



# The National Council of Wool Selling Brokers of Australia Inc

Gate 4  
29 Frederick Rd  
Tottenham Vic 3012

## NEWSLETTER

Phone: +61(0)419344259  
E-mail: [info@newsba.org](mailto:info@newsba.org)  
Twitter: @woolbrokersaus  
Instagram: newsba



22<sup>nd</sup> January 2021

2021/02

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

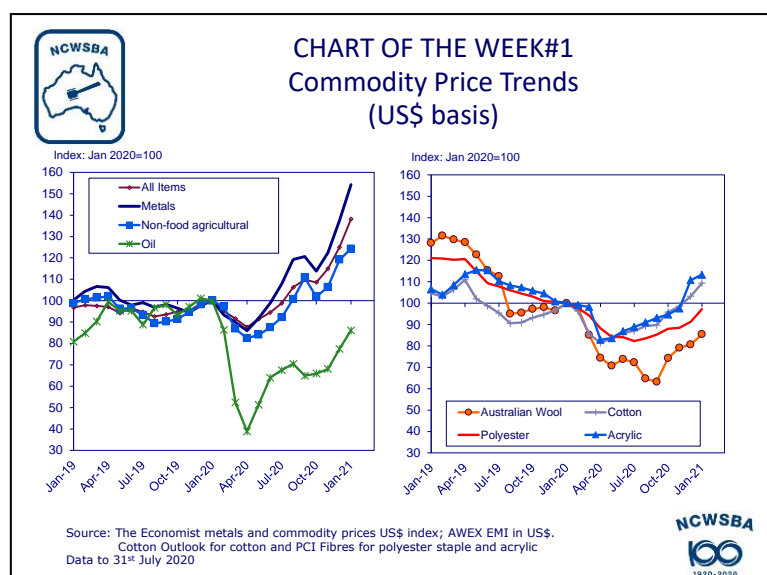
- Superfine wool prices in the Australian wool market take off
- A new price supercycle for commodities?
- Retail sales remain subdued
- Brighter prospects in 2021?
- Upcoming industry events



The **Australian wool market** continued the strong start to 2021 this week. There was strong demand for fine and superfine Merino wool, which prices surging, particularly for 17.5 micron & finer wool. Prices for 21-22 micron wool slid, as did 26 micron wool. This is probably partly driven by the lower supply of superfine wool this season, with AWTA tests showing a 21% drop of 18.5 micron & finer wool, but a 10% lift in 20-23 micron wool. The **Eastern Market Indicator (EMI)** lifted by 30 cents to 1202 c/kg, the highest week ending level since May 2020. The Southern Market Indicator rose the most, rising by 33 cents to 1167 c/kg, while the Northern Market Indicator lifted by 24 cents to 1257 c/kg. With prices for medium micron wool falling and the offering in Western Australia being weighted towards wool of these microns, the Western Market Indicator slid by 3 cents to 1219 c/kg respectively. The A\$ was again stronger against all the major currencies. As a result, the EMI was 27 UScents higher at 934 USc/kg, 157 RMB higher at 6035 RMB/kg and 22 €cents higher at 770 €cents/kg. In all currencies, the EMI is now at the highest level since March 2020.

An article in the 16<sup>th</sup> January edition of *The Economist* magazine caught my eye. The article notes that many **commodity prices** are well above the levels at the start of 2020, before the impact of the Covid pandemic was being felt. It then asks if a new **supercycle** is beginning. That's what caught my attention because wool (notably Merino wool) has already had its own supercycle which began in 2016, peaked in the second half of 2018 and then waned through 2019 and 2020, with prices reaching a low in mid-2020.

The first **Chart of the Week** shows the trends in selected commodity and fibre prices since the start of 2019, indexed with January 2020 as the base. The sharp rise in some commodity prices since the low point in April 2020 is clear, notably for Metals. Prices for cotton and acrylic fibre have followed a similar pattern to other commodities, rising strongly from the low in April. Polyester staple fibre prices took longer to bottom out and are still not quite back to the levels of January 2020. The trends for wool prices are lagged compared with other fibres, not hitting a low until September 2020. And, while there has been a strong lift in prices in recent months, wool prices overall remain below the January 2020 levels.



The article in *The Economist* argues that the roll-out of vaccines across the world will help the world economy recover and pent-up demand will boost commodity prices. As well, the spending proposals by the new Democratic American government and loose monetary policy will provide a further boost. The article quotes Jeff Currie of Goldman Sachs who says “*The pandemic itself is a structural catalyst for a commodity supercycle*” as the pandemic may help synchronise economic activity across the big economies around the world. If there is a general commodity price supercycle, wool will benefit and prices will continue to rise, probably more so for Merino wool than for broad wool which have been in the doldrums for the past four years.

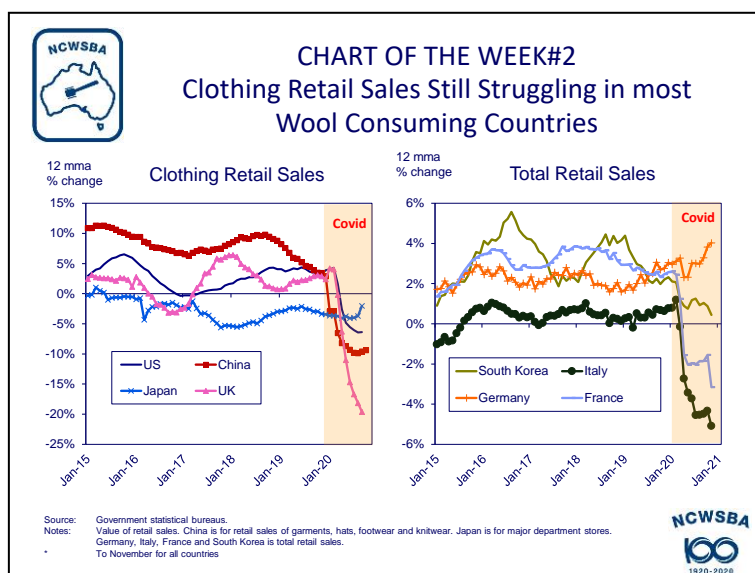
If we are to see a boost to wool prices, **clothing retail sales** will need to recover from the depths plumbed during the pandemic. As the second **Chart of the Week** shows, retail sales in many of the major wool consuming countries have fallen sharply over the past 9-12 months. There are tentative signs of recovery in some countries, such as Japan and China. The US may be starting to see a bottoming-out. However, retail remains very difficult in the UK, Italy and France. There was some respite around September to the downward trend in Italy and France, but that has dissipated with the resurgence of Covid infections in those countries.

**Consumer confidence** remains very fragile and volatile. Only in China are we seeing a sustained improvement since the lows in April. While the recent resurgence of Covid infections in many countries will dampen a

recovery in consumer confidence, the roll-out of vaccinations across the world through 2021 will help consumer confidence to recover on a firmer footing and be less volatile. This will provide support for improved retail sales. As well, the change in Government in the US and greater political stability that is likely to bring will provide a further boost to consumer confidence in the US, and may also bring greater stability, certainty and coordination in the international arena.

Anecdotal reports suggest that stocks of raw wool and wool product are low through the wool textile pipeline. Therefore, any improvement in retail sales, even from the current low base, will flow through quickly to the auction market and demand for wool. Given the lags between the purchase of wool at auction and the purchase of wool products at retail, the recent improvement in wool prices is possibly due to increased demand from early stage processors and spinners anticipating an improvement at retail as 2021 progresses, resulting in good retail demand in the Northern Hemisphere 2021 Autumn/Winter season later this year.

If we are seeing the start of a commodity price supercycle, then 2021 could be a much better year for Australian wool producers and the industry.



#### INDUSTRY EVENTS

The **2021 IWTO Congress** will be held May 2021.

#### WOOL SALES WEEK BEGINNING 25<sup>th</sup> JAN 2021 – week 31 (roster as at 21/1/2021)

<u>Sydney</u>	Wed 27 <sup>th</sup> Jan, Thurs 28 <sup>th</sup> Jan	10,939 bales
<u>Melbourne</u>	Wed 27 <sup>th</sup> Jan, Thurs 28 <sup>th</sup> Jan	23,699 bales
<u>Fremantle</u>	Wed 27 <sup>th</sup> Jan, Thurs 28 <sup>th</sup> Jan	8,480 bales

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