

Executive Cotton Update

U.S. Macroeconomic Indicators &
the Cotton Supply Chain



September 2021

www.cottoninc.com

Macroeconomic Overview: After two months of stronger than expected job gains, the latest figure was disappointing. In August, the fewest jobs were added since January. The resurgence in COVID has been blamed for the weakness, and it remains unclear what direction the pandemic might take in coming months. More Americans are getting vaccinated each day, but millions of students ineligible for vaccines have returned to school.

The latest job data followed two months when growth averaged more than one million new positions per month. Consumer confidence has faltered but remains well above average. Total consumer spending decelerated in July, but spending on clothing has been strong. Wages are growing, which can support further spending growth, but there are fears of inflation.

In both June and July, the overall rate of inflation was over five percent year-over-year. This is more than double the level of two percent that the Federal Reserve targets. However, lockdown orders were lifted a little more than one year ago. The collapse in demand that occurred under lockdown pulled prices lower. Prices did not immediately recover. This has meant that recent data are being compared against distorted figures, which creates a challenge for policymakers who want to support growth but are wary of inflation.

Due to inflation concerns, the Federal Reserve appears ready to slow some of its stimulus in the relatively near future by reducing the amount of securities it has been purchasing each month. Other changes are emerging through fiscal policies. Federal supplemental unemployment benefits expired early this month, and Congress is considering two major spending bills. While the spending bills and the expiration of supplemental unemployment benefits may have some impact on consumers, a shift in Federal Reserve policy may shake financial markets.

Employment: In August, the U.S. economy was estimated to have added +235,000 jobs. Revisions to figures for previous months were positive, with the estimate for June rising +24,000 to +962,000 and the estimate for July rising +110,000 to +1.1 million. The 12-month average for job gains is +503,000. Since COVID, there has been a net loss of -5.3 million positions.

The unemployment rate fell -0.2 points to 5.2%, setting a new post-COVID low. The worst month for employment after COVID was April, when the unemployment rate climbed to 14.8%. It has taken 16 months since April 2020 to reach the current level. During the recession that followed the financial crisis, the unemployment rate peaked at 10.0% in October 2009. It then took 69 months for unemployment to fall to 5.2%.

Despite the weakness in job growth, layoffs continue to trend lower. The latest figure for initial claims for unemployment insurance is the lowest since COVID. Tightness in the labor market appears to be contributing to increases in income. Average hourly earnings increased +4.3% year-over-year in August. Wages never increased over four percent between the financial crisis and the onset of COVID.

Consumer Confidence & Spending: After slipping a bit in July, the Conference Board's Index of Consumer Confidence suffered its largest monthly decline since the beginning of the pandemic in August (-11.3 points to 113.8). Even though the index is a stair-step lower than the levels near 130 that were posted over the summer, the long-term average is 93. Correspondingly, the current value suggests consumers remain relatively optimistic.

Overall consumer spending decreased 0.1% month-over-month in July. Spending on apparel decreased -2.1%. Year-over-year comparisons are affected by the sharp contraction that occurred with COVID-driven lockdowns a little more than one year ago. Overall spending was up +7.6% relative to July 2020, and spending on clothing was up 21.1%. Relative to July 2019 (pre-COVID), overall spending was up +3.8% and spending on apparel was up +23.3%.

Consumer Prices & Import Data: Retail prices for apparel increased 0.3% month-over-month in July. Year-over-year, clothing prices were 4.1% higher. Nonetheless, the current value for the CPI for apparel (113.5) is still below values before COVID (115.7 in February 2020).

Average prices for cotton-dominant apparel imports were unchanged month-over-month in July. In terms of USD per square-meter equivalent, the average cost was \$3.14/SME. In March 2021, the average cost of cotton-dominant apparel goods set a record low (data back to 1989, seasonally adjusted). The latest value is 6.4% higher than the low set in March (\$2.95/SME) but is also 7.7% below the levels near \$3.40/SME that were common before the pandemic.

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	

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U.S. Macroeconomic Indicators & Cotton Prices
September 2021



Macroeconomic Data

Quarterly Data

	Recent Averages				Values in Recent Quarters			Unit	Source
	5-year	1-year	6-month	3-month	Q4 : 2020	Q1 : 2021	Q2 : 2021		
Growth in US Real GDP	2.2%	2.1%	5.4%	6.3%	4.5%	6.3%	6.6%	% Chg. Quarter/Quarter	Department of Commerce

Macroeconomic Series with Latest Data for August

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	June	July	August		
ISM Index of Manufacturing Activity	55.6	59.9	61.1	60.0	60.6	59.5	59.9	Index	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	57.0	59.9	62.7	62.0	60.1	64.1	61.7	Index	Institute for Supply Management
Consumer Confidence	118.1	107.1	120.0	122.6	128.9	125.1	113.8	Index	The Conference Board
Change in Non-Farm Payrolls	42.1	503.4	653.0	750.0	962	1,053	235	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	5.1%	6.3%	5.7%	5.5%	5.9%	5.4%	5.2%	Rate	Bureau of Labor Statistics
US Interest Rates									
Federal Funds	1.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	Interest rate	Federal Reserve
10-year Treasury Bill	2.0%	1.2%	1.5%	1.4%	1.5%	1.3%	1.3%	Interest rate	Federal Reserve

Macroeconomic Series with Latest Data for July

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	May	June	July		
Index of Leading Economic Indicators	108.0	111.6	114.2	115.3	115.0	115.0	116.0	Index	The Conference Board
Housing Starts	13.1	15.5	15.8	1.6	1.6	1.7	1.5	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.5	6.2	6.0	5.9	5.8	5.9	6.0	Annual pace, millions of units	National Association of Realtors

Industrial & Textile Data

Industrial & Textile Series with Latest Data for July

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	May	June	July		
US Industrial Production	99.9	98.2	99.3	100.4	99.2	100.0	101.1	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	103.6	108.1	111.1	115.3	109.8	113.5	122.6	Index, December 2003=100	Bureau of Labor Statistics

Industrial & Textile 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		
Bale Equivalence of US Cotton Yarn & Fabric Exports	3.2	2.4	2.7	2.8	2.8	2.9	2.8	million 480lb bales	USDA ERS

Industrial & Textile Series with Latest Data for July

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	May	June	July		
US Textile Mill Inventory/Shipments Ratio	1.39	1.37	1.36	1.36	1.36	1.37	1.34	Ratio	Department of Commerce

Retail Data

Retail Series with Latest Data for July

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	May	June	July		
US Real Consumer Spending									
All Goods and Services	2.0%	4.3%	10.8%	10.6%	15.1%	9.3%	7.6%	% Chg. Year/Year	Department of Commerce
Clothing	6.0%	27.3%	49.1%	34.9%	58.3%	25.5%	21.1%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	2.1%	2.6%	4.0%	5.2%	4.9%	5.3%	5.3%	% Chg Year/Year	Bureau of Labor Statistics
Clothing	-1.4%	-2.1%	1.3%	4.5%	5.1%	4.3%	4.1%	% Chg. Year/Year	Bureau of Labor Statistics

Retail 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		
Retail Inventory/Sales Ratio									
Clothing and Clothing Accessory Stores	2.8	2.2	2.0	1.9	2.0	1.9	1.8	Ratio	Department of Commerce
Department Stores	2.1	1.9	1.8	1.7	1.8	1.8	1.7	Ratio	Department of Commerce

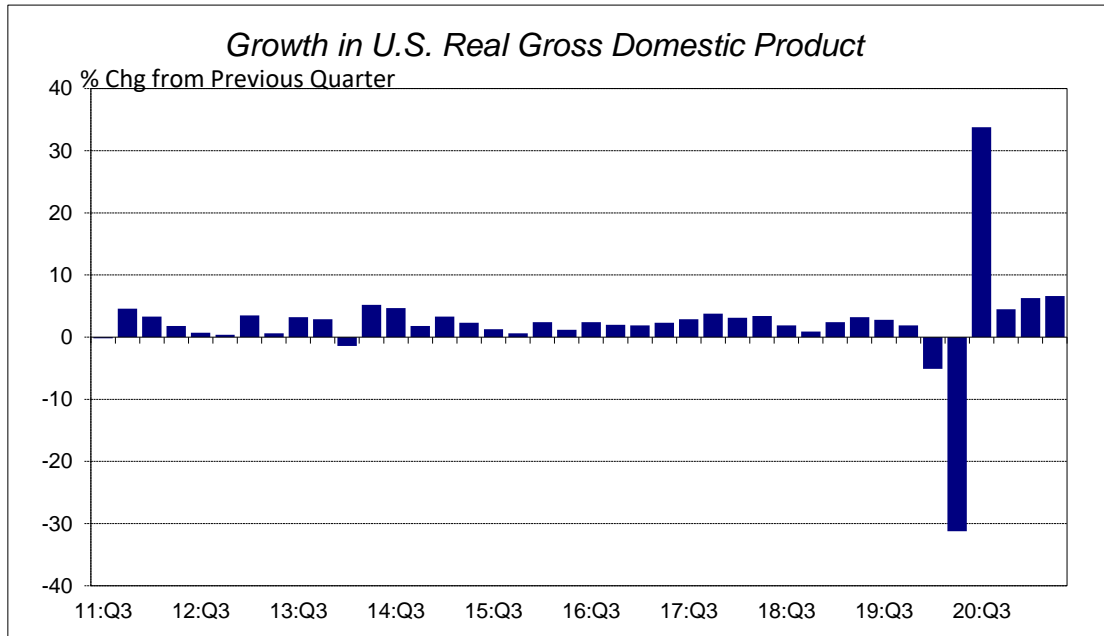
Executive Cotton Update

Daily Cotton Price and Currency Data
September 2021

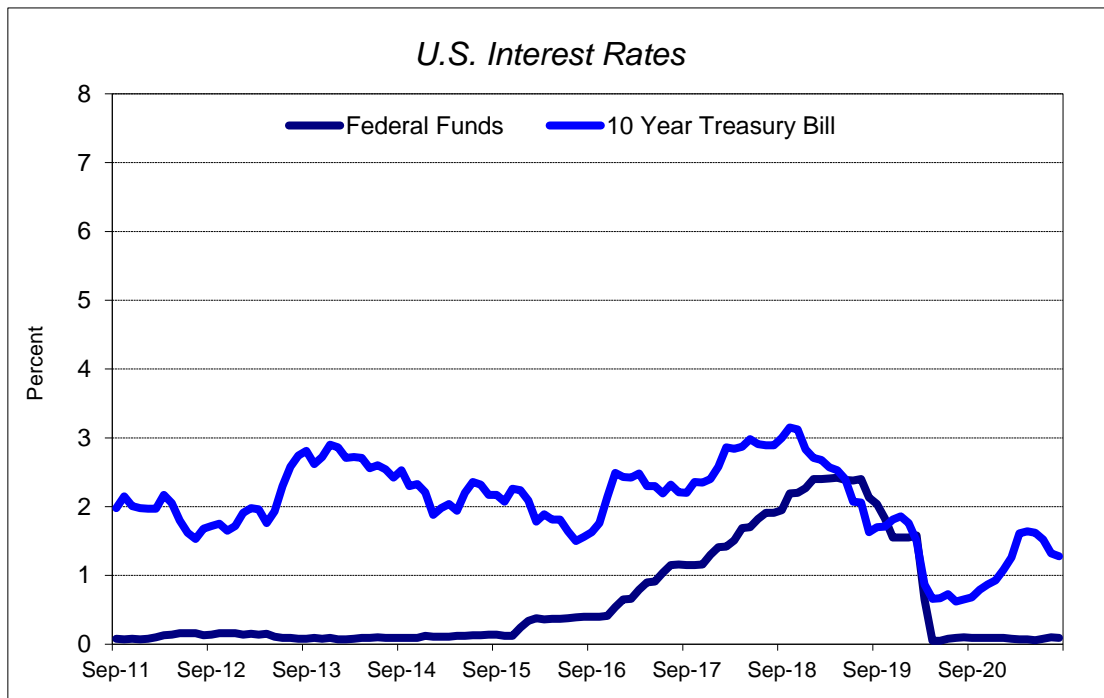


Daily Cotton Price Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	June	July	August		
NY Nearby	73.5	80.6	86.9	89.3	85.3	89.1	93.6	cents/pound	ICE
A Index	82.6	87.6	94.4	97.8	94.5	97.7	101.3	cents/pound	Cotlook

Daily Currency Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	June	July	August		
Dollar Trade Weighted Exchange Index	114.4	115.8	112.6	112.2	110.8	112.8	112.9	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.75	6.82	6.47	6.44	6.39	6.48	6.46	Chinese Renminbi/US dollar	Reuters
Indian Rupee	69.75	72.35	73.76	74.06	73.09	74.76	74.34	Indian Rupee/US dollar	Reuters
Japanese Yen	109.26	108.51	109.41	110.07	109.62	111.32	109.27	Japanese Yen/US dollar	Reuters
Pakistani Rupee	135.10	152.90	156.75	158.65	154.60	157.85	163.50	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	4.11	4.63	5.34	5.09	5.09	5.05	5.13	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.31	1.31	1.24	1.23	1.21	1.24	1.25	Canadian dollar/US dollar	Reuters
Mexican Peso	19.81	20.28	20.14	19.88	19.93	19.87	19.84	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.77	0.77	0.72	0.72	0.71	0.73	0.72	British Pound/US dollar	Reuters
Euro	0.87	0.87	0.84	0.84	0.82	0.84	0.84	Euro/US dollar	Reuters
Swiss Franc	0.97	0.96	0.92	0.91	0.90	0.92	0.90	Swiss Franc/US dollar	Reuters
Turkish Lira	5.48	6.63	8.24	8.55	8.59	8.69	8.36	Turkish Lira/US dollar	Reuters



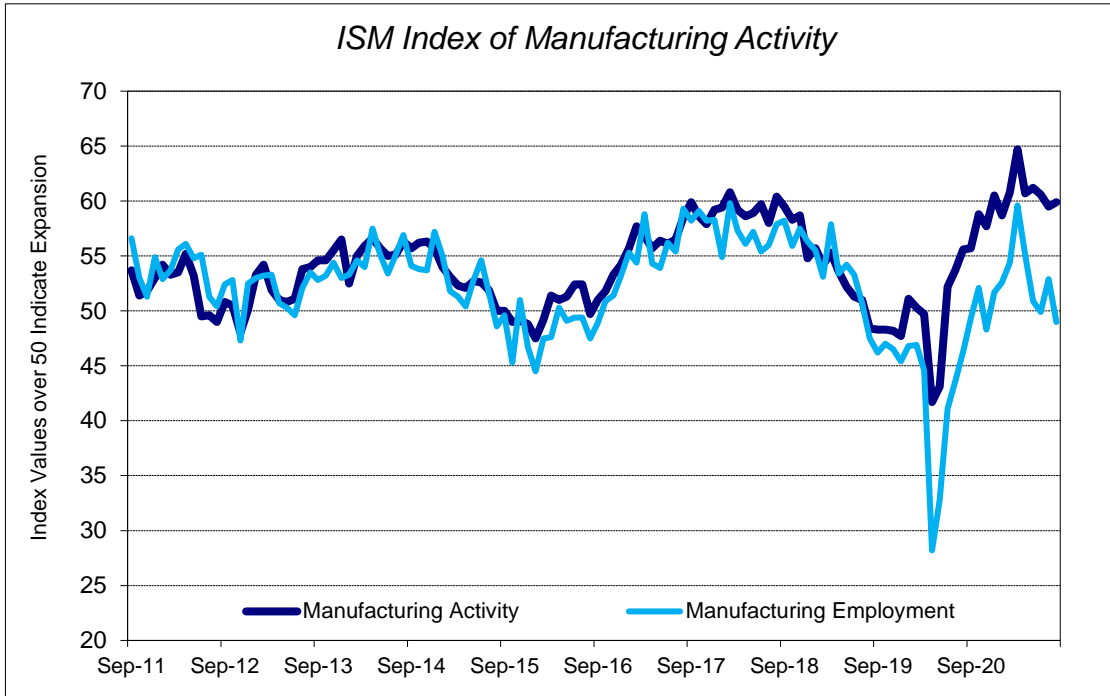
Seasonally Adjusted Annual Rate; Source: Department of Commerce
 *Based on chained 2005\$.



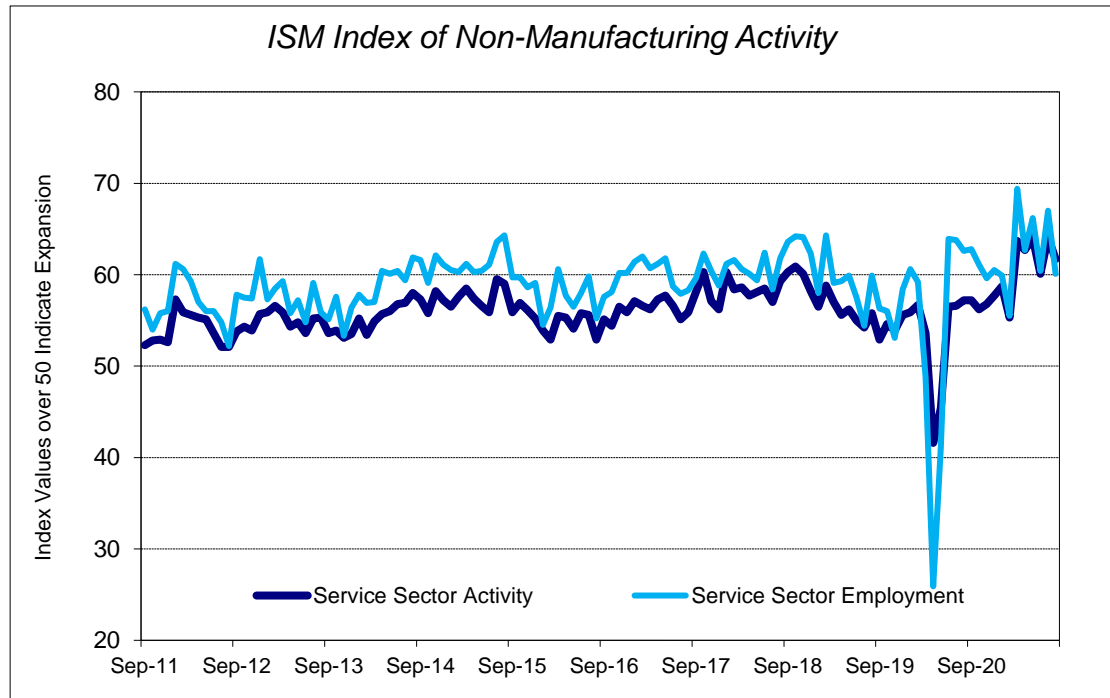
Source: Federal Reserve

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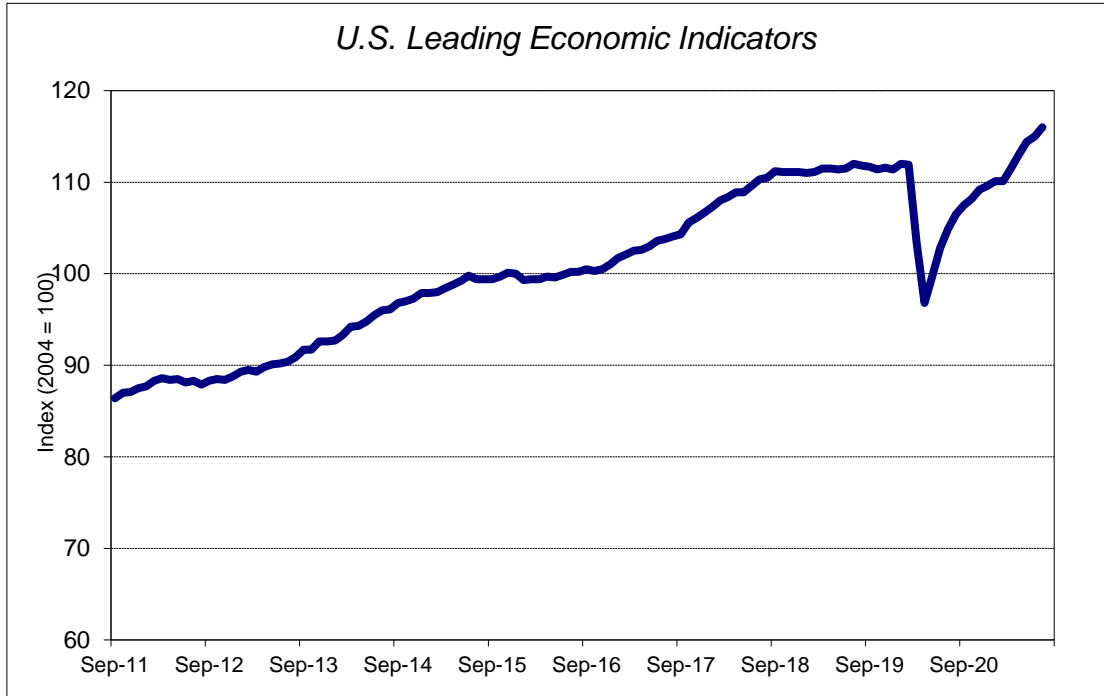
Source: Institute for Supply Chain Management



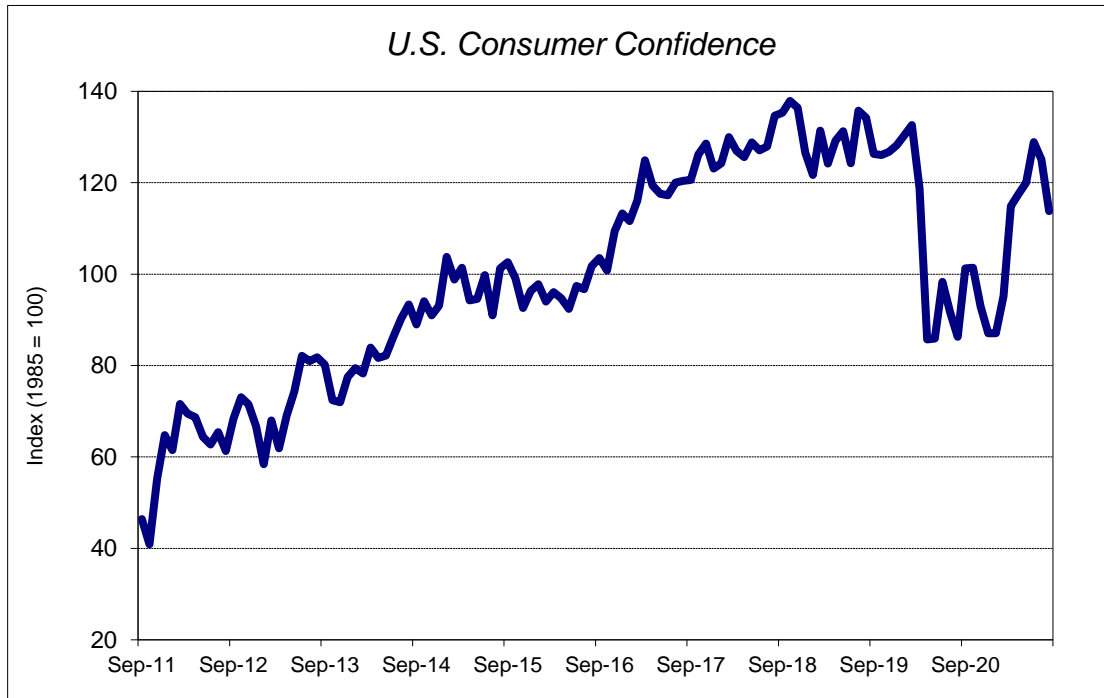
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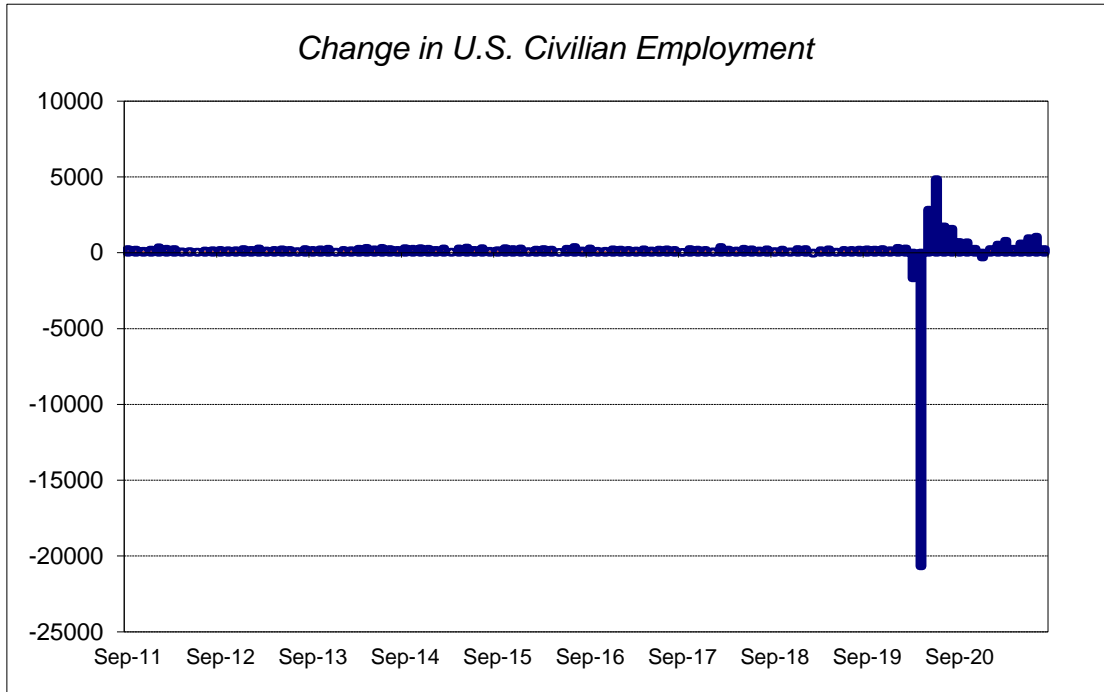
Source: The Conference Board



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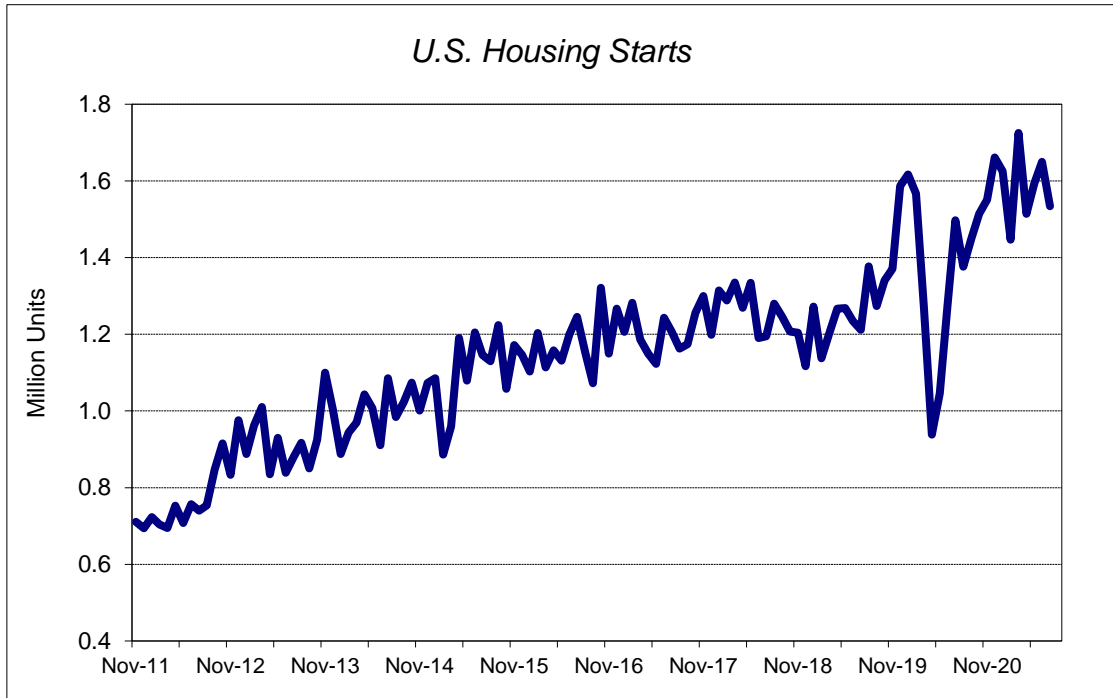
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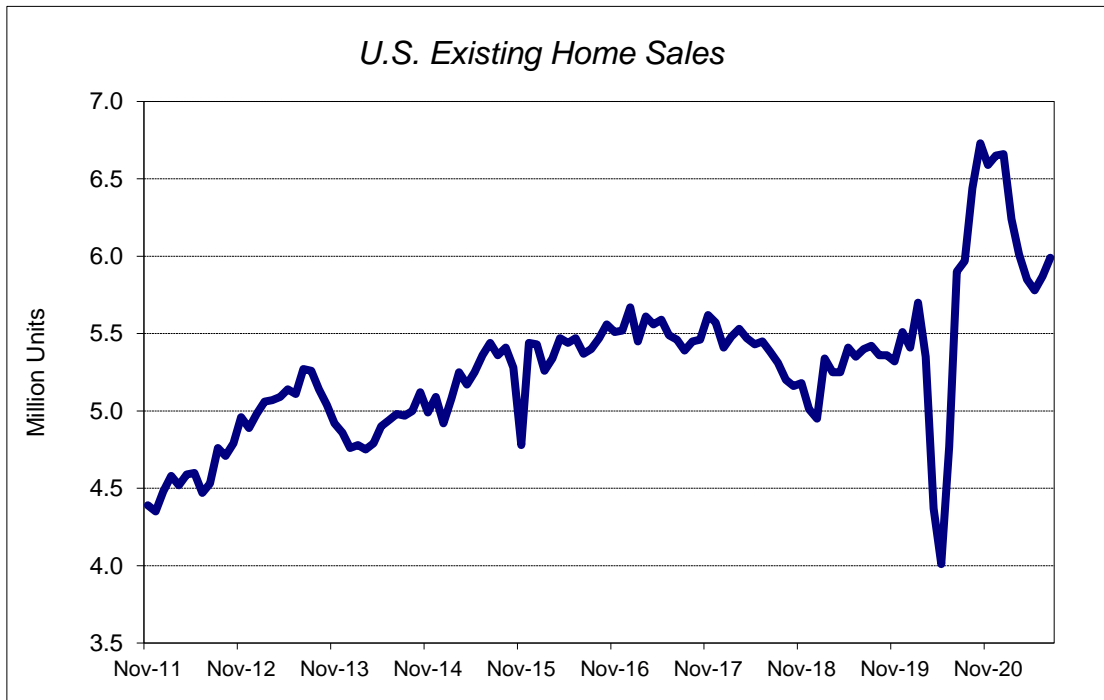
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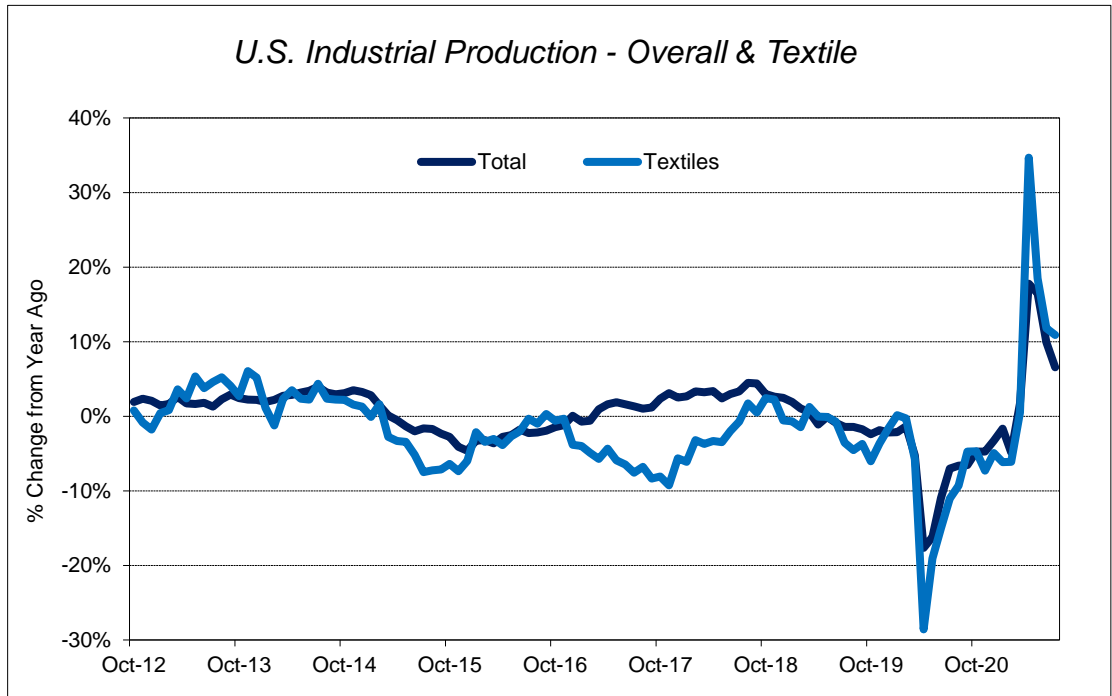
Seasonally Adjusted Annual Rate; Source: Department of Commerce



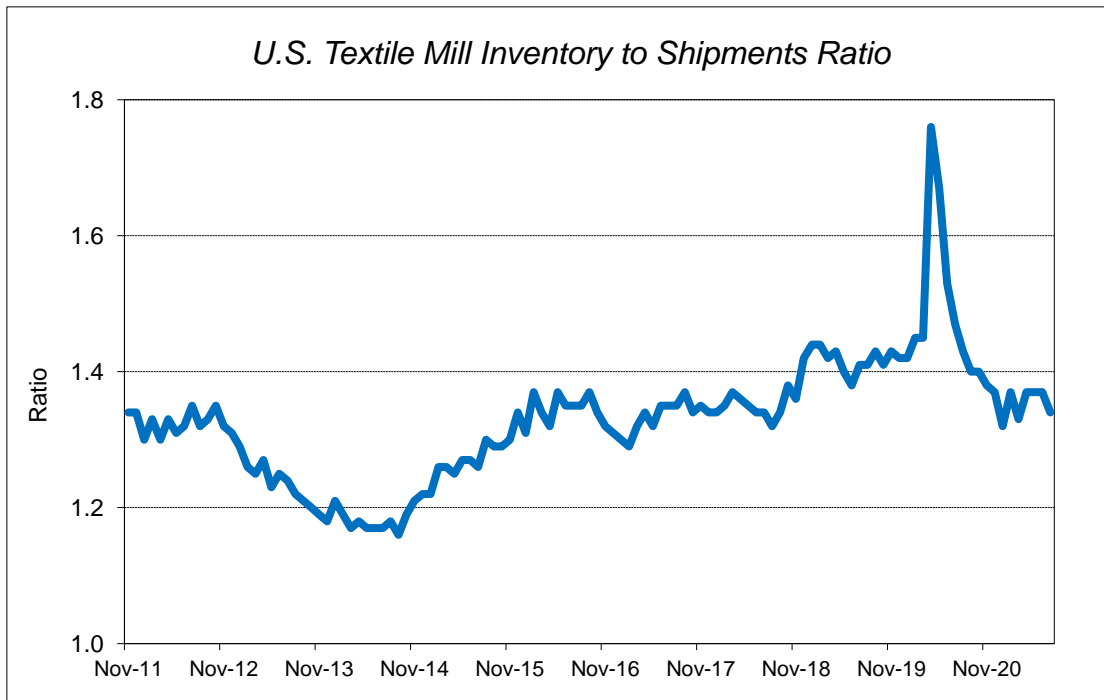
Seasonally Adjusted Annual Rate; Source: National Association of Realtors

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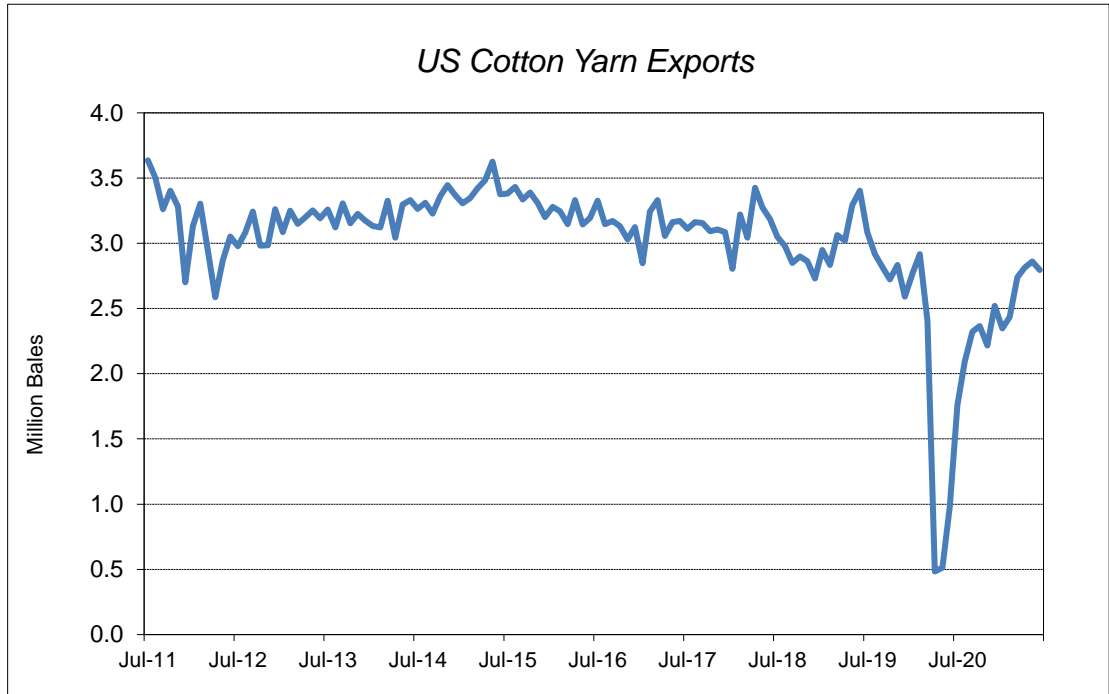
Source: Federal Reserve. Historical data revised to 1997 baseline.



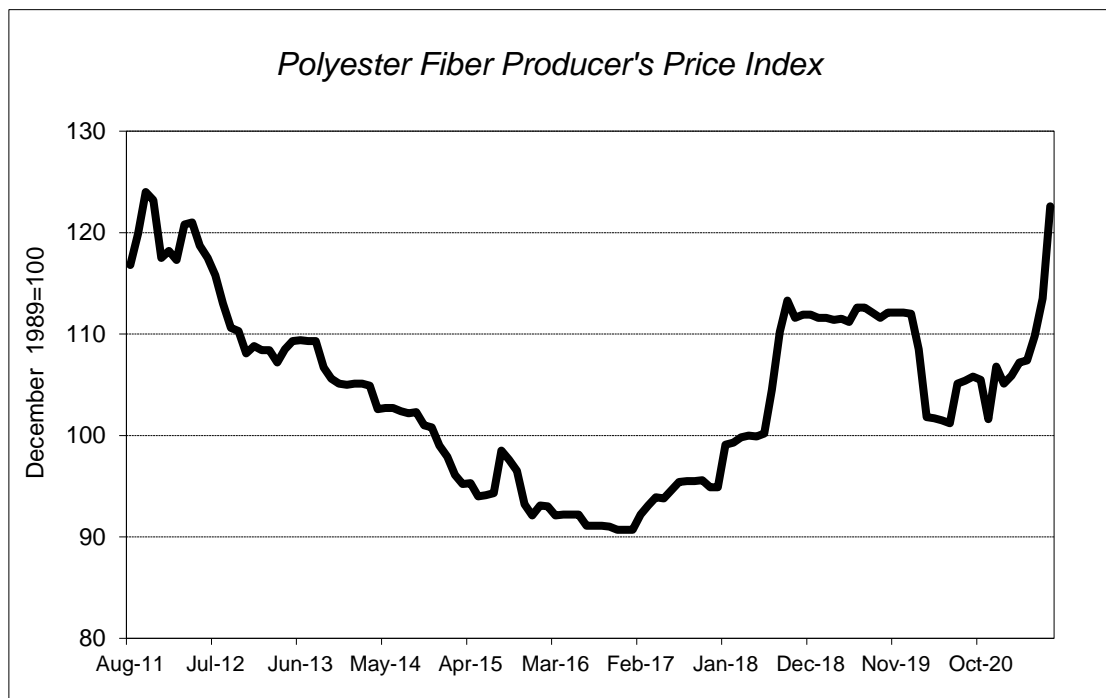
Seasonally Adjusted; Source: Department of Commerce

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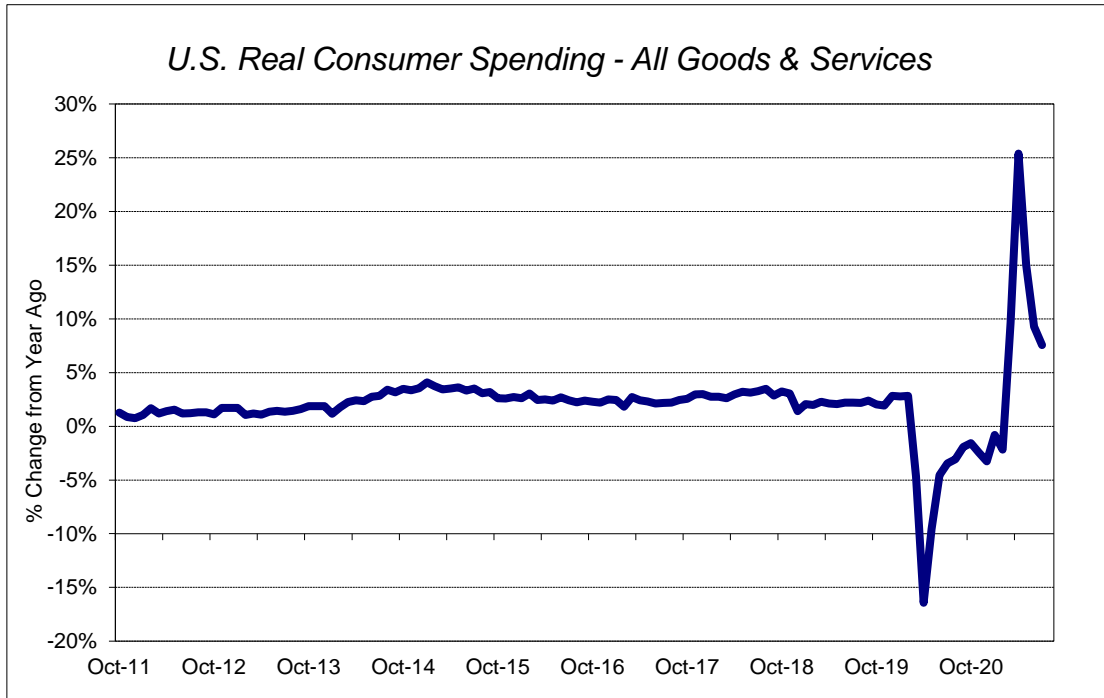
Seasonally Adjusted Annual Rate
Source: USDA ERS



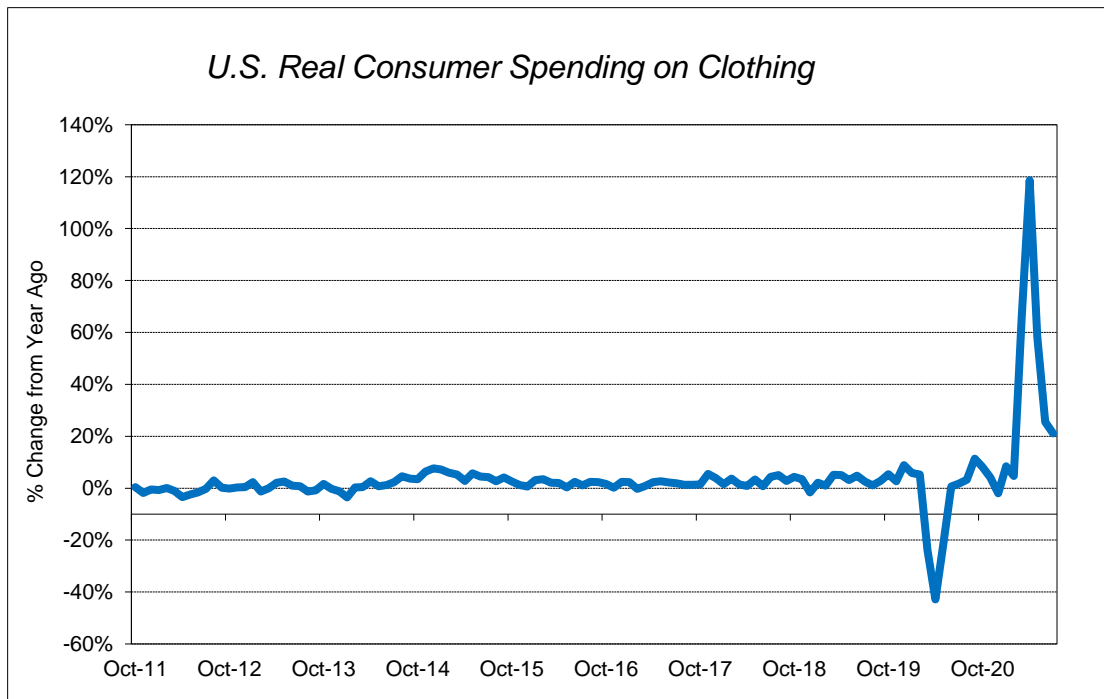
Source: Bureau of Labor Statistics

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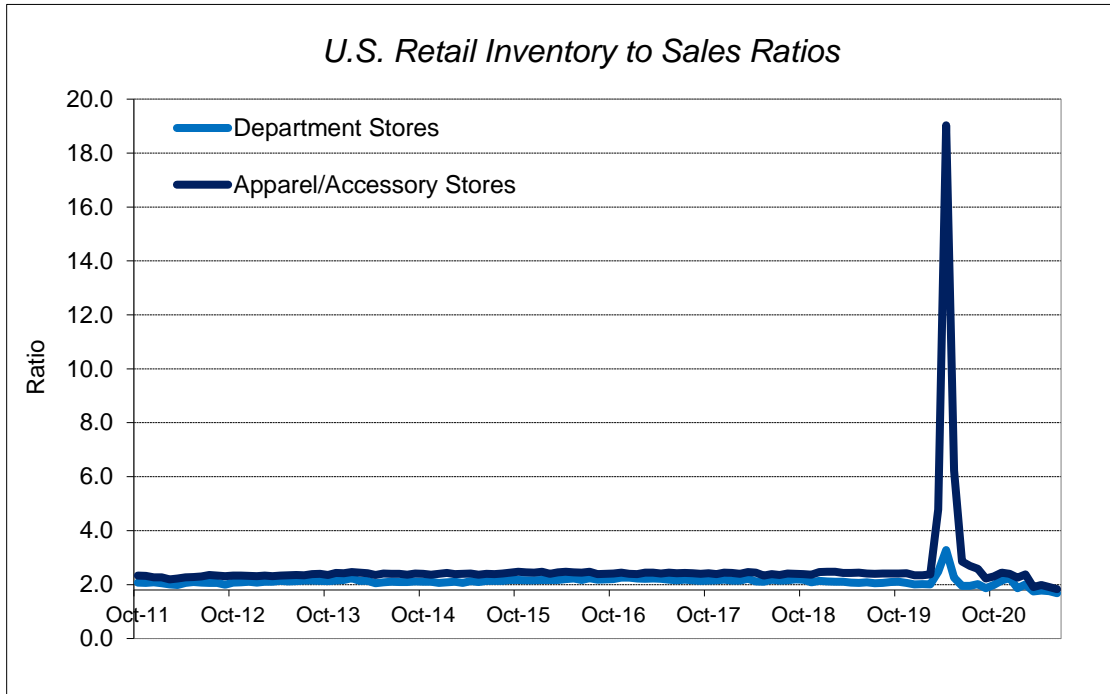
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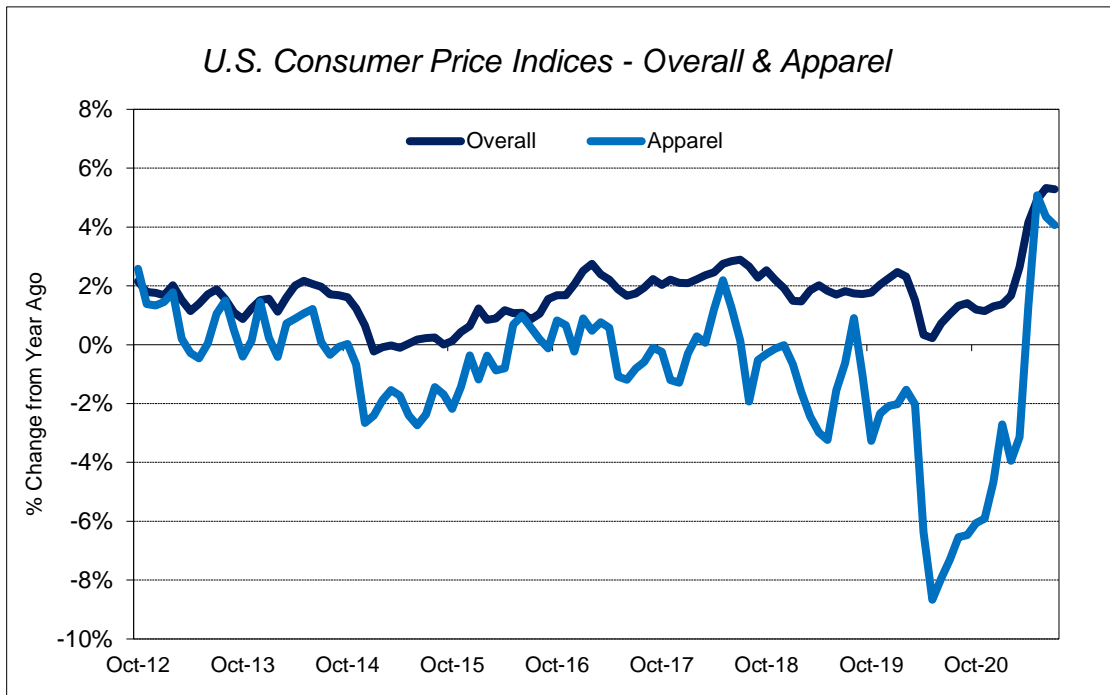
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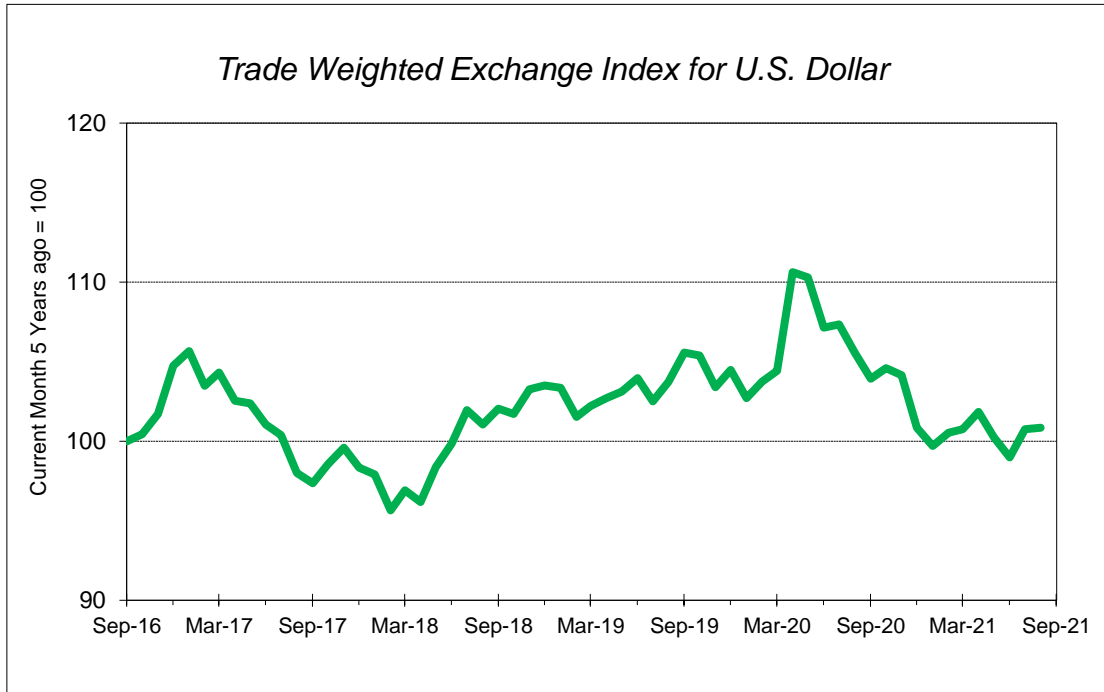
Source: Department of Commerce



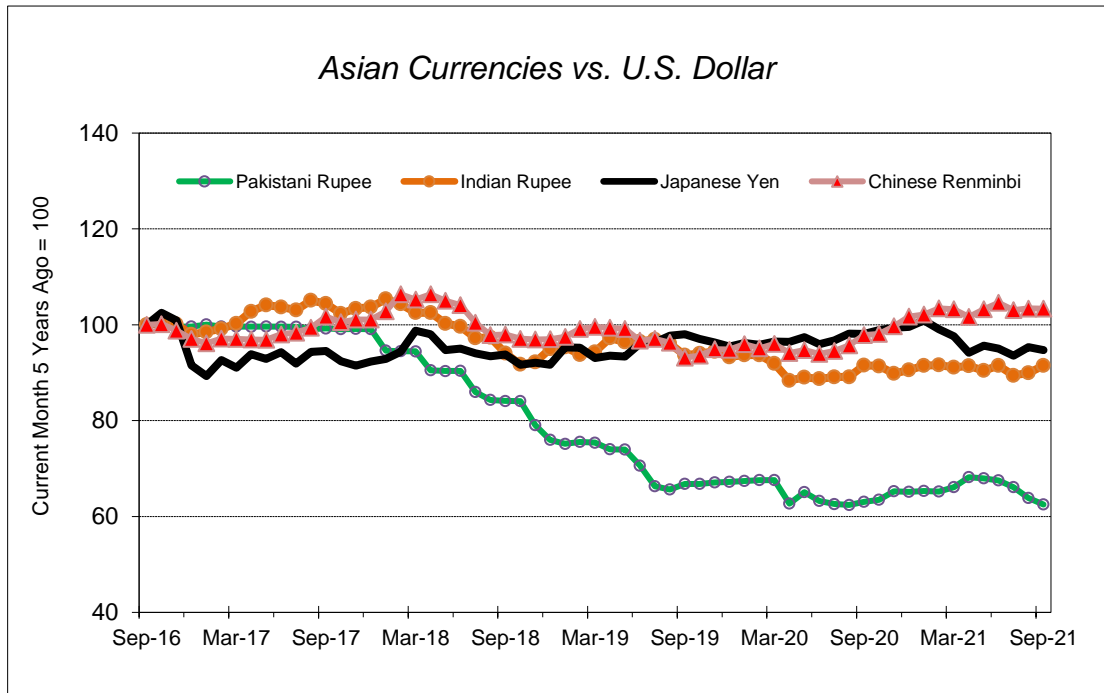
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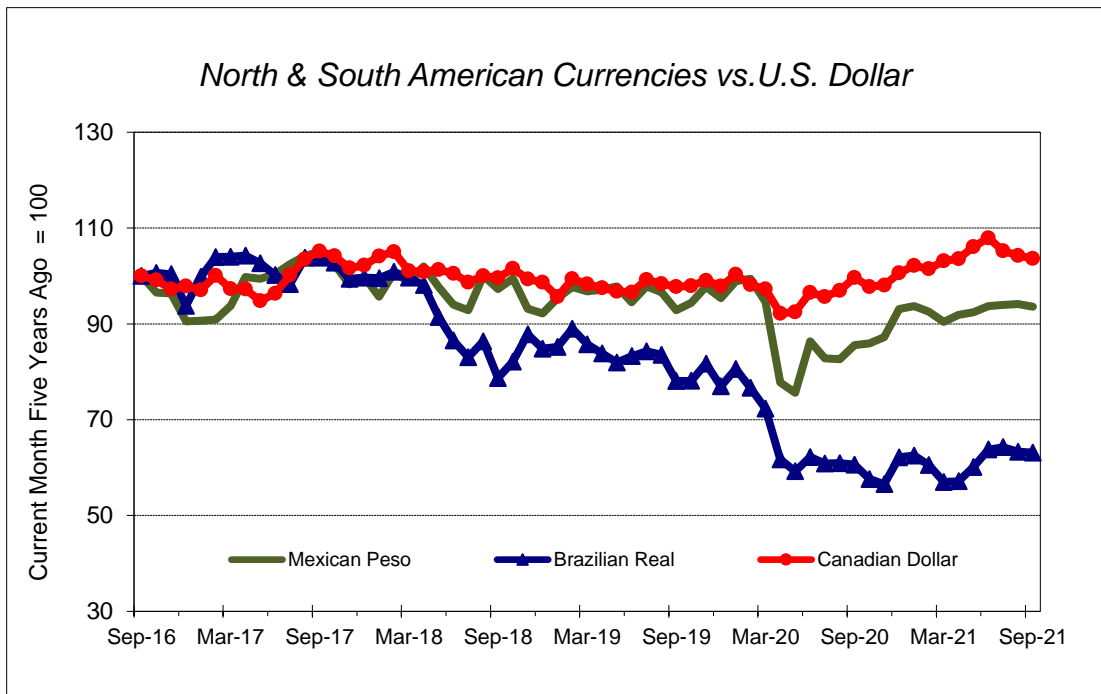
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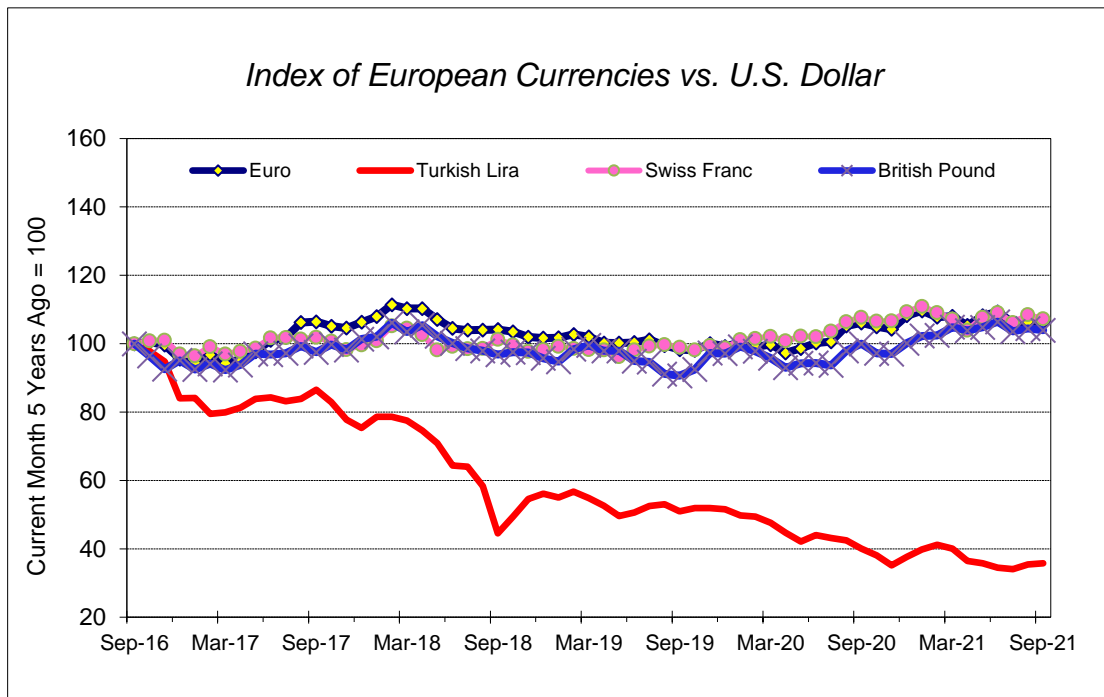
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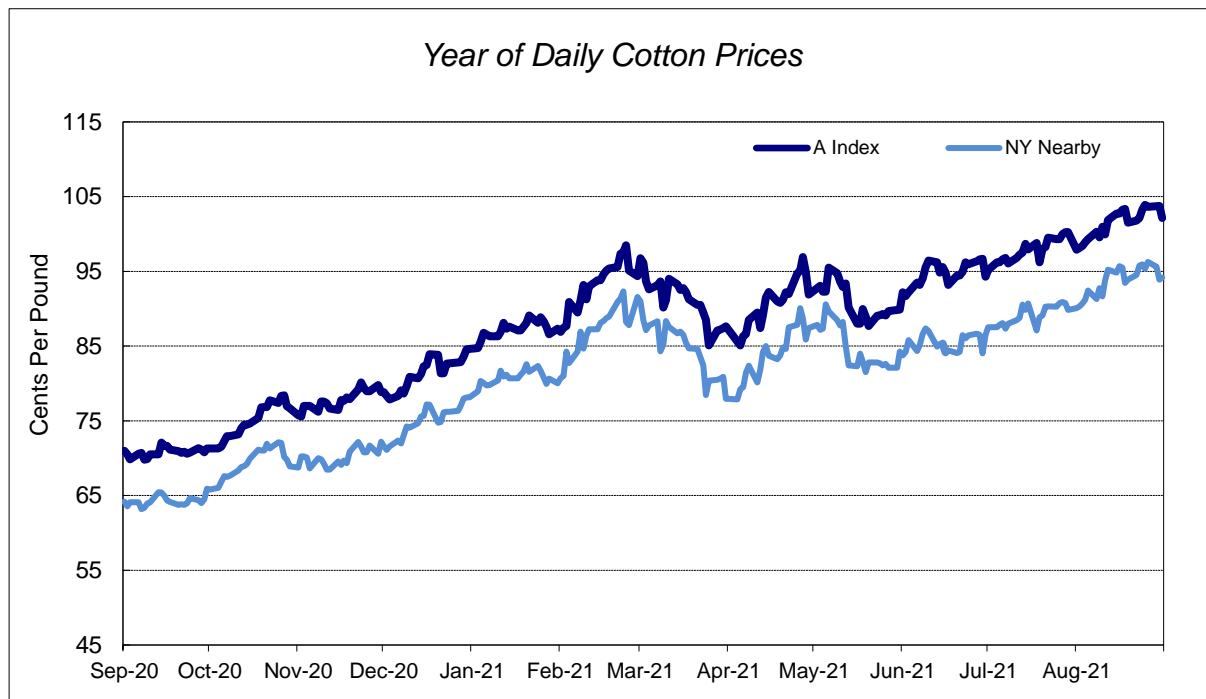
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U.S. Balance Sheet

million 480 lb. bales	2017/18	2018/19	2019/20	2020/21	2021/22 July	2021/22 August
Beginning Stocks	2.8	4.2	4.9	7.3	3.2	3.2
Production	20.9	18.4	19.9	14.6	17.8	17.3
Imports	0.0	0.0	0.0	0.0	0.0	0.0
Supply	23.7	22.6	24.8	21.9	21.0	20.5
Mill-Use	3.2	3.0	2.2	2.3	2.5	2.5
Exports	16.3	14.8	15.5	16.4	15.2	15.0
Demand	19.5	17.8	17.7	18.7	17.7	17.5
Ending Stocks	4.2	4.9	7.3	3.2	3.3	3.0
Stocks/Use Ratio	21.5%	27.2%	41.0%	17.2%	18.6%	17.1%



Sources: ICE Futures U.S. & Cotton Outlook

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