



1st May 2020

2020/15

From the desk of Chris Wilcox, Executive Director

- Prices continue to fall in Australian wool auctions
- Wool prices and world macro-events – double whammy for wool
- South African wool industry resumes business
- Australian wool production forecast to fall again in 2020/21
- AWTA wool tests down 8% in April
- Excellent seasonal conditions and outlook
- Upcoming industry events



Double whammy for wool demand

Obviously the Covid-19 pandemic has had a huge impact on demand for wool, as it has on demand for many commodities and raw materials, as well as products around the world. The market for wool used in clothing has been hit by a double whammy over the past 18 months or so. First came the US-China trade war (remember that?), which triggered a sharp fall in Australian wool prices from the supercycle peak. There was a resultant 24% drop in the EMI in A\$ terms from the supercycle peak in August 2018 to January 2020. The fall was more in US\$, Euro and Renminbi, down by around 28%.

It appeared that the downturn in wool prices had stabilised by the start of 2020, but then the spread of Covid-19 started in China. We now have the global pandemic and the associated shut-down of swathes of the global economy. *The Economist* magazine is calling it the 90% economy. This has hit raw wool demand hard, with the EMI falling by 21% in A\$ terms since the end of January to this week. It is down by between 22% and 23% in US\$, Euro and Renminbi terms.

This double whammy is the most severe challenge that the wool industry has faced for many years. The current A\$ level of the EMI is below the long-term trend but remains well above the most recent low points during the Euro debt crisis and well above the low during the Global Financial Crisis (GFC). In contrast, the current US\$ level of the EMI at 801 UScents/kg, is well below the long-term trend and below the low plumbed in 2016, but above the 461 USc/kg level during the Global Financial Crisis.

Further details, including charts which show ups and downs of the EMI in A\$ terms and in US\$ terms since the start of the 1990s along with the major global macro-events that have influenced prices, are provided in the full edition of this week's NCWSBA *Weekly Newsletter*. Available to NCWSBA members.

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 4 MAY 2020 – week 45
(roster as at 30 /4/2020)**

<u>Sydney</u>	
Wed 5 th May	5,475 bales
<u>Melbourne</u>	
Tues, 4 th May; Wed 5 th May	16,701 bales
<u>Fremantle</u>	
Tues, 4 th May	4,748 bales

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