

# Executive Cotton Update

U.S. Macroeconomic Indicators &  
the Cotton Supply Chain



July 2023

[www.cottoninc.com](http://www.cottoninc.com)

**Macroeconomic Overview:** A range of measures can be used to track inflation. The Federal Reserve most closely follows an inflation rate called the personal consumption expenditure price index (PCE index). PCE index data are published with a longer lag than CPI numbers (the CPI and the PCE index are published by separate government agencies), but the latest readings indicate that inflation continues to fall. In May, the PCE index was below four percent for the first time since April 2021 (3.8% in May 2023 compared to 4.3% in April 2023). The current level is still nearly double the Federal Reserve's mandated target of two percent, but it is also about half of the peak rate of 7.0% registered for the PCE index in June of last year.

In the period after COVID, inflationary concerns have evolved from being primarily centered on goods to being more focused on services. Primary costs for the service sector that may be passed on to consumers stem from employment and wages. For this reason, wage rates and the labor market are a part of the conversation around inflation. Recent wage growth is well below the post-stimulus peak of 5.9% (March 2022), but it remains higher than any value posted between the financial crisis and the pandemic.

For consumer spending, a positive factor is that the latest wage growth has been stronger than the latest inflation rates (PCE Index was 3.8% in May 2023, and wages grew 4.4% that same month). Since the second quarter of 2021, the PCE index was consistently higher than wage growth. An implication of inflation dropping below wage growth is that consumer spending growth can be financed more by income growth than savings or debt.

Although the Federal Reserve paused interest rate increases at its last meeting, inflation rates remain nearly twice the official target. This suggests that the central bank will need to continue to boost interest rates at coming meetings. The effects of interest rates on the economy are lagged, but the labor market has proven resilient to rate increases so far. It remains to be seen how far the Federal Reserve may be willing to push rates to bring inflation down to the target level and what the consequences might be for employment.

**Employment:** The U.S. economy is estimated to have added +209,000 jobs in June. Revisions to figures for previous months lowered the estimate for May by -77,000 to +217,000 and dropped the estimate for June by -33,000 to +306,000. The current twelve-month (+316,000 from July 2022-June 2023) average is down 43% relative to the twelve-month average one year ago (+552,000 from July 2021-June 2022).

The unemployment rate decreased marginally month-over-month, from 3.7% to 3.6%. Since March 2022, when the Federal Reserve began increasing interest rates, the unemployment rate has ranged between 3.4% and 3.7%.

Average hourly wage growth was at 4.4% year-over-year for the third consecutive month. This rate of increase is nearly twice the average between 2010 and 2015 but is lower than the post-stimulus peak of 5.9% (March 2022).

**Consumer Confidence & Spending:** In June, the Conference Board's Index of Consumer Confidence experienced the largest month-over-month gain since December (from 102.5 to 109.7). The current value is the highest since January 2022. Other values registered in 2023 ranged between 102 and 106. In June of last year, values were near the lows posted in 2022 (98.4 in June and 95.3 in July). In June of 2021, the value set the post-COVID high (128.9).

In inflation-adjusted terms, overall consumer spending was flat month-over-month in May (-0.03%) and was up +2.1% year-over-year. Spending on garments decreased -0.4% month-over-month in May. This marked the sixth month-over-month decrease after the past eight months of data (growth in January and April, but otherwise negative month-over-month from October-May). Year-over-year, apparel spending has been negative year-over-year for the past three months (-0.2% in March, -1.0% in April, -1.6% in May). Despite the recent contraction, spending in May was still +21% higher than in May 2019.

**Consumer Prices & Import Data:** Retail prices for apparel increased month-over-month in each of the last seven months of data (+0.4% in May, increases between +0.2% and +1.0% since November 2022). Year-over-year, average retail clothing prices were +4.4% higher. Most of the year-over-year increases posted after COVID were part of a reflating process bringing prices back to their pre-pandemic levels (the CPI for garments collapsed -8.7% year-over-year in May 2020). However, recent price increases have been leading to inflation. The latest reading is the highest since 2001. Relative to the average in 2019, before the pandemic, retail apparel prices in May were +5.2% higher.

The average import cost per square-meter equivalent (SME) of cotton-dominant apparel was \$3.91 in seasonally-adjusted terms. This is down 9% from the recent peak of \$4.29/SME (November 2022) but remains higher than levels before the pandemic (averaged \$3.36/SME in 2018 and \$3.45/SM in 2019) and significantly higher than the post-COVID lows near \$3.00/SME from November 2020 through March 2021.

## U.S. Macroeconomic & Cotton Supply Chain Charts

Macroeconomic Indicators		Industry & Textiles	Retail	Currencies	Cotton
GDP Growth	Leading Indicators	Industrial Production	Consumer Spending	Weighted Index	U.S. Balance Sheet
Interest Rates	Consumer Conf.	Inventory/Shipments	Inventory/Sales	Asia	Fiber Prices
ISM Indices	Employment	U.S. Yarn Exports	Consumer Prices	The Americas	
	Housing	Polyester PPI		Europe	

# Executive Cotton Update

U.S. Macroeconomic Indicators & Cotton Prices  
July 2023



## Macroeconomic Data

Quarterly Data	Recent Averages				Values in Recent Quarters			Unit	Source
	5-year	1-year	6-month	3-month	Q3 : 2022	Q4 : 2022	Q1 : 2023		
Growth in US Real GDP	2.5%	2.6%	2.9%	2.6%	3.2%	2.6%	2.0%	% Chg. Quarter/Quarter	Department of Commerce

### Macroeconomic Series with Latest Data for June

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	April	May	June		
ISM Index of Manufacturing Activity	54.1	48.8	46.9	46.7	47.1	46.9	46.0	Index	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	56.9	53.8	52.9	52.0	51.9	50.3	53.9	Index	Institute for Supply Management
Consumer Confidence	113.1	104.1	104.9	105.3	103.7	102.5	109.7	Index	The Conference Board
Change in Non-Farm Payrolls	120.6	316.0	278.2	244.0	217	306	209	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	4.9%	3.6%	3.5%	3.6%	3.4%	3.7%	3.6%	Rate	Bureau of Labor Statistics
<b>US Interest Rates</b>									
Federal Funds	1.5%	3.8%	4.8%	5.0%	4.8%	5.1%	5.1%	Interest rate	Federal Reserve
10-year Treasury Bill	2.1%	3.5%	3.6%	3.6%	3.5%	3.6%	3.8%	Interest rate	Federal Reserve

### Macroeconomic Series with Latest Data for May

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	March	April	May		
Index of Leading Economic Indicators	111.4	110.5	108.3	107.2	107.5	107.5	106.7	Index	The Conference Board
Housing Starts	1.4	1.4	1.4	1.5	1.4	1.3	1.6	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.4	4.5	4.3	4.3	4.4	4.3	4.3	Annual pace, millions of units	National Association of Realtors

## Industrial & Textile Data

### Industrial & Textile Series with Latest Data for May

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	March	April	May		
US Industrial Production	100.5	102.9	102.6	102.9	102.5	102.7	103.0	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	123.8	159.6	155.8	151.7	153.1	151.8	150.2	Index, December 2003=100	Bureau of Labor Statistics

### Industrial & Textile Series with Latest Data for April

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	February	March	April		
Bale Equivalence of US Cotton Yarn & Fabric Exports	3.2	2.3	2.0	2.1	2.2	2.1	2.0	million 480lb bales	USDA ERS

### Industrial & Textile Series with Latest Data for May

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	March	April	May		
US Textile Mill Inventory/Shipments Ratio	1.49	1.68	1.69	1.70	1.70	1.70	1.70	Ratio	Department of Commerce

## Retail Data

### Retail Series with Latest Data for May

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	March	April	May		
US Real Consumer Spending									
All Goods and Services	2.6%	2.1%	2.2%	2.1%	2.1%	2.2%	2.1%	% Chg. Year/Year	Department of Commerce
Clothing	6.8%	0.4%	0.9%	-0.9%	-0.2%	-1.0%	-1.5%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	3.9%	6.8%	5.5%	4.7%	4.9%	4.0%	3.0%	% Chg Year/Year	Bureau of Labor Statistics
Clothing	0.4%	4.5%	4.0%	4.3%	4.4%	4.4%	4.2%	% Chg. Year/Year	Bureau of Labor Statistics

### Retail Series with Latest Data for April

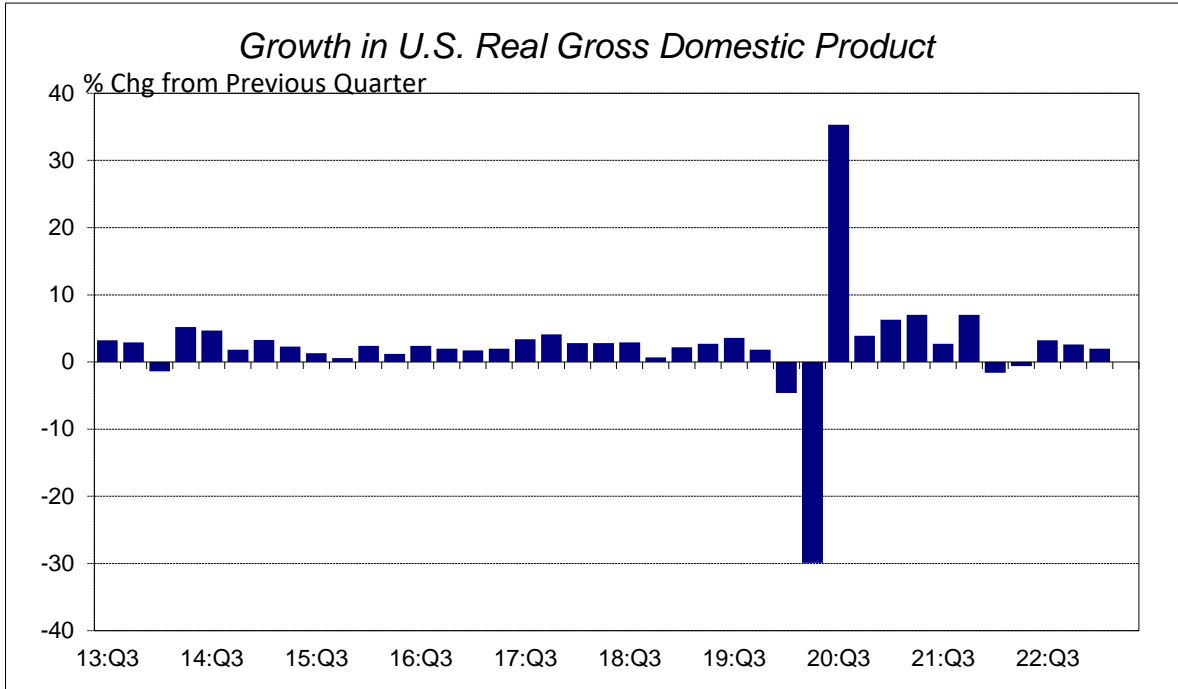
	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	February	March	April		
Retail Inventory/Sales Ratio									
Clothing and Clothing Accessory Stores	2.6	2.2	2.3	2.4	2.4	2.4	2.4	Ratio	Department of Commerce
Department Stores	2.0	2.1	2.0	2.0	2.0	2.0	2.0	Ratio	Department of Commerce

# Executive Cotton Update

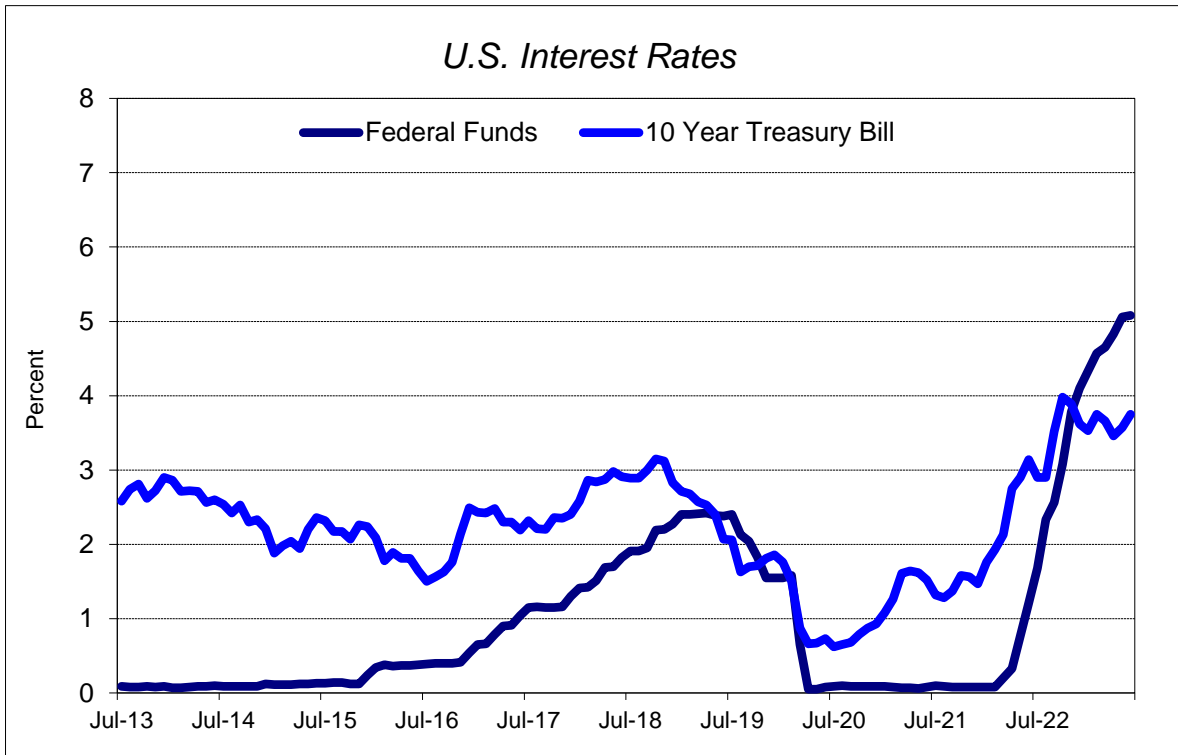
Daily Cotton Price and Currency Data  
July 2023



Daily Cotton Price Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	April	May	June		
NY Nearby	83.8	88.1	82.5	82.0	81.2	82.7	82.0	cents/pound	ICE
A Index	94.3	102.8	95.9	93.6	95.2	94.1	92.5	cents/pound	Cotlook
Daily Currency Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	April	May	June		
Dollar Trade Weighted Exchange Index	116.9	117.3	120.1	119.6	119.7	119.2	119.8	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.77	6.67	6.92	6.98	6.89	6.94	7.12	Chinese Renminbi/US dollar	Reuters
Indian Rupee	74.73	76.86	82.13	82.23	82.13	82.09	82.46	Indian Rupee/US dollar	Reuters
Japanese Yen	115.94	120.25	134.26	135.78	133.54	134.43	139.38	Japanese Yen/US dollar	Reuters
Pakistani Rupee	175.41	194.53	274.93	290.38	288.52	295.75	286.87	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	4.81	5.26	5.08	4.95	5.00	4.98	4.88	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.31	1.29	1.35	1.34	1.35	1.35	1.33	Canadian dollar/US dollar	Reuters
Mexican Peso	19.96	20.05	18.21	17.73	18.21	17.64	17.33	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.78	0.78	0.81	0.80	0.80	0.80	0.79	British Pound/US dollar	Reuters
Euro	0.89	0.89	0.93	0.92	0.92	0.92	0.93	Euro/US dollar	Reuters
Swiss Franc	0.95	0.93	0.91	0.90	0.90	0.89	0.90	Swiss Franc/US dollar	Reuters
Turkish Lira	10.15	12.99	19.80	20.74	19.29	19.58	23.36	Turkish Lira/US dollar	Reuters



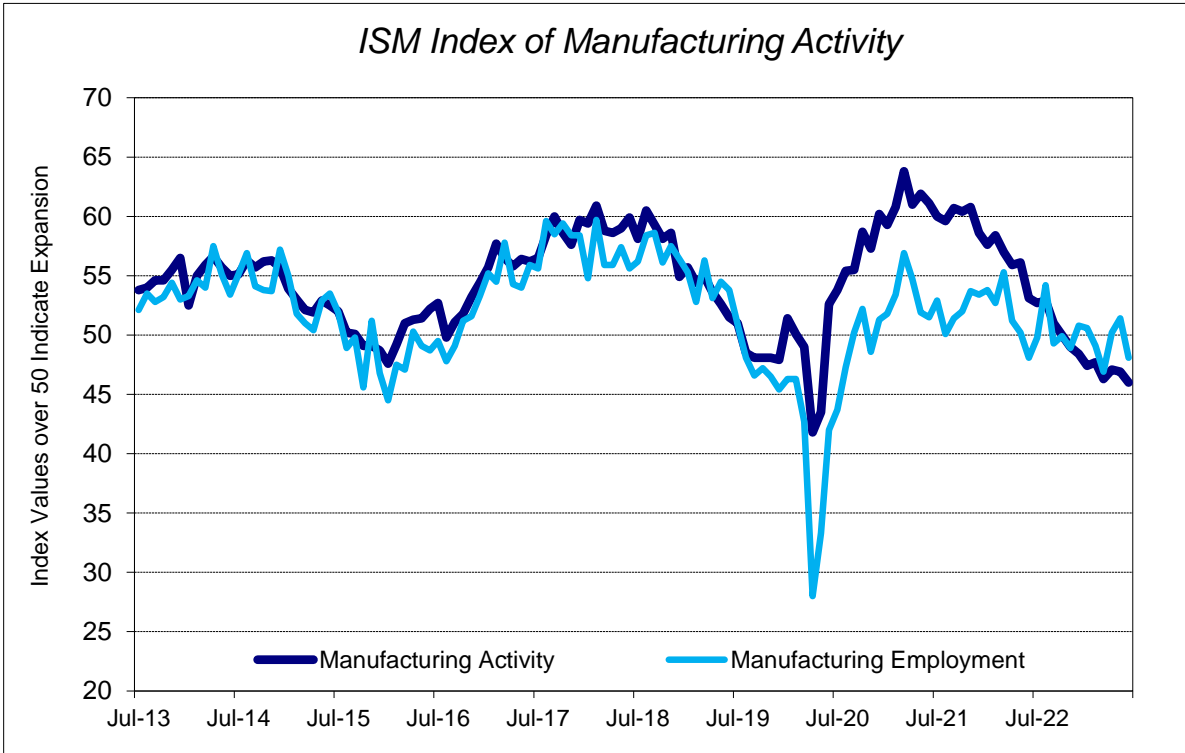
Seasonally Adjusted Annual Rate; Source: Department of Commerce  
 \*Based on chained 2005\$.



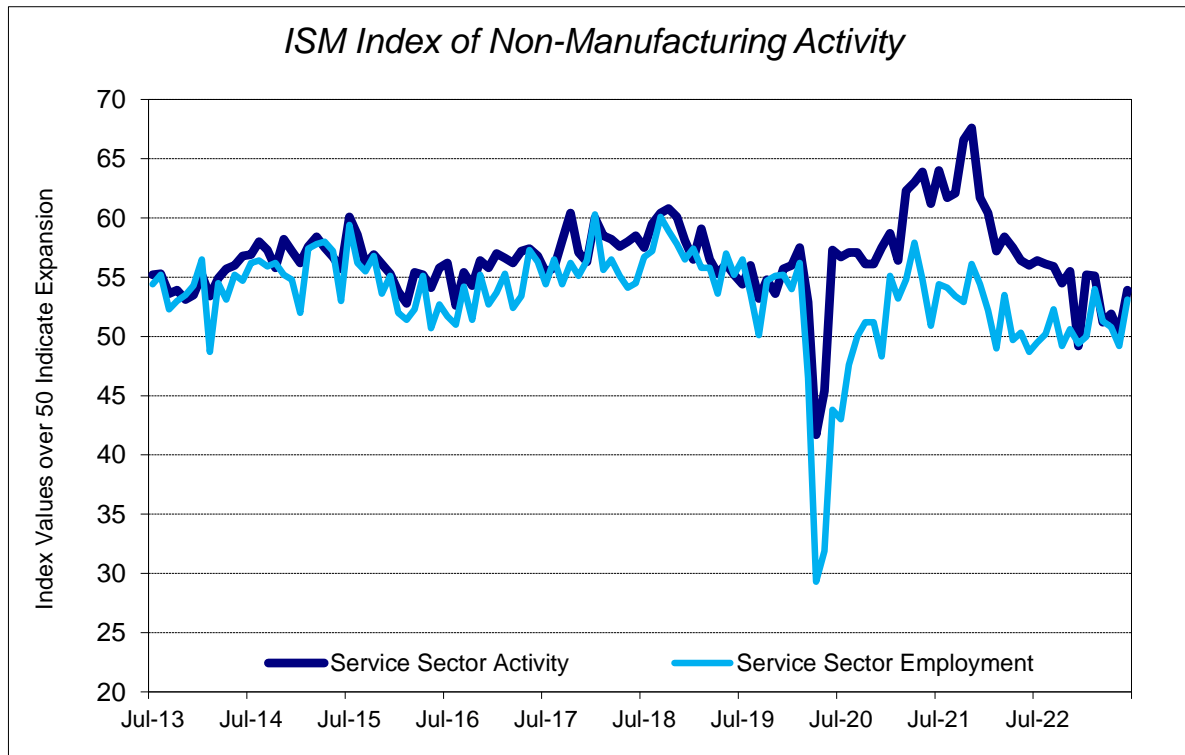
Source: Federal Reserve

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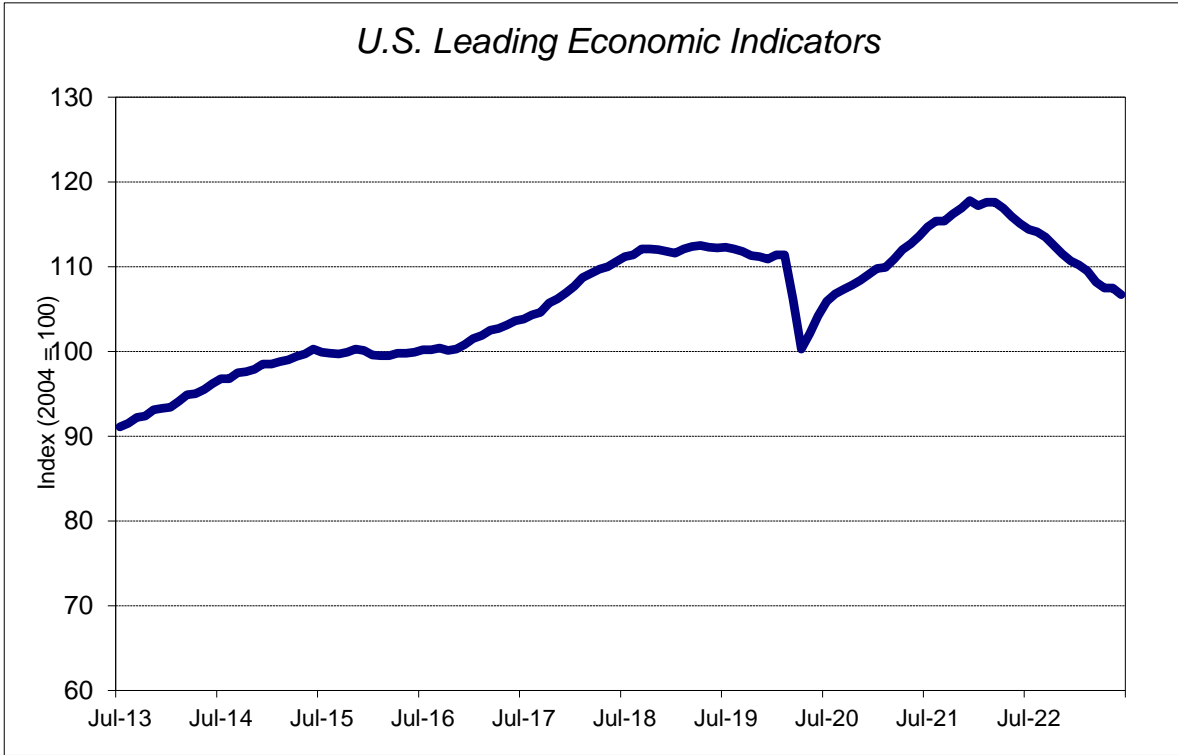
Source: Institute for Supply Chain Management



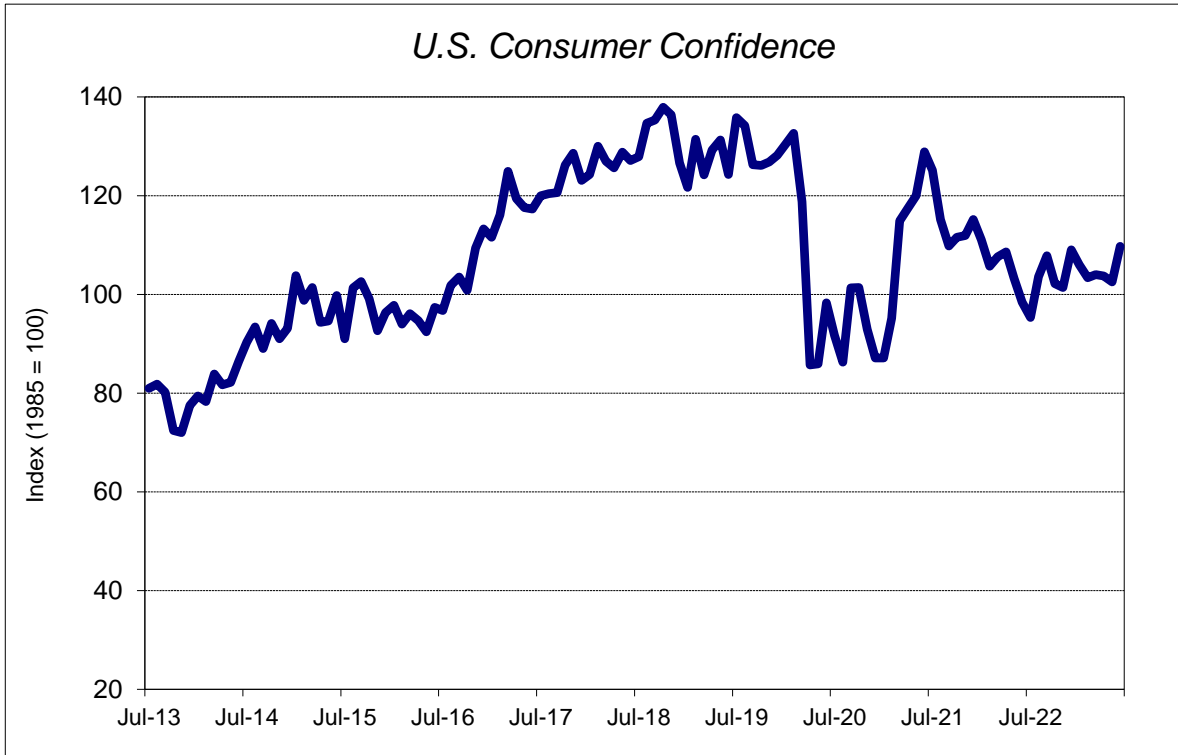
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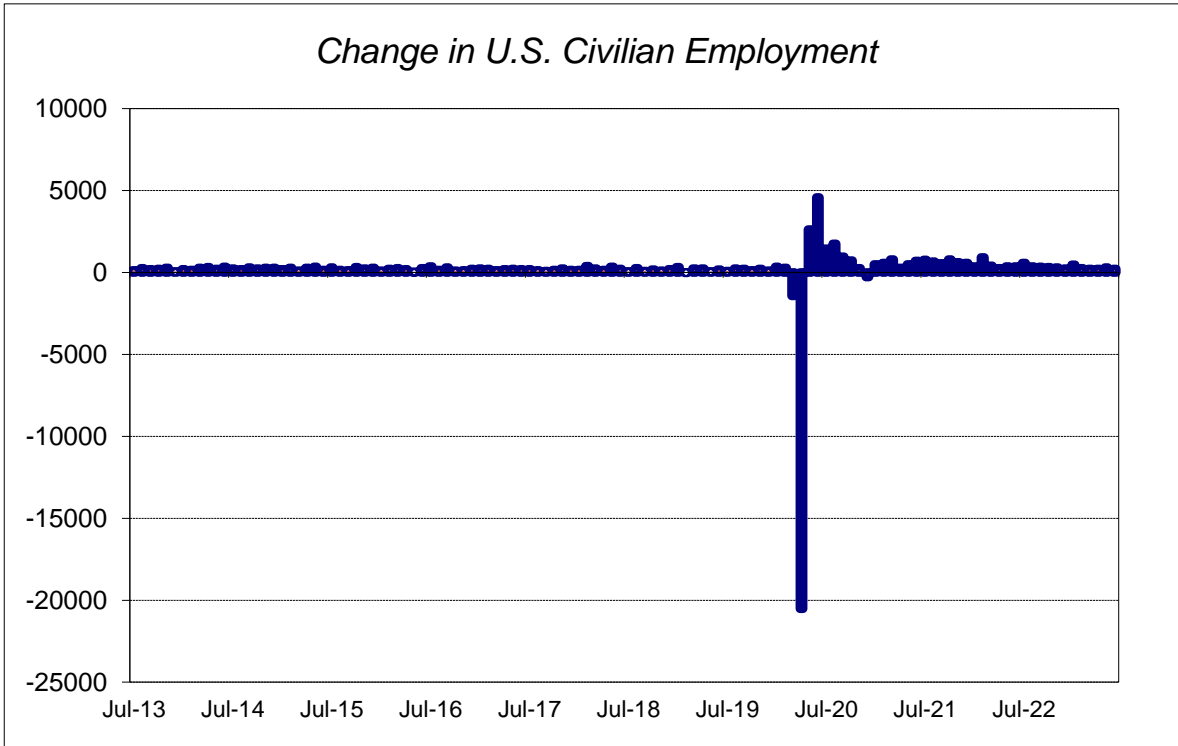
Source: The Conference Board



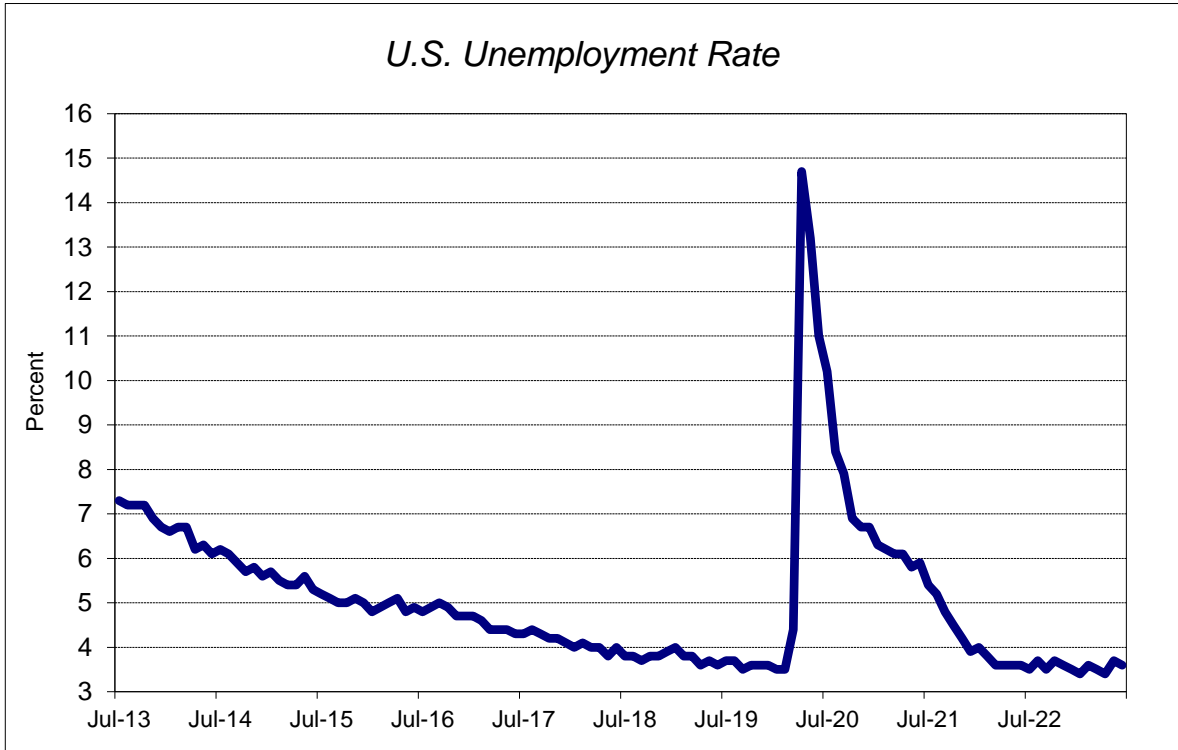
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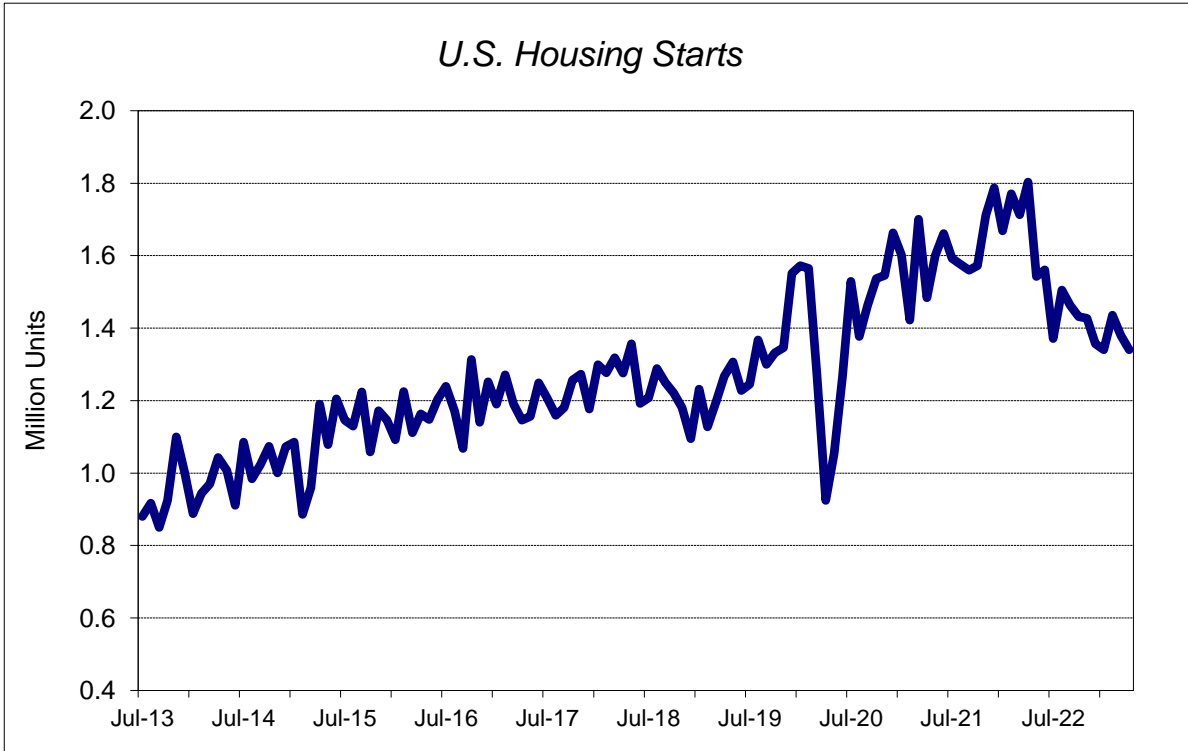
Source: Bureau of Labor Statistics



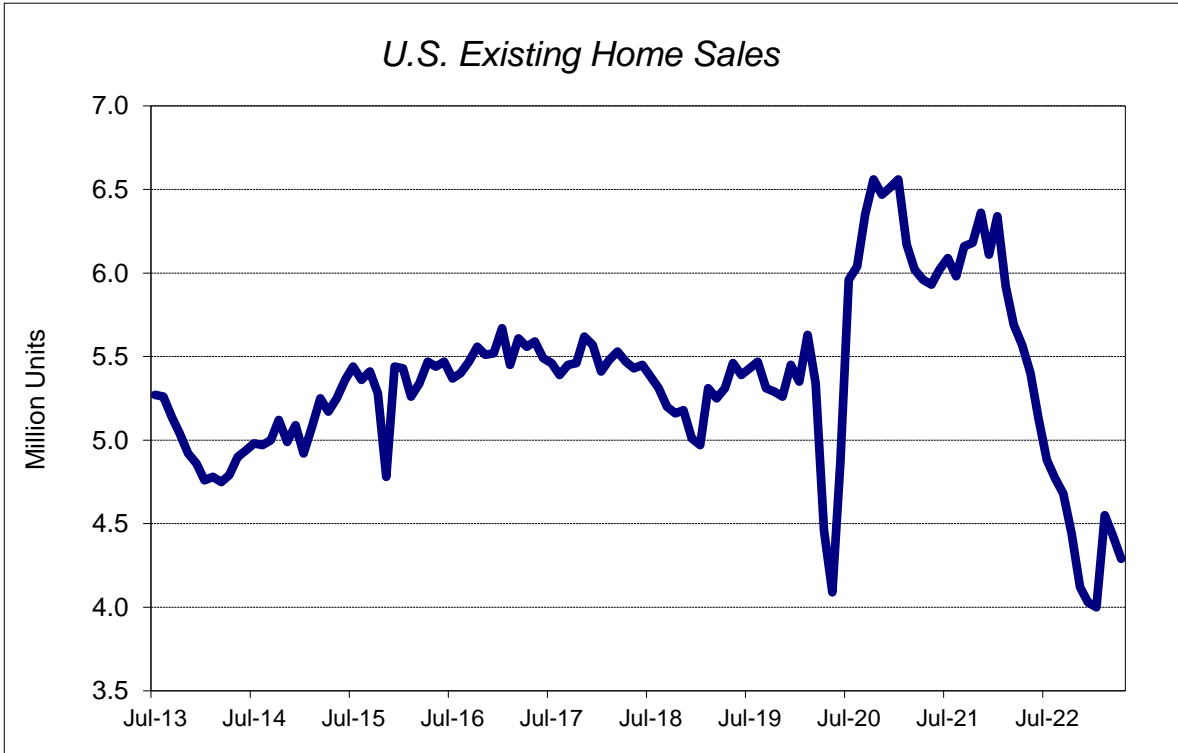
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Seasonally Adjusted Annual Rate; Source: Department of Commerce

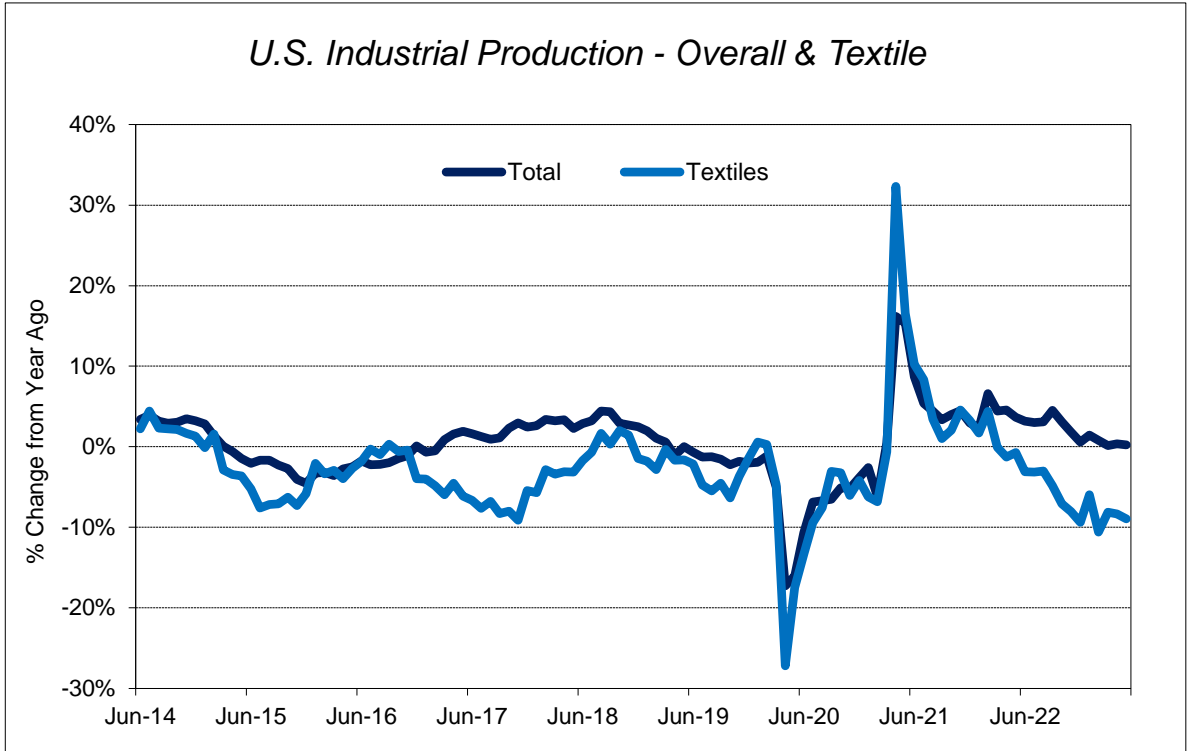


Seasonally Adjusted Annual Rate; Source: National Association of Realtors

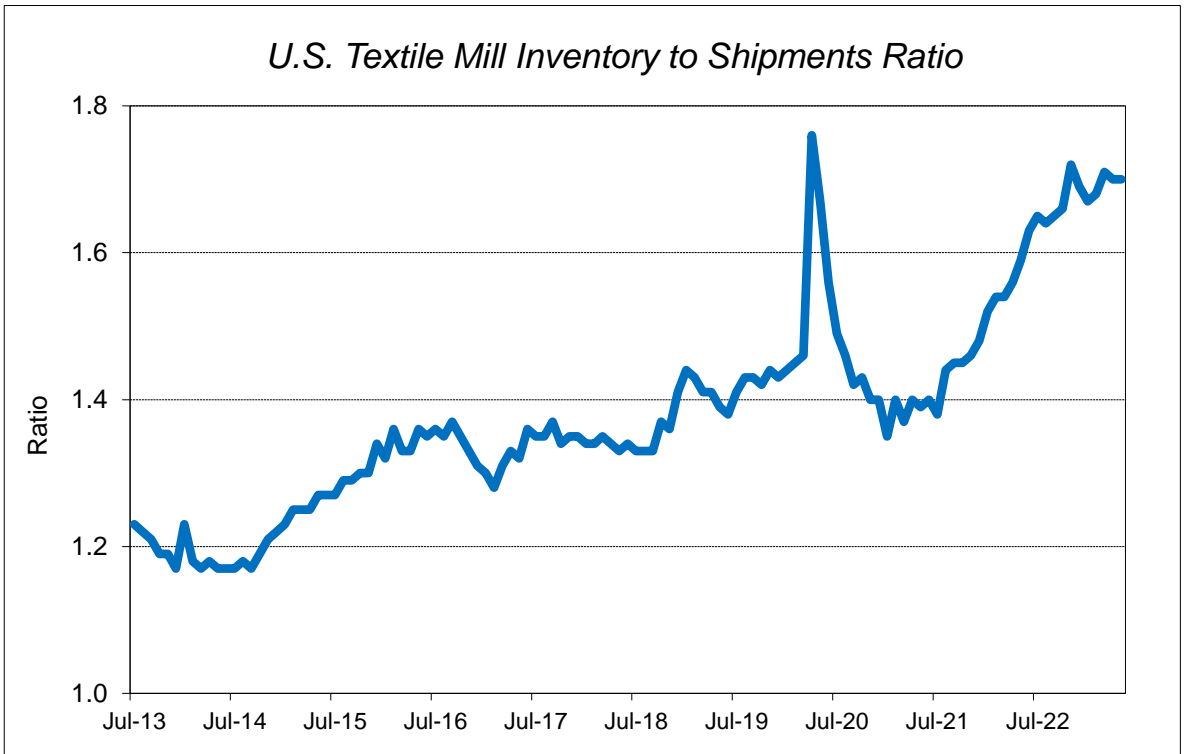
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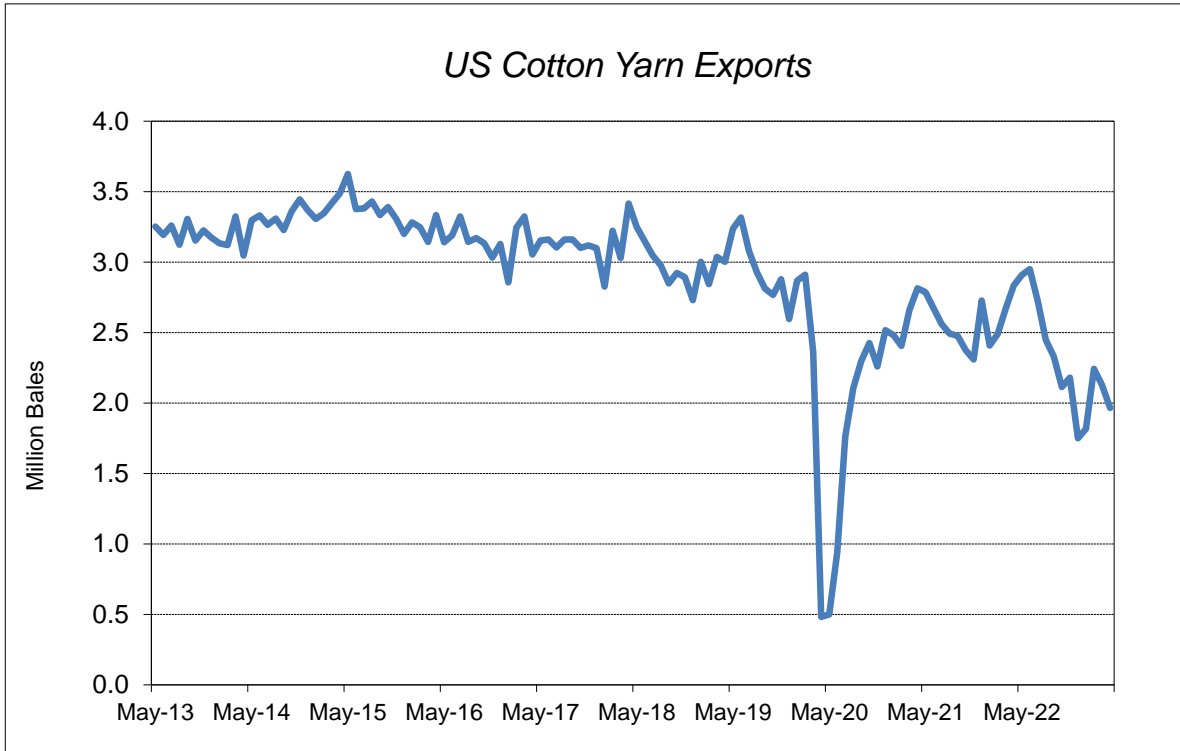
Source: Federal Reserve. Historical data revised to 1997 baseline.



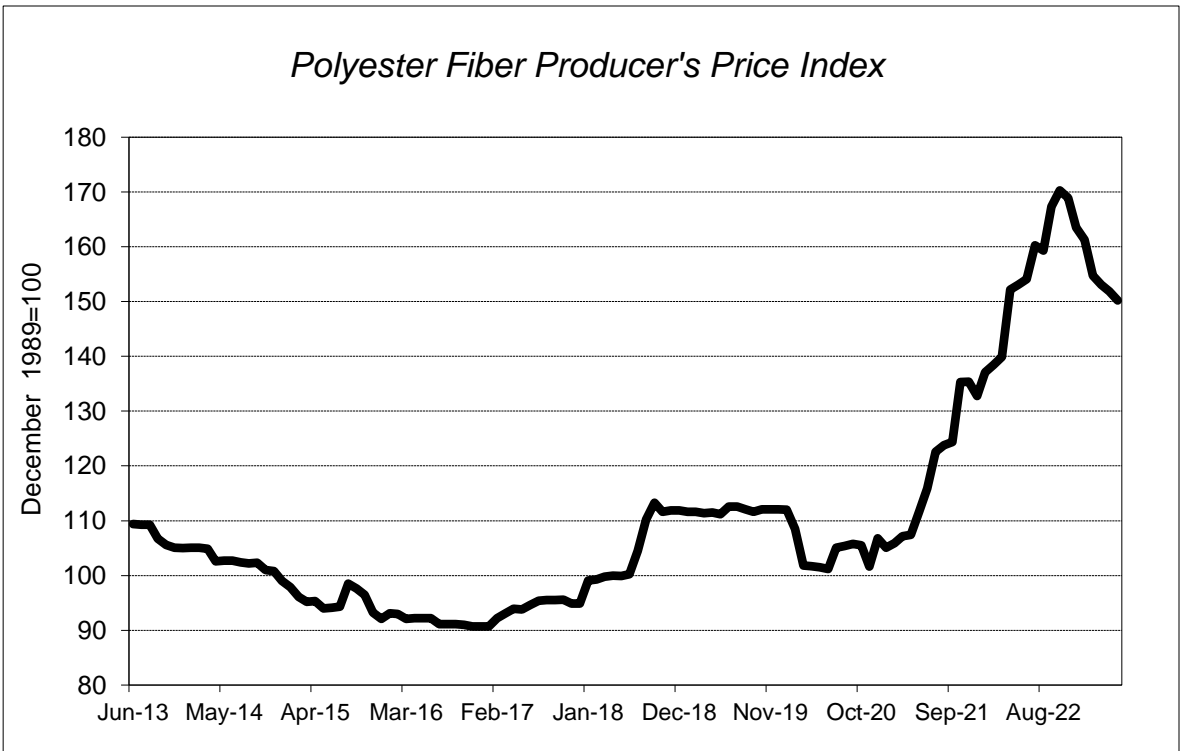
Seasonally Adjusted; Source: Department of Commerce

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Seasonally Adjusted Annual Rate  
 Source: USDA ERS

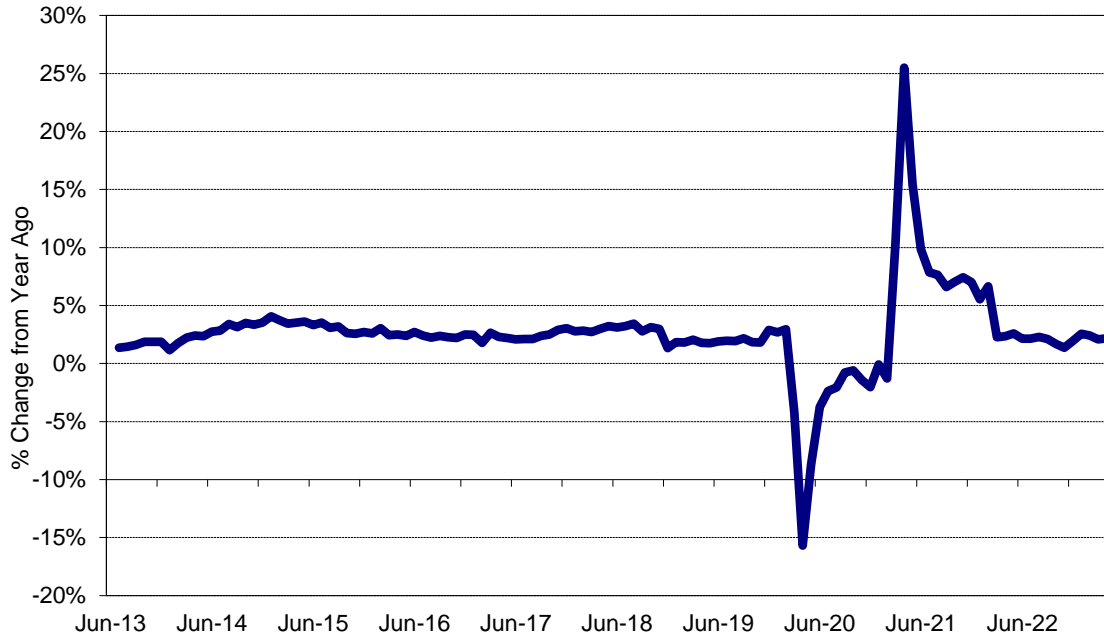


Source: Bureau of Labor Statistics

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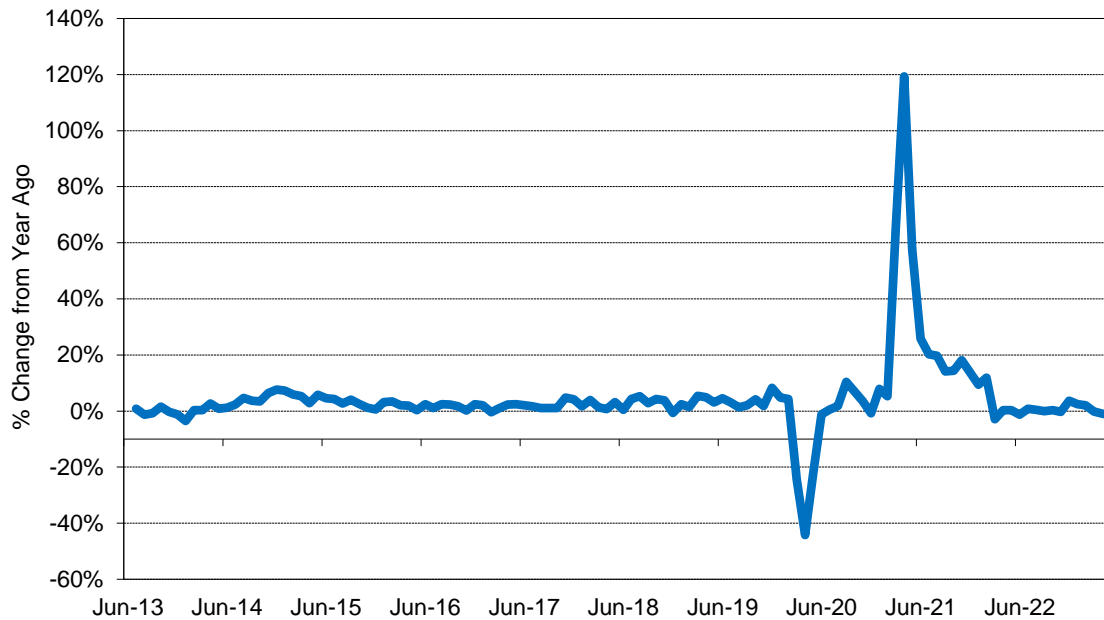


### U.S. Real Consumer Spending - All Goods & Services



\*Based on chained 2005\$.

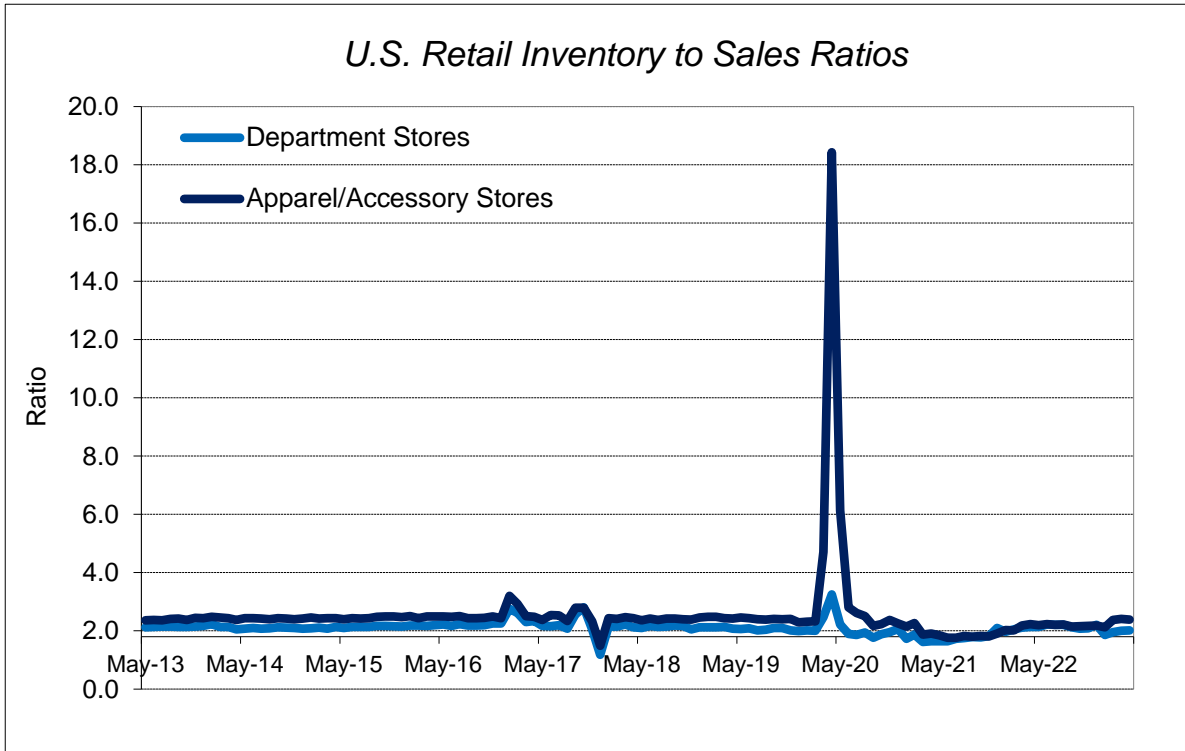
### U.S. Real Consumer Spending on Clothing



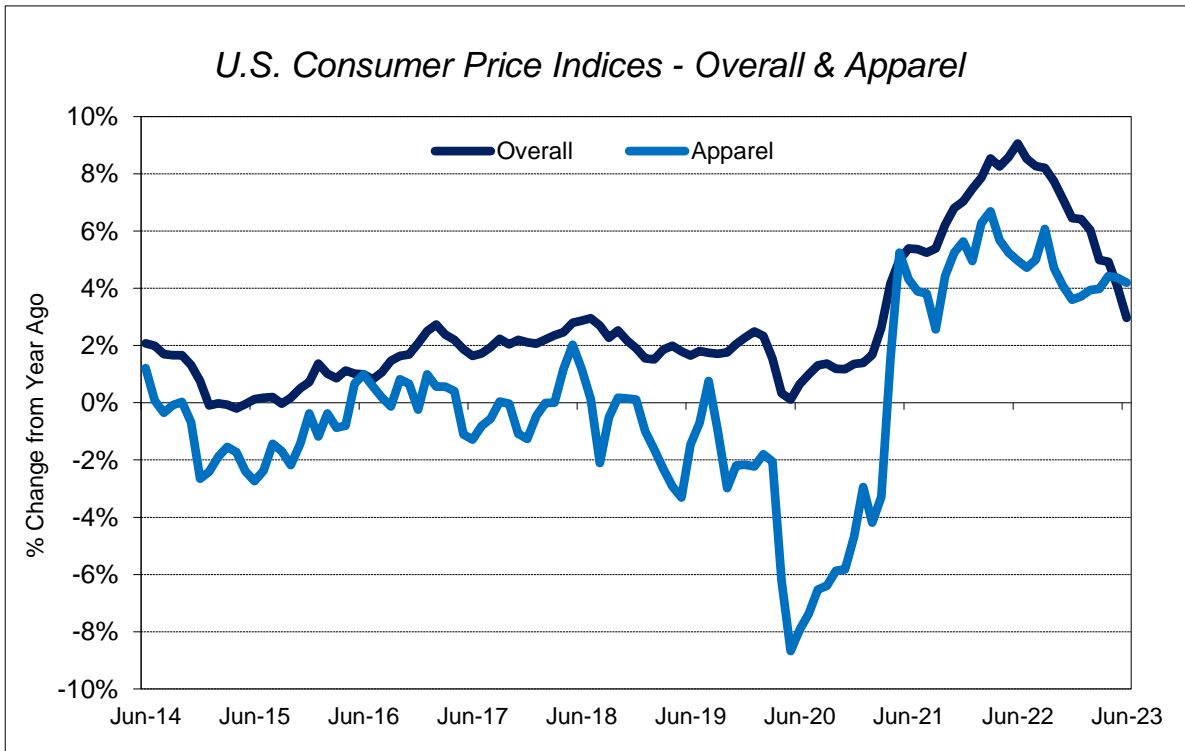
\*Based on chained 2005\$.

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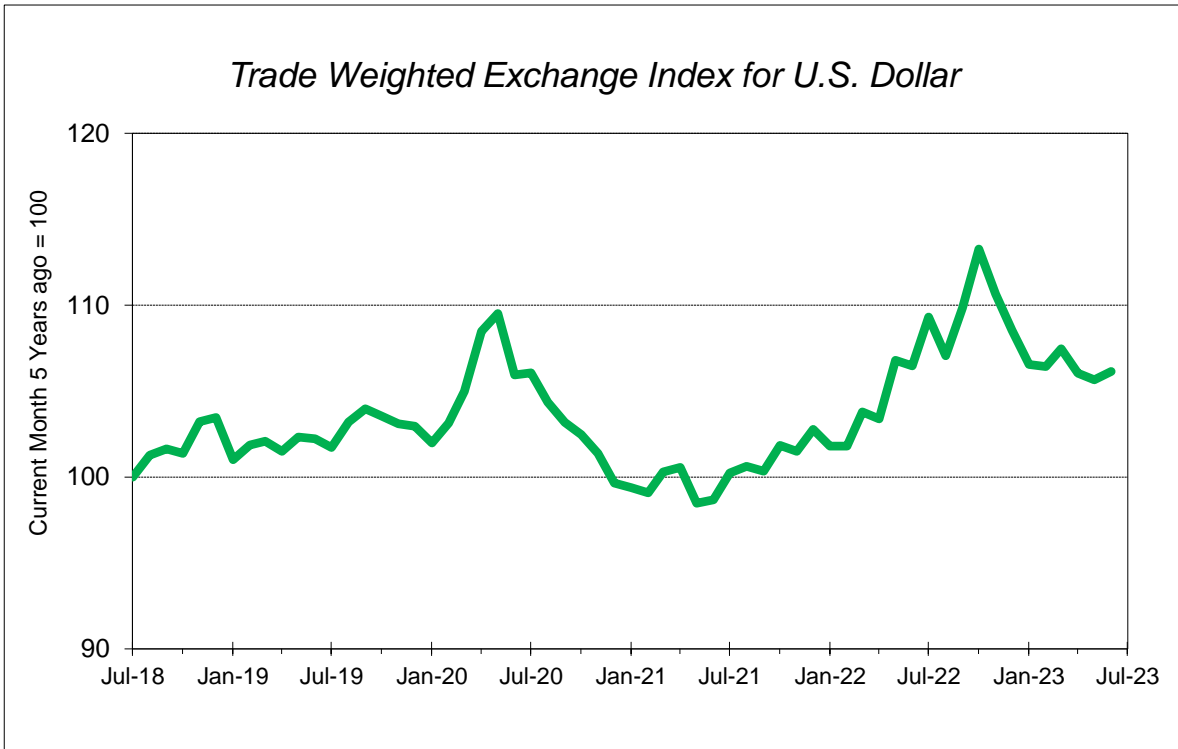
Source: Department of Commerce



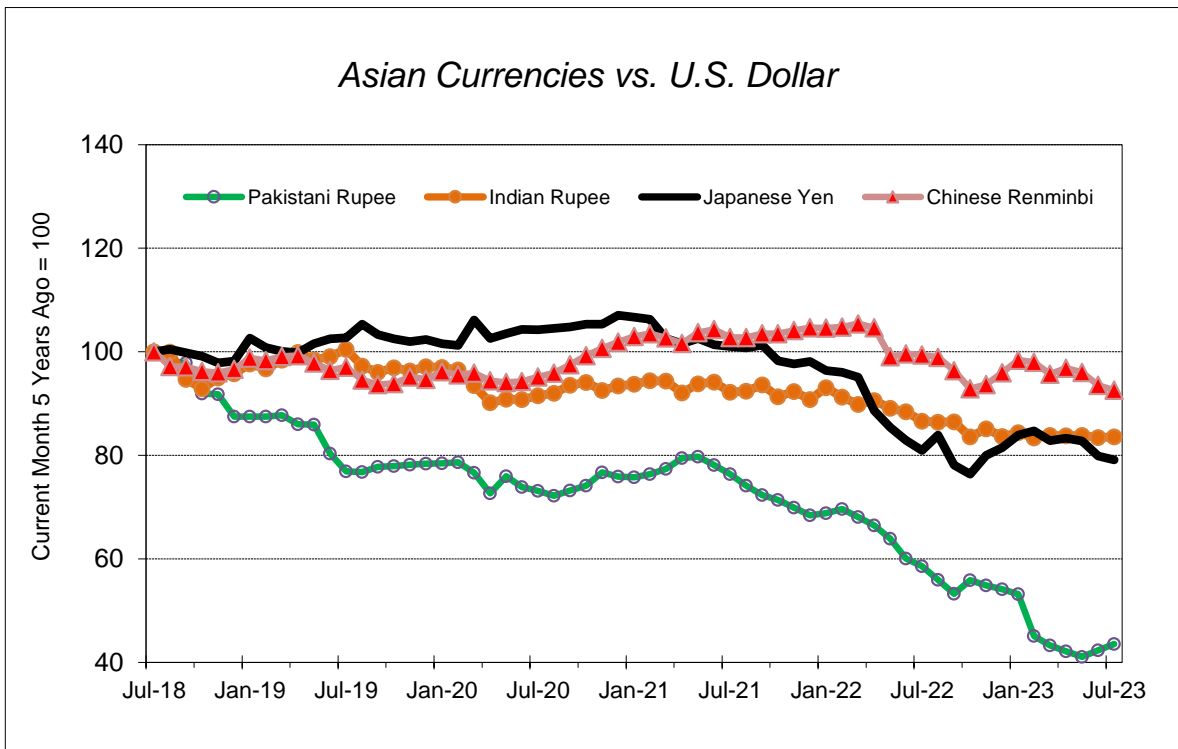
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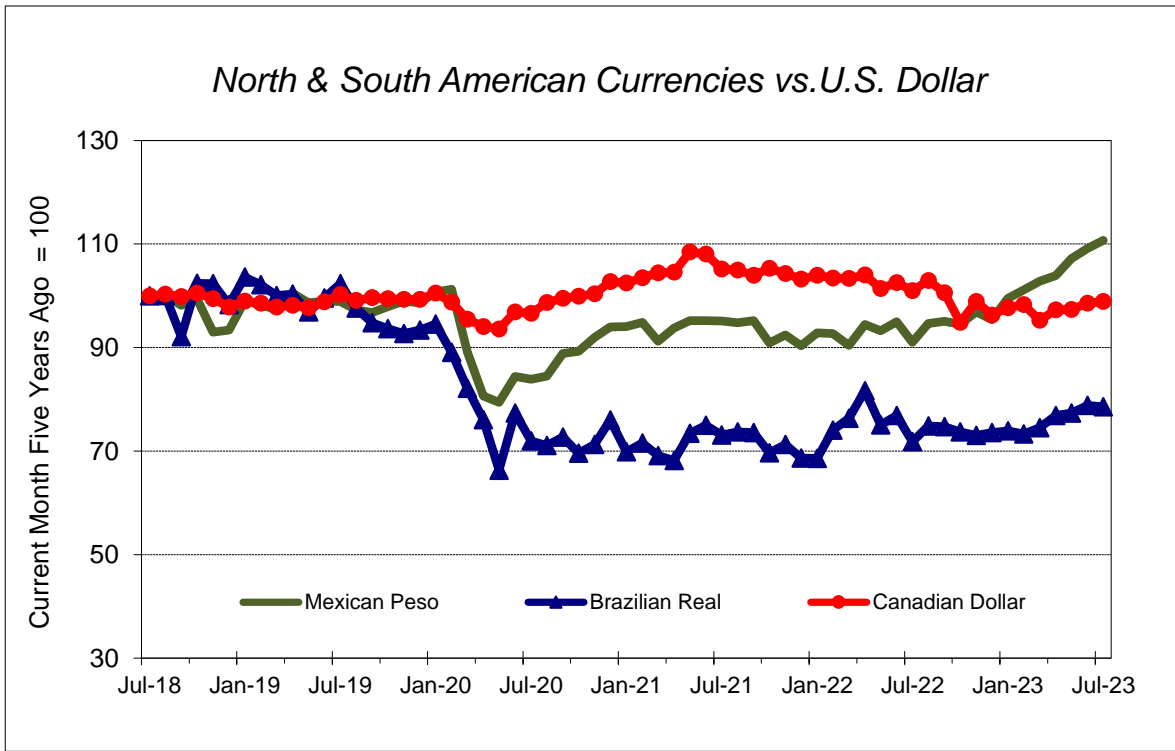
Source: Federal Reserve



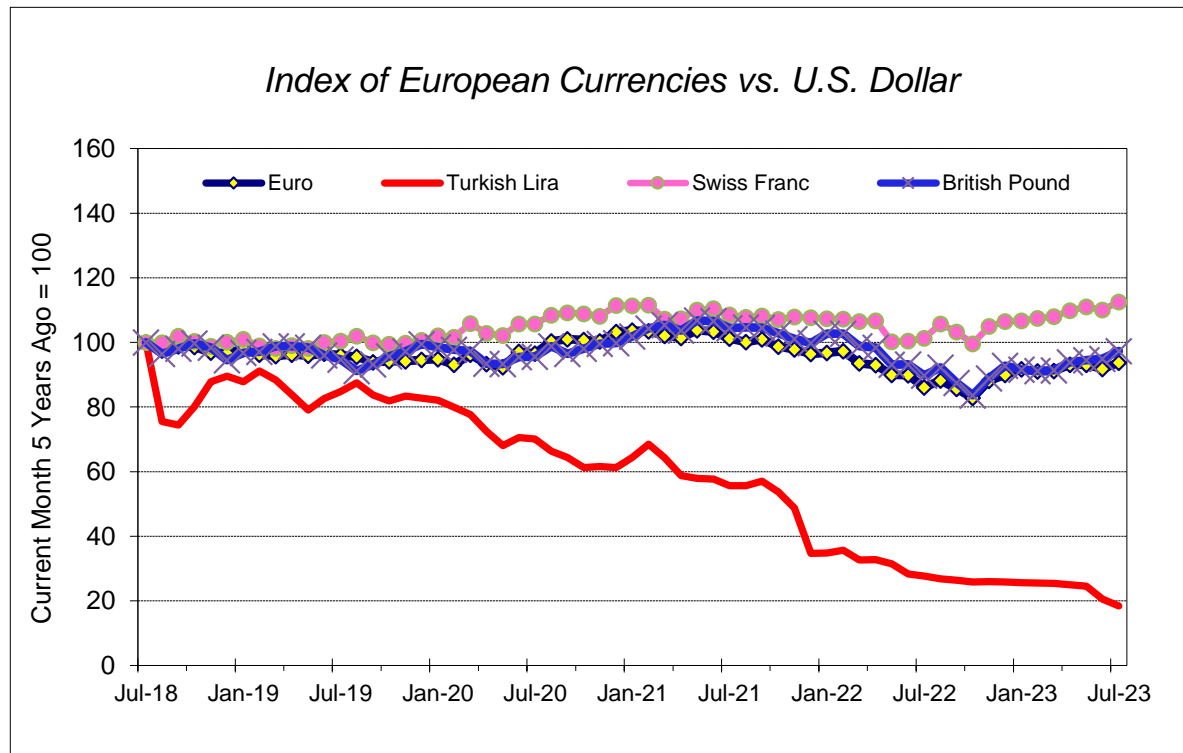
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Source: Reuters



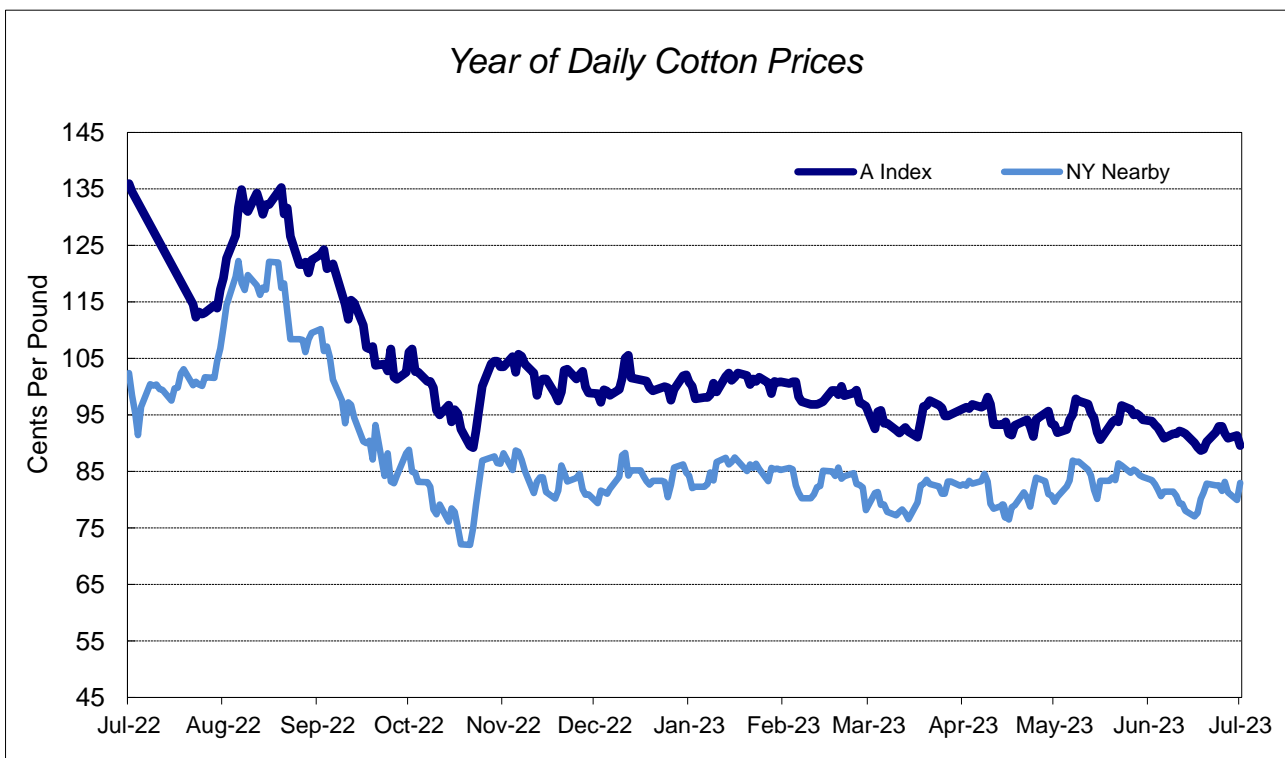
Source: Reuters

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## U.S. Balance Sheet

million 480 lb. bales	2019/20	2020/21	2021/22	2022/23	2023/24	2023/24
					June	July
Beginning Stocks	4.9	7.3	3.2	3.8	3.2	3.3
Production	19.9	14.6	17.5	14.5	16.5	16.5
Imports	0.0	0.0	0.0	0.0	0.0	0.0
Supply	24.8	21.9	20.7	18.2	19.7	19.8
Mill-Use	2.2	2.4	2.6	2.1	2.2	2.2
Exports	15.5	16.4	14.5	12.9	14.0	13.8
Demand	17.7	18.8	17.0	15.0	16.2	16.0
Ending Stocks	7.3	3.2	3.8	3.3	3.5	3.8
Stocks/Use Ratio	41.0%	16.8%	22.0%	21.7%	21.6%	23.8%



Sources: ICE Futures U.S. & Cotton Outlook

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