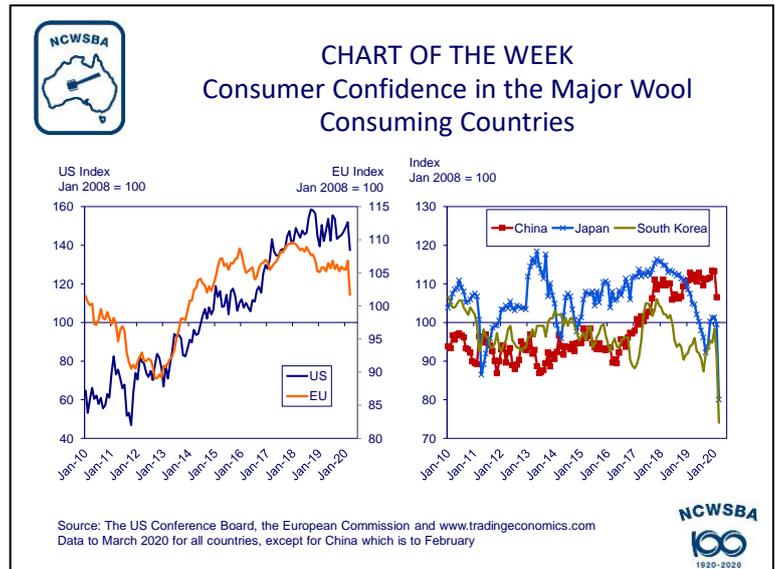
After last week's high levels, pass-in rates this week fell to 13.3% of the offering of 29,495 bales. I know that brokers have been communicating closely with their woolgrower clients about market conditions and helping them reach decisions about offering wool in the current volatile and difficult market. This probably contributed to the 22% of the rostered offering being withdrawn before auction. In the end, there were 25,581 bales sold for the week.

The free market is performing as you would expect, with sellers responding to the changed conditions by reducing volumes on offer and buyers also adjusting. I don't think that any form of market intervention, such as has been called for by some in the industry here in Australia and internationally, including suspension of auctions, is warranted. That is also the view of the vast majority of NCWSBA member companies, and NCWSBA has been lobbying for **open-cry auctions to continue**. Wool Industries Australia, of which NCWSBA is an executive member, has reaffirmed its support of the free market and the continuation of wool auctions in Australia within the rules and protocols established for social distancing and hygiene during the COVID-19 outbreak. WIA communicated this position to the International Wool Textile Organisation, who has now circulated it to IWTO members. I have attached the WIA letter as a supplement to this week's *Weekly Newsletter*.

In addition to the continuation of traditional open-cry auctions, this week saw the first commercial Online Open-Cry Auctions held in Sydney on Wednesday using Zoom. A total of 335 bales in 61 lots were offered by two brokers, including AWN (a NCWSBA member). I know that a number of other NCWSBA member companies have conducted mock auctions on Zoom as trials. It is not the only on-line alternative being investigated, with AuctionsPlus running a series of trials today and early next week before conducting its first live on-line wool auction (T42) next Thursday (16th April). As well, WoolQ conducted a trial on-line auction last Friday.

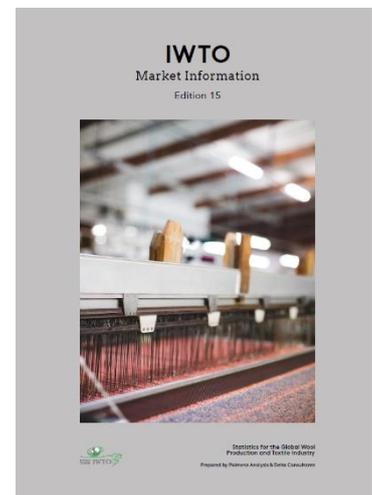
There is obviously much concern around the world about the **impact on the economies** around the world of the COVID-19 lockdowns and restrictions, and the likely huge impact on retail sales, and what this may mean for raw wool demand. Because Government data is lagged, it is too early yet to know the extent of

the damage in Europe and North America, as well as here in Australia. However, **consumer confidence** provides an advance indication of what may happen to economies and, in particular, to retail sales. As the first **Chart of the Week** shows, consumer confidence has slumped in all of the countries and regions shown. The drop has been particularly sharp in Japan and South Korea. Consumer confidence in China is much lower in February (the latest month available), but perhaps it hasn't fallen as much as you might expect. While consumer confidence has fallen in the US, it remains higher than before 2017. Confidence among consumers in the EU has dropped to the lowest since 2014. It masks what is happening in Italy, the epicentre of the COVID-19 epidemic in Europe, where consumer confidence is fast disappearing. No doubt we will see further declines this month, particularly elsewhere in Europe where COVID-19 has taken hold. These lower consumer confidence levels will translate into lower retail sales of items such as clothing.



The **Australian wool exports** data from the Australian Bureau of Statistics were released earlier this week. The data shows that the volume of wool exports slumped by 26% in February 2020 compared with a year earlier, while the value of exports was down by 37%. The change by destination country is interesting. Export volumes to China fell by 33% for the month, but exports to the Czech Republic and India lifted by 17% and 22% respectively. Exports to Italy, east Asia and Egypt saw steep declines, but exports to Thailand and the UK jumped. For the eight months to February, wool export volumes were 16% lower and the value of exports were down by 33%, with all top 5 and eight of the top ten export destinations recording double-digit % declines in export volumes. Only Egypt and Bulgaria have seen an increase in exports of wool by Australia.

Edition 15 of the **International Wool Textile Organisation's Market Information Report** has just been released. It is the definitive source of statistics on the global wool industry, with data tables on global sheep numbers and wool production, wool prices in the major producing countries, prices and production of other fibres, trade in wool products (from raw wool to finished garments and carpets) as well as data on retail sales and key economic indicators around the world. The report includes a review of 2019 and an outlook for 2020, as well as summary of the key statistical trends. It is free to IWTO Members, which includes NCWSBA members. It is also available to non-members at €500. **Please contact me at chris.wilcox@ncwsba.org or 0419344259 for details on obtaining your own electronic copy.**



INDUSTRY EVENTS

The **Australian Wool Production Forecasting Committee** meets on 29th April 2020.

Wool Week is scheduled for 27th and 28th August 2020. The NCWSBA Annual General Meeting is scheduled for Thursday, 27th August.

The **Nanjing Wool Market Conference** will be held in Haining, Zhejiang on 18th to 20th September 2020.

WOOL SALES WEEK BEGINNING 13th APR 2020 – week 42 (roster as at 9/4/2020)

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|--------------------------|--------------|
| <u>Sydney</u> | |
| Wed 15 th Apr | 6,256 bales |
| <u>Melbourne</u> | |
| Wed 15 th Apr | 10,396 bales |
| <u>Fremantle</u> | |
| Wed 15 th Apr | 4,871 bales |

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