



The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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2020/13

From the desk of Chris Wilcox, Executive Director

- Uneven price trends in the Australian wool market as A\$ jumps
- On-line wool auctions held this week in Australia
- IMF predicts large fall then recovery in all economies
- Weak clothing retail sales in 2019/20 Autumn/Winter
- IWTO Market Information report Edition 15 now available
- Upcoming industry events



It was a very mixed week in the **Australian wool market** this week, with a small offering of 18,000 bales in what would normally be a recess week after Easter. The market this week was affected by a sharp lift in the A\$, which was 2.8 UScents higher by Wednesday's auction. As a result, the **Eastern Market Indicator (EMI)** finished the week 9 Acents lower at 1292 Ac/kg but jumped by 31 UScents to 828 USc/kg. Price trends also varied between wool types and between selling centres. Fine Merino wool prices (19.5 micron & finer) lifted in Melbourne, while prices for broader Merino wool eased. Crossbred wool prices fell sharply. In Sydney, prices were a little lower across the micron range. In Fremantle, prices for 20 micron & finer wool were down by as much as 44 cents. As well as lifting against the US\$, the A\$ also rose against the Euro and the Renminbi. As a result, the EMI was up by 176 RMB to 5821 RMB/kg and by 18€cents to 752 €cents/kg.

In addition to the traditional open-cry auctions which were held this week, there were also two **on-line auctions** held. There was a small AuctionsPlus on-line auction held yesterday of 237 bales offered by four wool brokers. There is another AuctionsPlus on-line auction planned for next Thursday (23rd April). WoolQ held its first on-line auction today, with 315 bales on offer. I understand that there have been more trials of using Zoom for on-line open cry auctions by some brokers this week, with mixed reports on their success. The key issue is the quality of the internet access, with some brokers reporting problems with sound and/or vision which caused issues with hearing and taking bids from buyers.

Earlier this week, the **International Monetary Fund released new forecasts for economic growth** in 2020 and 2021 for the world and forecasts for each country to account for the Covid-19 pandemic and the associated lockdowns and travel restrictions imposed by many countries. They make for pretty grim reading. The IMF says that *'This crisis is like no other...the loss associated with this health emergency and related containment measures likely dwarfs the losses that triggered the global financial crisis.'*

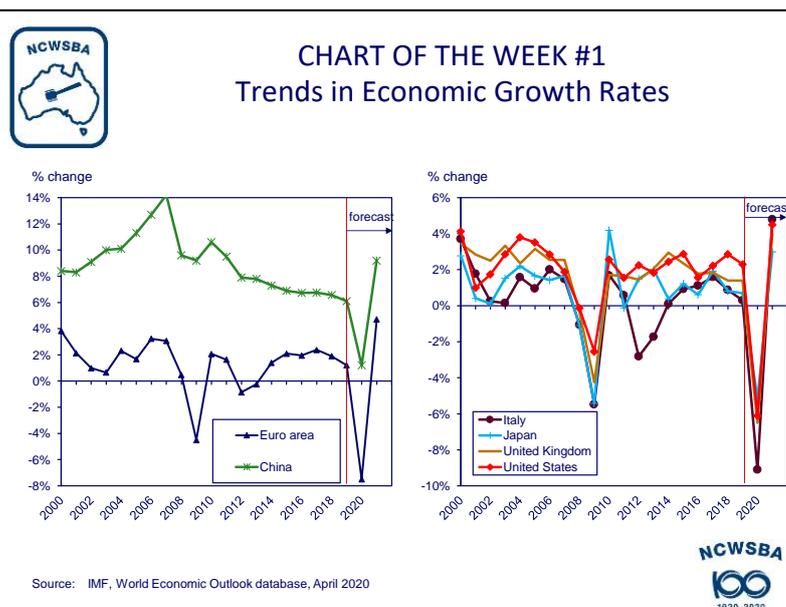
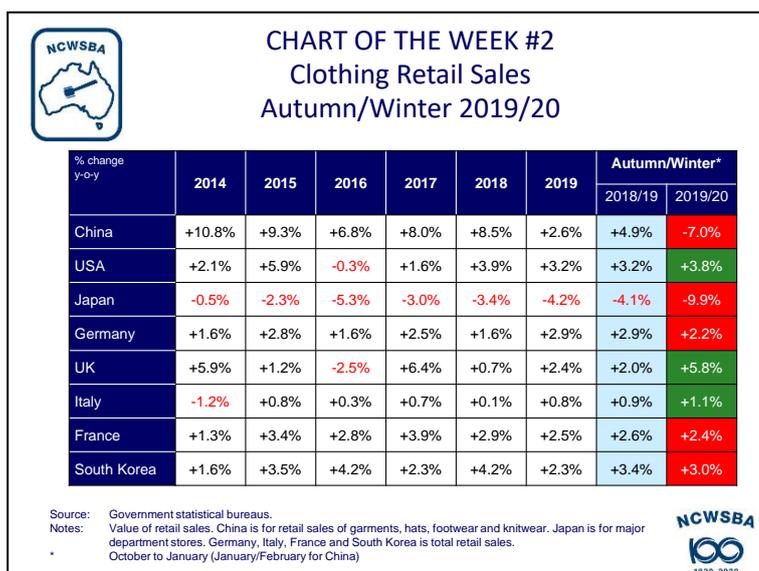
Despite the considerable uncertainty about when containment measures will be eased around the world and the absence of a precedent from which to take guidance, the IMF has bravely taken a shot at predicting the impact on global economic growth in 2020 and 2021. It predicts a classic V-shaped impact – a sharp contraction in all economies before a sharp rebound in 2021. For world economic growth, the IMF forecasts that world economic output will fall by 3% in 2020 before bouncing back in 2021 by 5.8%. The predicted contraction in 2020 is much more than the 0.1% decline seen in 2009 in the wake of the Global Financial Crisis. The IMF also predicts a huge surge in unemployment in many countries.

All of the major wool consuming countries and regions will see a large decline in economic output in 2020. The first **Chart of the Week** shows the trends in economic growth for these countries and regions starting in 2000, including the IMF's forecasts for 2020 and 2021. As can be seen, the IMF predicts that China's economy will still grow in 2020, but by a measly 1.2% before growth of 9.2% in 2021. All the advanced economies will see a very strong contraction in 2020, led by Italy which is forecast to shrink by 9.1%. The IMF predicts that all advanced economies will then see a strong growth in 2021. While Australia is not a

major wool consuming country, the IMF's forecast is that Australia's record run of 28 consecutive years of growth will come to a crunching halt, with GDP forecast to fall by 6.7% in 2020 before rebounding with growth of 6.1% in 2021. You should note that even with the rebound in 2021, all the advanced economies will be smaller by the end of 2021 than in 2019 before the Covid-19 pandemic.

The impact of the Covid-19 pandemic on all the economies will extend to much reduced **retail sales**. As I reported in the 20th March 2020 edition of the *Weekly Newsletter*, China's clothing retail sales were down by a massive 33% in January-February compared with a year earlier. South Korea, which was hit by Covid-19 after China, reports that retail sales was down by 0.3% in March. Data from the other major wool consuming countries is not yet available as the impact won't be seen until the data for March is reported, and more likely in April. The downturn is already being seen in retail orders to garment and fabric suppliers, with anecdotal reports of mass cancellation of orders by retailers, and some major retailers refusing to accept shipments.

Coming into the crisis, **retail sales of clothing** in the major wool consuming countries for the Autumn/Winter season in the Northern Hemisphere were mixed, but largely disappointing. The second **Chart of the Week** shows the % change in the value of retail sales of clothing in the eight major wool consuming countries. As can be seen, the growth in retail sales in the just completed Autumn/Winter period was only better in three countries – the US, the UK and Italy. It was worse in five of the major wool consuming countries, including in China (which has the large drop in January-February included).



DON'T FORGET TO CONTACT ME IF YOU WANT A COPY OF THE 15TH EDITION of the International Wool Textile Organisation's Market Information Report which was released last week. It is the definitive source of statistics on the global wool industry. 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 to obtain a 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 20th APR 2020 – week 43 (roster as at 15/4/2020)

Sydney

Tues, 21st Apr; Wed 22nd Apr 5,599 bales

Melbourne

Tues, 21st Apr; Wed 22nd Apr 18,930 bales

Fremantle

Tues, 21st Apr; Wed 22nd Apr 6,988 bales

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