



31<sup>st</sup> July 2020

2020/25

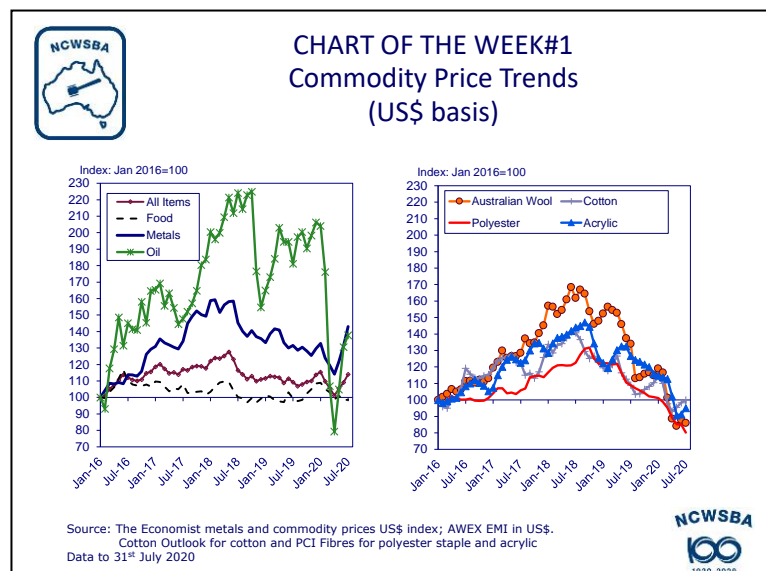
### From the desk of Chris Wilcox, Executive Director

- Wool auctions resume in shadow of new COVID-19 outbreak
- Textile fibre prices hit harder than other commodities
- Leading economic indicators point to recovery
- NCWSBA Annual General Meeting by Zoom
- NCWSBA Wall Chart available from 21<sup>st</sup> August
- Upcoming industry events



Auctions resume next week in the **Australian wool market** after the 3-week recess. There are 45,471 bales rostered for sale next week which is the largest weekly offering since the first week of March. It is, however, in line with previous years for the first sale after the July recess. It compares with 41,543 bales offered in the first sale back after the recess in August 2019, with 49,415 bales offered for the week in August 2018, 52,359 bales offered for the week in August 2017, 52,100 bales offered for the week in August 2016, 41,832 bales offered for the week in August 2015, and 45,463 bales offered for the week in August 2014. Even so, it will be a challenge for the market to digest this volume of wool. As well, the A\$ has increased by 2 UScents against the US\$ and is up 3% against the Chinese renminbi since the recess began, which may hold back price levels. The A\$ is a little weaker against the Euro. The resumption of auctions comes at a worrying time with COVID-19 outbreaks in Sydney and Melbourne. The outbreak in Melbourne is particularly concerning given the high daily numbers.

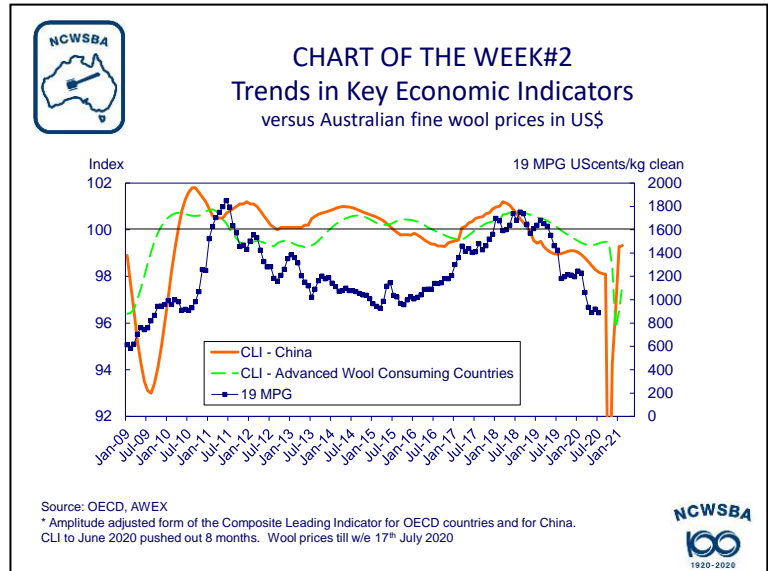
As has been well covered in previous editions of the *Weekly Newsletter*, wool prices have fallen sharply over the past six months due to the impact of the COVID-19 pandemic. It is interesting to see how this decline in wool prices compares with what has happened with prices for other textile fibres and for raw commodities. The first **Chart of the Week** shows the trends in prices for various **commodities and textile fibres** since January 2016 (as an index). A few things stand out. First is the sharp plunge in oil prices then recovery. Second, prices for metals have risen sharply in the past three months as demand from China recovers. In contrast, food prices have drifted lower.



It seems that **textile fibre prices** have been hurt most from the COVID-19 pandemic's hit to the global economy and retail sales. Wool prices have fared poorly, but prices for the synthetic fibres (polyester staple fibre and acrylic fibre) have seen a larger fall in prices, with polyester prices continuing to decline. Textile fibre prices may have seen a larger impact because of the severe impact of COVID-19 restrictions on clothing retail sales around the world, and the impact on consumer spending generally.

Are there any signs of a **recovery in economic conditions** as parts of the world resume some form of normality? One gauge of economic conditions is the Composite Leading Indicators (CLI) from the Organisation of Economic Cooperation and Development (OECD). The Indicators are designed to provide early signals of turning points in business cycles. Wool prices have, to some extent at least, followed the trends in the CLI measure for China and the major advanced wool consuming economies (the US, Germany, Italy, the UK, France and Japan). The good news is that the latest data for the CLI suggests economic activity has rebounded strongly in China, while there has been a rebound in the major advanced economies, albeit more modest than for China.

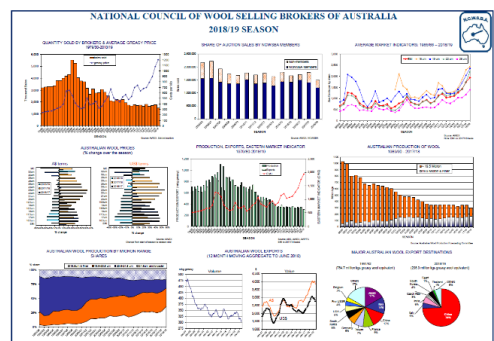
This is illustrated in the second **Chart of the Week**, which shows the CLI for the advanced wool consuming countries and for China. Both sets of leading indicators plummeted earlier this year as COVID-19 hit. The drop was particularly marked in China which imposed a stringent lockdown and was milder across the advanced economies due to milder form of lockdown. As can be seen, the CLI has bounced back, particularly for China. This provides some encouragement that these better economic conditions will help support retail demand and, in time, raw wool prices.



**The NCWSBA Annual General Meeting** is on Thursday, 27<sup>th</sup> August at 11am Melbourne time and will be held by Zoom videoconference. The meeting will approve the minutes from the 2019 AGM and approve the accounts for 2019/20. The list of Board Directors for 2020/21 will also be provided. There will also be a Special Resolution to modify the NCWSBA Rules to include the Immediate Past President as a member of the NCWSBA executive and make clear the power of the executive. Details for the Zoom videoconference are (<https://zoom.us/j/93454906061>). A meeting of the NCWSBA Board will follow.

**The 2020 Wall Chart from the National Council of Wool Selling Brokers** will be available from 21<sup>st</sup> August. Free to NCWSBA members, it is an A2 printed Wall Chart with graphs showing auction volumes and prices, market indicators, and Australian wool production and exports from 2019/20 and back to the 1979/80 season.

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#### INDUSTRY EVENTS

The **AWPFC** meets on 12<sup>th</sup> August by videoconference.

**Wool Week** has been cancelled for this year.

The **NCWSBA Annual General Meeting** is scheduled for Thursday, 27<sup>th</sup> August and will be held by Zoom.

The **Nanjing Wool Market Conference** has been cancelled for this year.

#### WOOL SALES WEEK BEGINNING 3<sup>RD</sup> AUGUST 2020 – week 6 (roster as at 27/7/2020)

<u>Sydney</u>	Tues, 4 <sup>th</sup> Aug; Wed, 5 <sup>th</sup> July	13,849 bales
<u>Melbourne</u>	Tues, 4 <sup>th</sup> Aug; Wed, 5 <sup>th</sup> July	22,585 bales
<u>Fremantle</u>	Tues, 4 <sup>th</sup> Aug; Wed, 5 <sup>th</sup> July	9,037 bales

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