The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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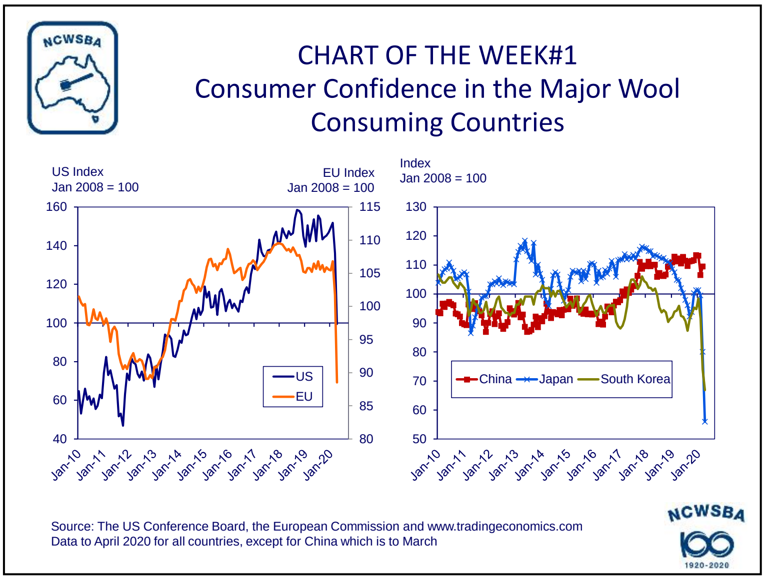
From the desk of Chris Wilcox, Executive Director

- Australian wool prices at 5-year lows amid demand destruction
- Consumer confidence plummets during Covid-19 lockdowns
- Weight of medium Merino wool tested drops again
- Over half the auction offering NM, CM or PR wool
- Australian wool exports continue to decline in March
- Upcoming industry events

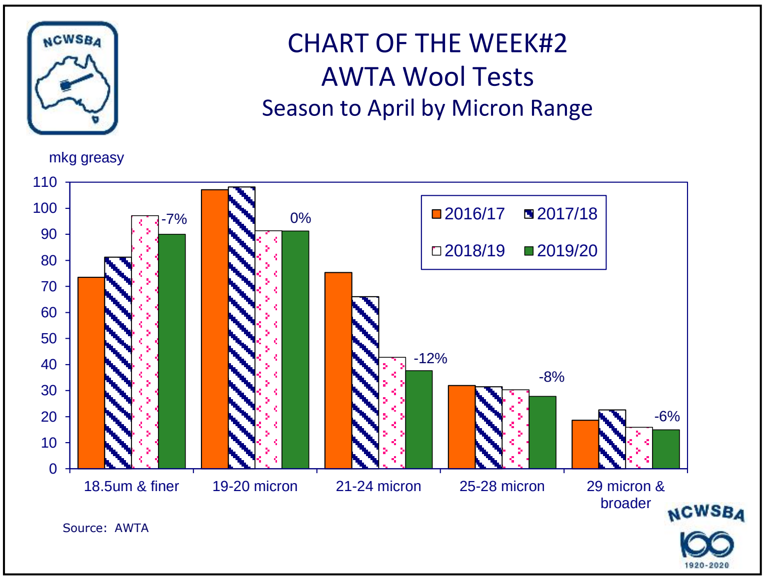
The fall in wool prices in the **Australian wool market** is unrelenting in response to the destruction of demand caused by the COVID-19 pandemic. The **Eastern Market Indicator** (EMI) fell by 55 Acents, the fourth consecutive weekly decline. The EMI finished at 1170 Ac/kg, the lowest week ending level in five years. All microns felt the hit, although AWEX reports that good style wools with good length and strength were in demand and were less affected by the price declines than the more abundant supplies of drought-affected wools. The Western Market Indicator fell the most, down 64 cents to 1246 c/kg. The Southern Market Indicator declined by 62 cents to 1142 c/kg and the Northern Market Indicator was 45 cents lower at 1214 c/kg. The A$ fell against the US$, the Renminbi and the Euro. As a result, the EMI fell by 48 UScents to 753 USc/kg, by 42€cents to 696 €cents/kg and by 322 RMB to 5348 RMB/kg. It is five years since the EMI was at these levels in Euro and in Renminbi, but it is 10 years since prices were this low in US$.

One cause of the demand destruction is a collapse in **consumer confidence** in most of the major wool consuming countries and regions in April due to the **Covid-19 pandemic** lockdown. The first **Chart of the Week** shows the trends in consumer confidence levels in the major wool consuming countries and regions, including the latest data for April. Consumer confidence has fallen off a cliff in the US, Europe, Japan and South Korea. These plunges, combined with the social lockdowns, will no doubt be causing a collapse in retail sales. Unbelievably, the statistic on consumer confidence in China shows only a small decline in February, before an improvement in March (April data is not available).



In last week's *Weekly Newsletter,* I reported the high-level results on **AWTA wool tests** in April. To recap, the weight of wool tested in April was down by 8% and for the season to date, the weight of wool tested was down by 5.7%. Based on Wool Statistical Area data by state, the weight of wool tested in New South Wales increased slightly (0.4%) in April compared with April 2019 and increased by 63% in Queensland. All other states recorded a fall in the weight of wool tested – Victoria (-5%), Western Australia (-11%), South Australia (-27%) and Tasmania (-13%). For the season to April, the smallest decline was for WA, down by 4%. NSW and Victoria were both 5% lower, while SA and Tasmania were down by 9%. Queensland recorded the largest fall of 11%, despite the large year-on-year increase in April.

It is interesting to look at the change for each micron range. The second **Chart of the Week** shows the change in wool tests by micron range for the ten months of the 2019/20 season to April. The most notable aspect of this chart is that the weight of wool tested in the 19-20 micron range has seen no change this season compared with the same period in 2018/19, even though the total weight of wool tested was down by 5.7%. In contrast, the weight of wool tested between 21 and 24 micron was down by 12%. This follows the 35% slump in 2018/19. The weight of 18.5 micron & finer wool tested was down by 7% this season following the 20% lift in 2018/19. The broader micron ranges of 25-28 micron and 28 micron & broader have seen declines of 8% and 6% respectively.



AWEX has released the April statistics from the **National Wool Declaration.** The total number of bales of first-hand grower clip wool fell by 26% in April compared with April 2019. [The data does not include re-offered or bulk-classed wool]. The % decline in the number of bales declared as Pain Relief (PR) and Ceased Mulesed (CM) was each smaller than the decline in the total number of bales. For the season to date, the total number of bales was 14% lower, but the number of bales declared as CM was up 32%, while the number of bales declared as Non Mulesed (NM) was 6% lower for the ten months and number of bales declared as PR was 7% lower. As a result, the proportion of CM-, NM- and PR-declared wool combined was at just over 55% of all first-hand grower wool offered at auction. As well, 73% of the first-hand offering in the July 2019 to April 2020 period had an NWD.

The **Australian wool exports** data from the Australian Bureau of Statistics were released yesterday, showing that the volume of wool exports was down by 14% in March 2020 compared with a year earlier, while the value of exports was down by 26%. Export volumes to China fell by 16% for the month, but exports to the Czech Republic and India lifted by 45% and 9% respectively. Exports to Italy were down by 15%, exports to South Korea slumped by 35% and exports to Egypt fell by 19%.

For the eight months to March, wool export volumes were 16% lower and the value of exports were down by 32%. Export volumes to the largest destination, China, were down by 16% and exports to Italy (the 3rd largest destination) were down by 23%. Exports to India (2nd largest) were 9% lower and exports to the Czech Republic were 13% lower. Rounding out the top 5 destinations, exports to South Korea were down by 34%. I will report in more detail on Australia's wool exports in next week's edition.

INDUSTRY EVENTS

The **IWTO 2020 Congress** will be a digital event on 21st to 23rd May 2020. See www.iwto.org for details.

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 11 MAY 2020 – week 46 (roster as at 6/5/2020)

Sydney	
Tues 12th May	6,209 bales
Melbourne	
Tues, 12th May; Wed 13th May	13,994 bales
Fremantle	
Wed, 13th May	5,457 bales

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