



# The National Council of Wool Selling Brokers of Australia Inc

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## NEWSLETTER

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

- Prices jump across the board at Australian wool auctions
- US imports of wool men's wovenwear fall steeply
- Raw wool demand continues to fall up to November
- IWTO announces that the 2021 Congress will be virtual
- Upcoming industry events

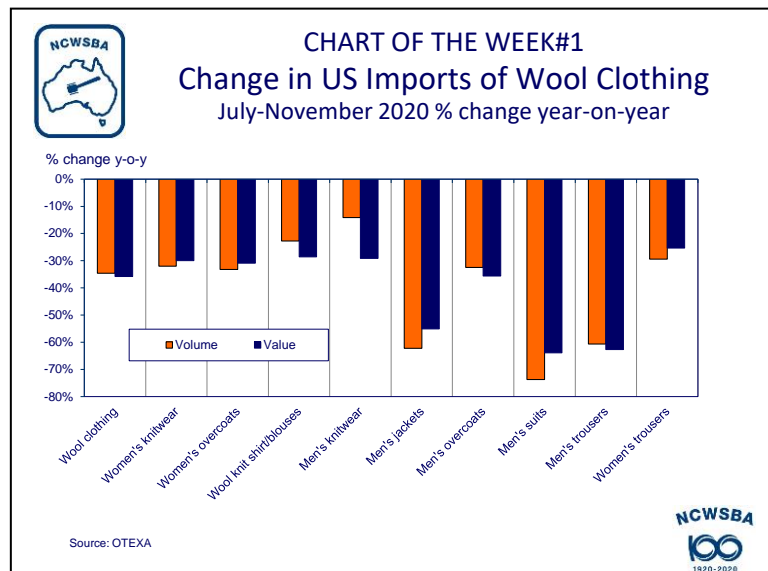


It was an excellent week on the **Australian wool market** as strong demand fuelled a sharp jump in prices. Unlike previous weeks where superfine wool had been favoured, this week prices for all microns and types lifted strongly. The **Eastern Market Indicator (EMI)** lifted by 89 cents to 1291 c/kg, the rise helped by a sharp fall in the A\$ against major user currencies, notably against the US\$ with the A\$ falling by more than 1UScent. The Northern Market Indicator rose the most, rising by 112 cents to 1369 c/kg, while the Southern Market Indicator lifted by 74 cents to 1241 c/kg and the Western Market Indicator rose by 73 cents to 1292 c/kg. With the weaker A\$ against all of the major currencies, the EMI rose by proportionately less in these currencies than in A\$. It lifted by 51UScents to 985 USc/kg, by 345 RMB to 6380 RMB/kg and by 44 €cents to 814 €cents/kg.

In last week's edition, I discussed the latest data and trends in retail sales around the world, noting that clothing retail sales in the US had fallen steeply in response to the COVID-19 pandemic and the rate of decline had stabilised in recent months. These retail sales figures are for clothing of all fibres, and do not identify trends in retail sales of clothing by fibre type. The best way to judge that is by looking at **US import data**, which does identify imports by fibre type (wool clothing, cotton clothing and man-made fibre clothing). For wool clothing, around 65% of the annual US imports of wool clothing is imported between July and November each year. This allows retailers to have wool clothing product available for the peak demand period in Autumn/Winter, between October and January each year.

The data on US imports for the July-November period this year is not encouraging. It shows a sharp drop in US imports of wool clothing, in both volume (by 35%) and value (by 36%). This decline was much greater than it was for cotton or for man-made clothing, which fell by 5% and 8% in volume terms, and 14% and 19% in value.

Looking at the changes in US imports by the major wool clothing categories, men's wovenwear (suits, jackets and trousers) has suffered the greatest fall, down by 60% to 75% in volume and by 55% to 65% in value. The first **Chart of the Week** shows the year-on-year change in US imports in volume and value in the aggregate and for the nine largest categories. The chart is ranked by import value in 2020 from left to right. As can be seen, wool knits (jumpers, shirts, blouses, sweaters etc), overcoats

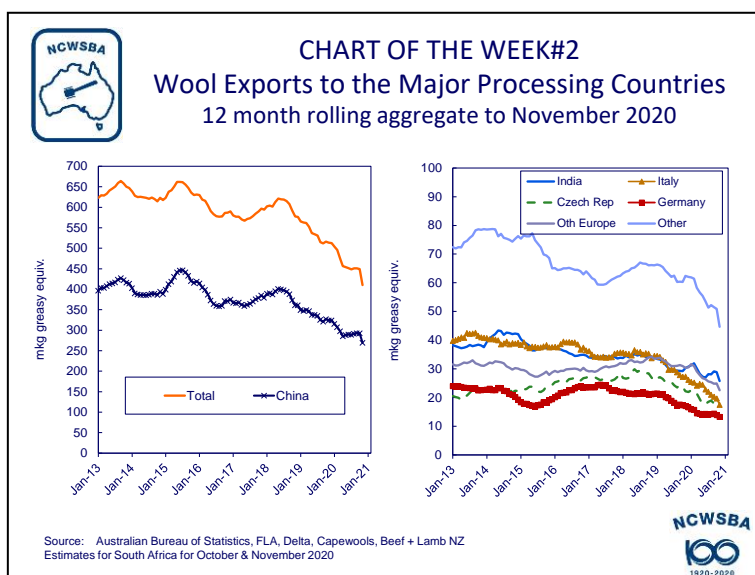


and women's trousers have seen smaller (but still significant) declines of 20% to 35%. The fall in men's wovenwear is worrying and ties in with anecdotal reports from the wool textile industry that the weaving sector is facing a tougher time than the knitting sector. It also is not all that surprising given the move away from the office to working from home during the pandemic.

The latest data on raw wool exports shows that most of the **major wool producing and exporting countries** are also seeing a significant decline in raw wool demand and exports. For the calendar year to November, **Australia's** wool exports were down by 9%, although exports in the past few months have seen modest increases. Exports from **New Zealand** were also down, by 15% for the eleven months to November, but have increased in recent months. In contrast, exports from the South American countries were well down and showing no signs of improving. Exports from **Uruguay** to November were down by 50%, while exports from **Argentina** were down by 40%. One country which has seen an increase in exports in 2020 to November is **South Africa**, which recorded a 16% lift in exports, largely as a recovery from China's ban on imports from South Africa in 2019 due to the outbreak of Foot and Mouth Disease in parts of South Africa. In total, exports from these five countries were down by 14%.

In terms of the exports to the **major processing countries**, demand by all of the major wool export destination countries recorded year-on-year declines for 2020 to November. Imports by China were down by 11%, while imports by Western European countries were down by 28%. Exports to 'other' countries (which include Egypt, Japan, Taiwan, South Korea, Thailand and Malaysia) were down by 28%. One country which is doing a bit better is India, with exports from the five major countries down by just 5% for 2020 to November.

The second **Chart of the Week** shows the trends in raw wool exports to the major wool processing countries since 2013 (on a rolling 12 month aggregate basis). As can be seen, there has been a steady decline in raw wool exports to each of the major processing countries, notably since 2018. More recently the decline has become steeper, with no signs yet of a stabilising of the trend for any country despite the recent improvements in exports for Australia, New Zealand and South Africa.



Earlier this week, the International Wool Textile Organisation advised that the Japan Organising Committee for **the 2021 IWTO Congress** has requested that this year's Congress planned for Kyoto in May to be postponed due to COVID-19 and the travel restrictions in place. IWTO has therefore announced that the Congress will be held as a virtual event using WebEx. The Congress will be held between Monday 17<sup>th</sup> May and Friday 20<sup>th</sup> May. We are all getting used to these virtual events, with the 2020 IWTO Congress and IWTO Roundtable both being held virtually, as was the Schneider Wool Connect Conference last October and this week's American Sheep Industry Convention. I will send out further details when they become available.

#### INDUSTRY EVENTS

The **2021 IWTO Congress** will be held as a virtual event on 19<sup>th</sup> to 21<sup>st</sup> May 2021 by WebEx.

#### WOOL SALES WEEK BEGINNING 1<sup>st</sup> FEB 2021 – week 32 (roster as at 28/1/2021)

<u>Sydney</u>	Tues 2 <sup>nd</sup> Feb, Wed 3 <sup>rd</sup> Feb	13,432 bales
<u>Melbourne</u>	Wed 2 <sup>nd</sup> Feb, Thurs 3 <sup>rd</sup> Feb	24,975 bales
<u>Fremantle</u>	Tues 2 <sup>nd</sup> Feb, Wed 3 <sup>rd</sup> Feb	8,417 bales