



# The National Council of Wool Selling Brokers of Australia Inc

## NEWSLETTER

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2020/20

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

- Prices in Australian wool market slide
- Second wave of infections would worsen world economic outlook
- Large decline in exports from the major wool exporters
- All major wool processing countries hit by the slump in exports
- Upcoming scheduled industry events



The **Australian wool market** couldn't continue the upward momentum of the past two weeks and prices fell back. The **Eastern Market Indicator (EMI)** fell by 12 Acents, giving up virtually all last week's gain in A\$ terms, and finished at 1171 Ac/kg. However, in US\$ terms the decline was a smaller 8 USc and at 813 USc/kg, the EMI remains well above the level of a fortnight ago in US\$ terms. Merino wool prices were down by 20-40 cents. AWEX reports that buyers struggled to fill orders given the high proportion of low yielding, drought-affected wool on offer. Crossbred wool prices were generally higher. The Northern Market Indicator was down by 14 cents to 1218 c/kg while the Southern Market Indicator closed 11 cents lower to 1141 c/kg. Fremantle had some catch-up as there was no sale last week, and the Western Market Indicator lifted by 8 cents to 1247/kg. The A\$ was a little weaker against the Euro and Renminbi, and the EMI fell by 13 €cents to 715 €cents/kg and by 81 RMB to 5738 RMB/kg.

Earlier this week, the Organisation for Economic Cooperation and Development (OECD) released its updated **economic forecasts** for many countries and the world. The forecasts from OECD provide a forecast for both a single wave of infections of COVID-19 and a double wave of infections. Under the single wave scenario (i.e. a second wave is avoided), world economic growth falls by 6% and unemployment in the advanced economies (which includes the US, Europe, Japan, Australia as well as other countries) rises from 5.4% in 2019 to 9.2%. It notes that this means that five years of income growth is lost by 2021 as a result of the single wave of infections. With the double-wave scenario, a resumption of lock-downs is required because of the renewed outbreak. As a result, world economic growth slumps by 7.6% before anaemic growth of 2.8% in 2021. Unemployment in the advanced economies jumps to 10% with little recovery in 2021. In both scenarios, the worst of the impact happens in the second quarter of this year (April-June 2020). But the second wave scenario sees another bad slump in the fourth quarter of this year. Either way, the OECD expects that it will take at least two years for the world to return to the same level of economic activity as the 4<sup>th</sup> quarter of 2019 (i.e. before the pandemic).

I reported in last week's *Newsletter* about the large drop in Australia's wool exports in April. As you will all expect, Australia is not alone, with the other **major wool producing and exporting countries also** reporting large drops in exports since the COVID-19 pandemic started. In fact, the monthly declines in April seen for three of the other major wool exporting countries were far greater than for Australia. The volume of exports in April from New Zealand, Argentina and Uruguay plummeted by 82%, 75% and 80% respectively. This compares with the still significant but more moderate 16% decline in exports from Australia in April. The declines in exports from these three countries in March were also larger than the decline for Australia.

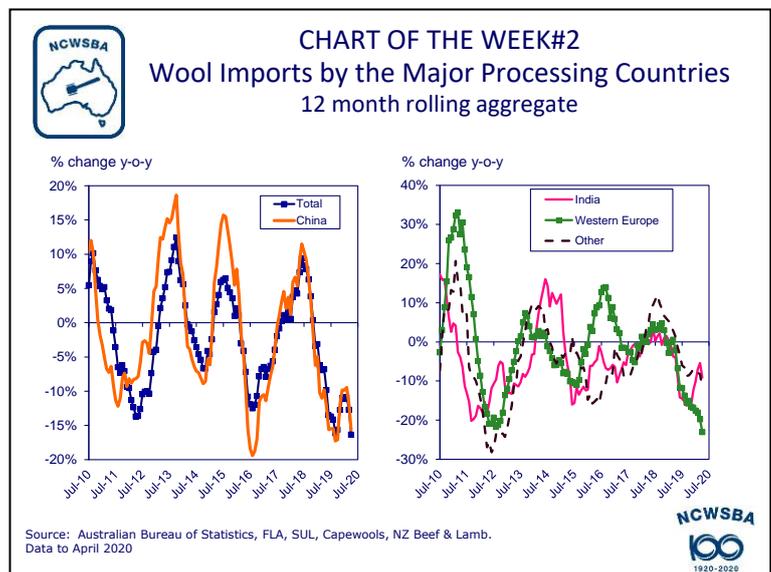
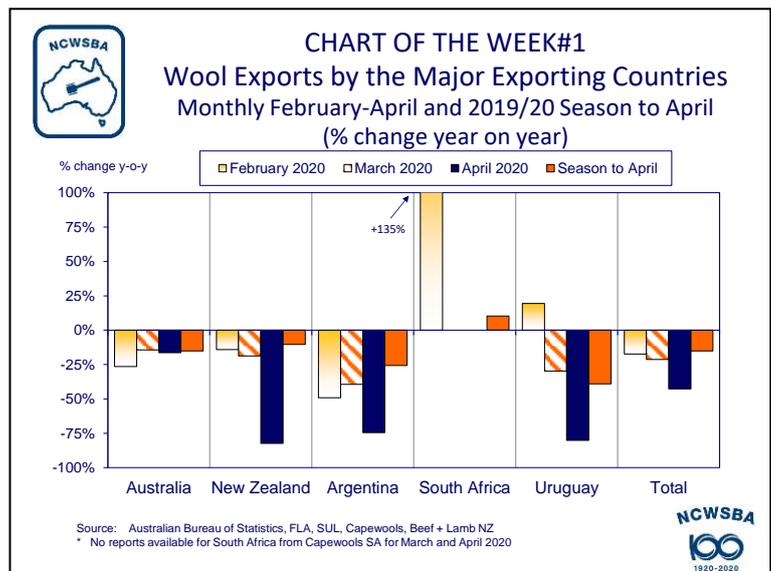
Over the three months February-April, wool exports from Australia were 19% lower than for the same three months in 2019, while exports from Uruguay were 37% lower, exports from New Zealand were down by 38% and exports from Argentina were 55% lower. Capewools SA has not released export data for March and April, but it is likely that the shut-down in that country will have resulted in minimal exports (although

the year-on-year change may not be as large as for other countries because South Africa's exports to China were banned in the first half of 2019 following the Foot and Mouth Disease Outbreak).

The first **Chart of the Week** shows the % change in wool exports from each of the five countries month by month between February and April, for the aggregate of the three months February-April and for the 2019/20 season to April.

In terms of the exports to the **major processing countries**, all countries recorded large year-on-year declines in April. Exports to China, the largest destination, saw the smallest decline, down by 31%. Exports to Italy were down by 70%, exports to Germany were 67% lower, exports to 'other' European countries were down by 79% and exports to the Czech Republic slumped by 87%. Exports to India fell by 85% while exports to 'other' countries (which includes Egypt, Malaysia, Japan, Korea, Taiwan and Thailand) fell by 58%.

Over the three months February-April, exports to China were down by 29% and exports to India were down by 11%. The declines in the last three months appear to have reversed the recovery in demand that seemed to have started for both China and India (as shown in the second **Chart of the Week**). Exports to Western Europe were down by 27% (Italy down 31%, Germany down 41%, Czech Republic down by 23% and 'other' Europe down by 19%). As can be seen in the chart, this continues the steady decline in exports to Western Europe seen since mid-2018. Exports to 'Other' countries was 22% lower.



**REMINDER: NOMINATIONS FOR THE NCWSBA 2020 WOOL BROKER AWARD CLOSE ON 26<sup>th</sup> JUNE!** The Award recognises excellence in wool broking by a younger member of our industry – be it client servicing, auctioneering, innovation or other aspects of wool broking. This year's Award winner will be granted an **all-expenses paid trip to Kyoto, Japan to attend the 2021 IWTO Congress in May 2021**. Closing date for nominations is Friday, 26<sup>th</sup> June. Please contact me for an application form – [chris.wilcox@ncwsba.org](mailto:chris.wilcox@ncwsba.org).

#### INDUSTRY EVENTS

**Wool Week** is scheduled for 27<sup>th</sup> and 28<sup>th</sup> August 2020, although this is to be confirmed.

The **NCWSBA Annual General Meeting** is scheduled for Thursday, 27<sup>th</sup> August (to be confirmed)

The **Nanjing Wool Market Conference** is scheduled to be held in Haining, Zhejiang on 18<sup>th</sup> to 20<sup>th</sup> September 2020 (to be confirmed).

#### WOOL SALES WEEK BEGINNING 15 JUNE 2020 – week 51 (roster as at 11/6/2020)

##### Sydney

Tues, 16<sup>th</sup> June; Wed, 17<sup>th</sup> June

6,681 bales

##### Melbourne

Tues, 16<sup>th</sup> June; Wed, 17<sup>th</sup> June

10,138 bales

##### Fremantle

NO SALE

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