The National Council of Wool Selling Brokers of Australia Inc

NEWSLETTER

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From the desk of Chris Wilcox, Executive Director

- Decline in Australian wool prices resumes
- The digital IWTO Congress 2020
  - Report on the Market Intelligence session
- Reminder - NCWSBA Wool Broker Award nominations open
- Upcoming industry events

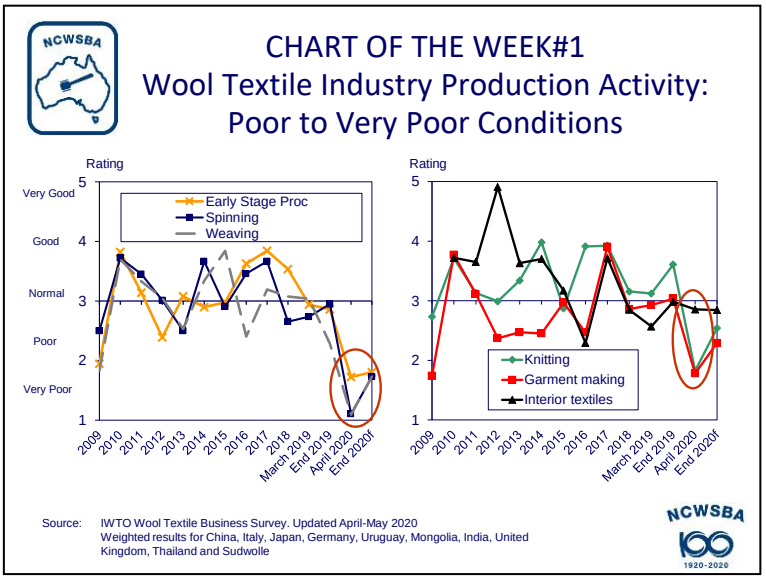


Disappointingly, wool prices fell back this week in the **Australian wool market** after the more positive week last week. Sales began relatively well on Tuesday in Melbourne and prices were fairly firm, but prices dropped back in Fremantle. This negative sentiment continued on Wednesday in Melbourne and Sydney. Over the week, the **Eastern Market Indicator** (EMI) dropped by 24 Acents to 1155 Ac/kg. Last week's price gains for Merino wool were more than wiped out, while Crossbred wool prices were steady. The Southern Market Indicator was 15 cents lower at 1132 c/kg, the Western Market Indicator slid by 23 cents to 1214 c/kg and the Northern Market Indicator dropped by 37 cents to 1193 c/kg. The A$ was stronger against the main currencies this week, which would have dampened prices in A$ terms. The EMI was down by just 7UScents to 756 USc/kg, by 12 €cents to 691 €cents/kg and by 384 RMB to 5373 RMB/kg.

The **International Wool Textile Organisation 2020 Digital Congress** is being held this week. Following the Executive Committee meeting on Wednesday afternoon (Melbourne time) and the Contracts & Specifications Technical Specifications Meeting on Wednesday night, the first two Facebook Recording sessions were held, including the Market Intelligence session, which was held at midnight Thursday (Melbourne time). As Chairman of the Market Intelligence Committee, I gave a pre-recorded presentation on the current situation and the outlook for the global wool industry. There were three other speakers:

- **Sebastian Remoy** (Kreab, a PR & Communications consultancy) who talked about the challenges facing the global trading regime, particularly during and after the COVID-19 pandemic.
- The presentation from **Madam Peng Yanli** (President of the China Wool Textile Association) looked at the current situation in China's wool textile industry and the developments in the industry during and after the Covid-19 pandemic.
- **Giovanni Schneider** (Director, G Schneider) gave a presentation on the challenges and way forward for both the Italian and global wool and fashion industries.

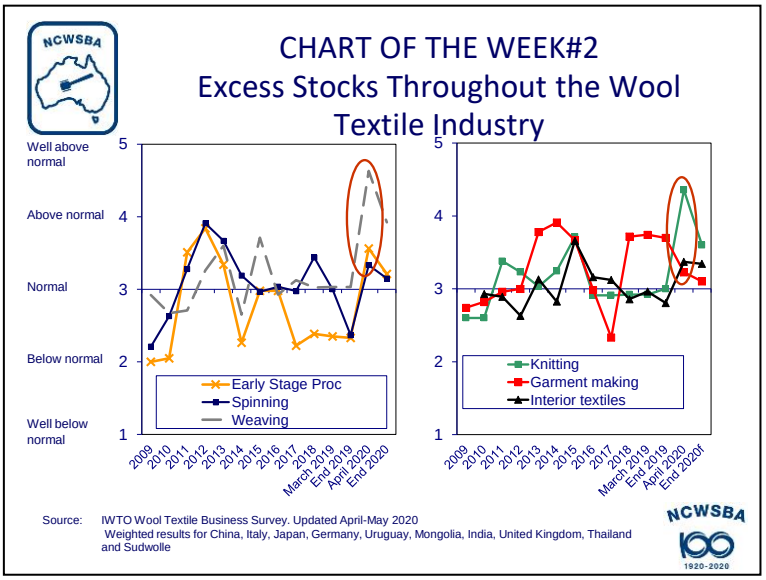
In my presentation, I reported on the awful global economic conditions and consumer confidence levels (as I have explained in recent editions of the *Newsletter*). I then reported the results from the annual survey of wool textile conditions from the IWTO. These are hugely negative for all sectors of the wool textile industry. The first **Chart of the Week** shows the trends in



production activity levels as reported by the Survey. As can be seen, each sector has seen a massive drop in production activity levels this year in the midst of COVID-19. Surprisingly, the best performing sector was the Interior Textiles sector. Respondents expect a very small improvement by the end of the year, but conditions generally will remain poor.

Almost all sectors reported that stock levels lifted sharply this year (second **Chart of the Week**). The exception was the garment making sector, but in all cases stocks are reported to be too high. Given this, the prospects of a recovery in raw wool demand in the near term are limited.

I also reported that world wool production will fall again in 2020 and 2021 from already low levels, with little evidence of an improvement in the near future. This will be mainly due to lower production of Merino wool and of wool used in apparel, notably due to lower production from Australia. In contrast, production of broad wool will be relatively steady and remain well above production of wool used in apparel. ***If you would like a copy of my presentation to IWTO, please send me an email and I'll send it to you.***



Madam Peng Yanli painted a rather grim picture of the current state of **China's wool textile industry** as a result of the COVID-19 pandemic. She noted that production of wool fabric and wool yarn in China fell around 25% in the first three months of 2020, due to sharply lower demand in the domestic market and much lower exports. She commented that the value of China's wool textile and garment exports fell more sharply in the first three months of 2020 than during the Global Financial Crisis in 2008. As a result, a large number of mills in China report that their capacity utilisation is less than 50%, although a significant number of the larger mills are returning to around 80% capacity utilisation. Domestic demand is recovering slowly and conditions are improving a little for the wool textile industry in China, but it faces many challenges with cancelled retail orders (particularly for export markets) and tight constraint on working capital.

You can see the video recording of the full Market Intelligence session on IWTO's Facebook page, click here. Each individual presentation will be put onto the IWTO YouTube channel at https://www.youtube.com/user/IWTOCHANNEL/featured.

In next week's edition, I will report on the highlights of other sessions of the IWTO 2020 digital Congress.

REMINDER: Nominations are open for NCWSBA Wool Broker Award for 2020. 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, 26th June. Please contact me for an application form – chris.wilcox@ncwsba.org.

INDUSTRY EVENTS

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 25 MAY 2020 – week 48 (roster as at 20/5/2020)

Sydney	
Tues 26th May	5,576 bales
Melbourne	
Tues, 26th May; Wed 27th May	10,249 bales
Fremantle	
Wed, 27th May	4,534 bales

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