



# The National Council of Wool Selling Brokers of Australia Inc

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## NEWSLETTER

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### From the desk of Chris Wilcox, Executive Director

- Australian wool prices fall back
- Consumer confidence recovers amid second COVID wave worries
- Retail sales in some countries show tentative signs of recovery
- Register for the IWTO virtual Wool Roundtable
- Other upcoming industry events

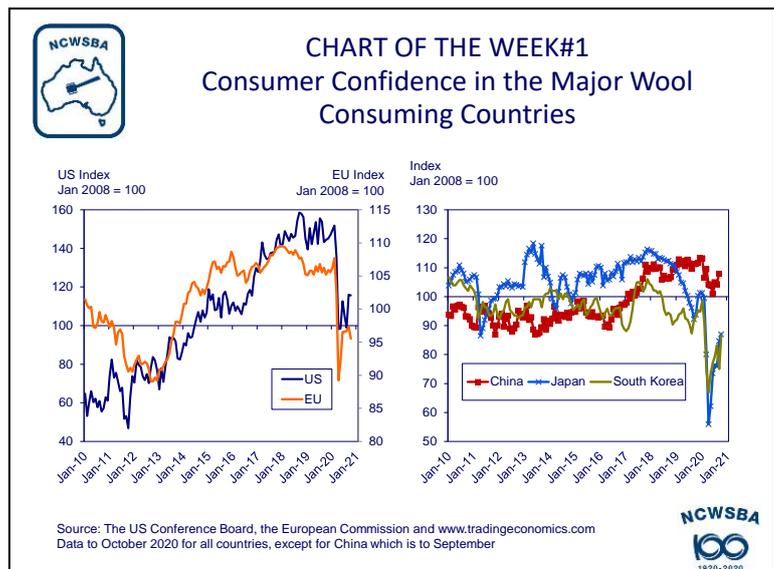


Prices on the **Australian wool market** took a tumble this week, with prices for all microns and types down over the week, although most of the declines for fleece wool came on the first day of auctions. The **Eastern Market Indicator (EMI)** fell by 30 cents to 1189 c/kg for the week. On the east coast, almost all of the Micron Price Guides fell by 20 cents to 50 cents for the week. The exception were the MPGs for 19 micron and finer wool in Melbourne, which either saw more modest declines or, in the case of the 18 MPG and 16.6 MPG, small increases. The Northern Market Indicator fell the most for the week, down by 38 cents to 1214 c/kg. The Western Market Indicator was down by 29 cents to 1212 c/kg, while the Southern Market Indicator fell by 24 cents to 1125 c/kg. The A\$ slid back against the three major user currencies and the EMI fell by 30 UScents to 839 USc/kg, by 197 RMB to 5536 RMB/kg and by 23 €cents to 712 €cents/kg.

We are into the second month of the Autumn/Winter retail season in the Northern Hemisphere, a critical season for sales of wool clothing. Given what has happened this year with the awful toll of COVID-19 and the associated restrictions and now the second wave of infections rising in Europe, the US and, to a lesser extent, Japan, it is time to take stock on how **consumer confidence and retail sales** are shaping up in the major wool consuming countries in the Northern Hemisphere.

**Consumer confidence** in the major wool consuming countries has mostly recovered from the initial hit earlier this year caused by the COVID 19 pandemic. The first **Chart of the Week** shows the trends in consumer confidence since 2010. As I reported in May, consumer confidence fell off a cliff in most countries. The exception was China, where consumer confidence dipped but did not slump like elsewhere. The US, Korea, Japan and the EU have all seen a solid recovery since May, although it has been volatile in the US and dipped in the EU in October.

Of the major wool consuming EU countries, consumers in the UK and Italy are the least confident, which is no surprise given that those two countries have been hit hardest by the second wave of COVID-19. Consumers in Germany are more confident. Consumers in Japan and South Korea are becoming increasingly confident, helped by a better management of COVID-19 in those countries. This may change in Japan where a second wave of COVID-19 infections is building momentum.



These weak but recovering consumer confidence levels translate into some improvement in retail sales of clothing for some countries, but not all. The trends in **clothing retail sales** growth for 2020 are shown in the second **Chart of the Week**. This data is based on a 12-month moving average, showing turning points.

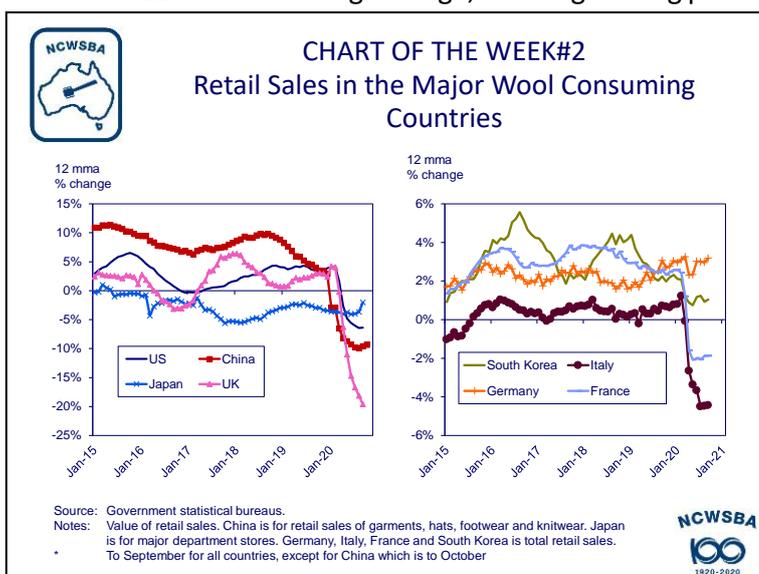
As can be seen, many countries experienced a very sharp drop in retail sales when COVID-19 first hit. The decline in the UK, Italy, and France were particularly steep. China and the US saw sharp falls, albeit more moderate than the three European countries. Japan did not see such a sharp decline, although clothing retail sales have been negative for a number of years. The decline in South Korea was also relatively mild. Germany is a standout, with a very short correction before a recovery, all the time recording positive retail sales growth.

The decline shows no sign of abating in the UK, while retail sales in France and Italy appear to have bottomed out. There are some tentative signs of improvement in the US, China, Japan and South Korea. Despite an improvement, the growth rate of retail sales of clothing in China (the world's largest retail consumer of wool clothing) is still negative on a 12-month moving average basis. A positive is that one of the major shopping events in China (and increasingly being adopted around the world), Single's Day, on 11<sup>th</sup> November broke sales records for the major retail trading platforms, including JD.com and Alibaba. This provides hope that the recent moderate improvement in clothing retail sales in China is starting to gather momentum.

Growth in clothing retail sales is also negative in the US and three of the four major wool consuming countries in Europe, as the chart shows. Black Friday (a traditional major retail sales event which started in the US and has now gone global) is on 27<sup>th</sup> November. Hopefully, it will see a significant boost in retail sales and provide momentum as we head into the remaining two months of the Autumn/Winter season.

The poor clothing retail sales seen this year is obviously a major reason for the reduced demand throughout the global wool textile industry and a key driver of the still weak and uncertain raw wool demand. Hopefully the tentative signs of recovery of retail sales can continue in the Autumn/Winter season which will help boost confidence amongst wool textile businesses, although the second wave of COVID infections in Europe and the US cast some doubt on this hope.

The **International Wool Textile Organisation** will hold its Wool Round Table this year as a virtual event via Webex on 30<sup>th</sup> November to 2 December. It is a different format, with four live Chat Rooms – Europe (on 30<sup>th</sup> November), USA (on 30<sup>th</sup> November), Australia (on 1<sup>st</sup> December) and China (on 2<sup>nd</sup> December). Each room will feature panellists discussing issues and developments in their countries and regions, and questions from attendees answered. Rowan Woods (NCWSBA President) and I are Panellists for the Australia Chat Room. Further details and registration can be seen at <https://iwto.org/round-table-2020/>.



#### INDUSTRY EVENTS

The **2020 IWTO Round Table** will be held by Webex on 30<sup>th</sup> November to 2<sup>nd</sup> December. Click [here to register](#).

The **Australian Wool Production Forecasting Committee** will meet on 16<sup>th</sup> December 2020 to review its current forecast of wool production for the 2020/21 season.

The **2021 IWTO Congress** is scheduled to be held in Kyoto, Japan in May 2021.

#### WOOL SALES WEEK BEGINNING 23<sup>rd</sup> NOV 2020 – week 22 (roster as at 18/11/2020)

<u>Sydney</u>	Tues 24 <sup>th</sup> Nov; Wed, 25 <sup>th</sup> Nov	10,858 bales
<u>Melbourne</u>	Tues 24 <sup>th</sup> Nov; Wed, 25 <sup>th</sup> Nov	22,971 bales
<u>Fremantle</u>	Tues 24 <sup>th</sup> Nov; Wed, 25 <sup>th</sup> Nov	7,698 bales

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