**Beyond Covid Demand & Prices**

**Cotton Incorporated’s Supply Chain Insights**

**Surging Economy**

U.S. GDP is estimated to have surpassed its pre-COVID peak in the second quarter.\(^1\)

The growth rates expected in both 2021 and 2022 are more than double the rate of growth in 2019.\(^1,2\)

The U.S. has not only recovered but is expected to enjoy strong growth into the future.\(^1,2\)

**Estimates for U.S. GDP Growth**

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>+2.2%</td>
</tr>
<tr>
<td>2020</td>
<td>-3.5%</td>
</tr>
<tr>
<td>2021</td>
<td>+7.0%</td>
</tr>
<tr>
<td>2022</td>
<td>+4.9%</td>
</tr>
</tbody>
</table>

Sources: US Bureau of Economic Analysis, International Monetary Fund (IMF)

**U.S. Apparel Spending**

Year-over-year comparison distorted by COVID-driven shutdown orders last year.

With COVID, there was record contractions and record growth. This makes year-over-comparison against 2020 challenging.

Relative to 2019, apparel spending has been up 25% in recent months. Normal annual growth is near 3%, so there has been more growth than could have been expected without COVID.

Online sales have been a big part of that, but brick and mortar sales are up 15% vs 2019, which is an indication of widespread strength in consumer demand for clothing.\(^1,3\)

What has been feeding growth in apparel spending?

- **Stimulus**
- **Rising Wages**
- **Higher Savings**
U.S. GDP is estimated to have surpassed its pre-COVID peak in the second quarter.\(^1\)

Throughout the supply chain there are a swirl of influences. While fiber and yarn prices have responded to stronger demand post-COVID, import costs and retail prices are still recovering from COVID-driven lows.\(^3\)\(^5\)\(^7\)

2021 apparel imports have been the strongest since 2010, and home imports are set to post a new record. Even though imports have been increasing, retailer inventories have been falling. After reaching record highs during the pandemic, the clothing store inventory/sales ratio has fallen to a record low.

Despite high volumes of imports, a concern for many retailers is whether or not they might have enough inventory to keep up with consumer demand as we approach the important holiday sales period.\(^3\)

U.S. economic growth is forecast to continue to be strong and consumers have a healthy appetite for apparel.

Increases in shipping costs and higher fiber and yarn prices can be expected to lift prices for imports and at retail.

Further into the future, price increases in raw materials and shipping may ease while the economy is expected to continue to grow at strong rates.

SUPPLY CHAIN INSIGHTS: BEYOND COVID: DEMAND & PRICES

SUPPLY CHAIN PRICES

Throughout the supply chain there are a swirl of influences. While fiber and yarn prices have responded to stronger demand post-COVID, import costs and retail prices are still recovering from COVID-driven lows.\(^3\)\(^5\)\(^7\)

\[ \text{FIBER PRICES} \uparrow 34\% \quad \text{YARN PRICES} \uparrow 30\% \quad \text{IMPORT APPAREL PRICES} \downarrow 8\% \quad \text{RETAIL APPAREL PRICES} \downarrow 1\% \]

FUTURE FORECAST

GOOD NEWS

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Sources: \(^1\)US Bureau of Economic Analysis, \(^2\)International Monetary Fund (IMF), \(^3\)US Census, \(^4\)USDA ERS, \(^5\)Cotton Incorporated calculations, \(^6\)Reuters, \(^7\)Cotlook, and \(^8\)US BLS.

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