

# Executive Cotton Update

U.S. Macroeconomic Indicators &  
the Cotton Supply Chain



May 2022

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

**Macroeconomic Overview:** The Federal Reserve implemented a half percentage point increase in interest rates May 5<sup>th</sup>. Fed officials also signaled that further half-point increases are possible at each of the five remaining meetings this calendar year. The current range for the effective Federal Funds rate that the Fed controls is between 0.75% to 1.0%. The latest year-over-year rate for overall inflation is 8.5%. The Federal Reserve's target for inflation is two percent.

Higher interest rates are one tool the Federal Reserve can use to pull inflation lower. Other tools involve open market operations, where the central bank trades Treasury bonds and other securities. After COVID, the Fed purchased large amounts of securities using money it created. The tapering of purchases and the reversal of those positions can reduce the money supply and compound the effect of rising interest rates.

The pullback from stimulative monetary policies will be a headwind the U.S. economy will have to contend with throughout the remainder of 2022 and beyond. The invasion of Ukraine caused another layer of complications for global supply chains. Disruptions to supply and sharp increases in a range of commodity prices are another impediment for policies to contain inflation and may slow economic growth.

The International Monetary Fund (IMF) recently updated their projections for GDP in 2022 and beyond. In January (before the war in Europe), the IMF forecast global economic growth would be +4.4% in 2022. In figures released in late April, the IMF lowered that projection to +3.6%. For 2023, the projection for global growth was lowered from +3.8% to +3.6%. For comparison, global economic growth was estimated at +6.1% in 2021. In the five years before the spread of COVID (2015-19), global growth averaged +3.4%.

Forecasts for economic growth were also lowered for the U.S. The IMF now projects U.S. GDP will be +3.7% in 2022. This is down 0.3 points relative to the figure of +4.0% that was predicted in January. For 2023, the IMF suggests U.S. growth will only reach +2.3%. This is down sharply lower than the +5.7% expansion in 2021. In the five years before COVID (2015-19), the U.S. economy grew at an average rate of +2.4%.

The U.S. Bureau of Economic Analysis (BEA) estimated that the U.S. economy contracted at a -1.4% seasonally-adjusted annualized rate (SAAR) in the first quarter. This followed a +6.9% growth rate in the fourth quarter of 2021 and +5.7% growth for the entire 2021 calendar year. The largest contributor to the slowdown in GDP was a reduction in inventory. Inventories are known to be one of the most challenging elements of GDP to calculate and are a likely subject for future revision. While lower inventories subtract from GDP, they can also signal future growth since they suggest orders need to increase.

BEA data for consumer spending describe acceleration in the first three months of the year, with growth rising from an annualized rate of 2.5% in the fourth quarter to 2.7%. Spending growth was stronger for services (+4.3% SAAR in Q1 2022 versus +3.3% SAAR in Q4 2021) than for goods (-0.1% SAAR in Q1 2022 versus +1.1% SAAR in Q4 2021).

**Employment:** The U.S. economy was estimated to have added +428,000 jobs in April. Revisions to previous months were negative. The figure for February decreased -36,000 positions to +714,000. The figure for March decreased -3,000 to +428,000. The average for job growth over the past twelve months is +551,000. The unemployment rate was unchanged at 3.6%. This is virtually even with the historically low level before the onset of COVID. Wages were +5.5% higher year-over-year in April, which is significantly higher than the peak after the financial crisis (the highest value between 2009 and early 2020 was +3.6%).

**Consumer Confidence & Spending:** The Conference Board's Index of Consumer Confidence was virtually unchanged month-over-month in April (-0.3 points to 107.3). The index has been holding to levels near 110 since September 2021. This is below the values near 130 that were common before COVID and above the post-COVID lows below 90 that were set in late 2020.

Overall consumer spending increased +0.6% month-over-month in March was up +2.3% year-over-year. Spending on garments decreased -0.1% month-over-month and was down -1.9% year-over-year. This was the first year-over-year contraction in spending since 2020. Part of the reason for the decrease is that comparisons are more difficult because spending in 2021 was strong. In 2021, apparel spending averaged +27% growth versus the same months in 2020 and +22% growth versus the same months in 2019.

**Consumer Prices & Import Data:** The CPI for apparel increased +0.7% in March and was up +6.9% year-over-year. Despite recent increases, the current level for the CPI is near values from 2019. The average cost per square meter of cotton-dominant apparel was +15.0% higher year-over-year during the first three months of 2022.

## 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/Shipment	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  
May 2022



## Macroeconomic Data

Quarterly Data	Recent Averages				Values in Recent Quarters			Unit	Source
	5-year	1-year	6-month	3-month	Q3 : 2021	Q4 : 2021	Q1 : 2022		
Growth in US Real GDP	2.7%	2.9%	4.6%	6.9%	2.3%	6.9%	-1.4%	% Chg. Quarter/Quarter	Department of Commerce

Macroeconomic 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		
ISM Index of Manufacuring Activity	56.2	59.3	58.0	57.0	58.6	57.1	55.4	Index	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	57.7	61.8	60.4	57.3	56.5	58.3	57.1	Index	Institute for Supply Management
Consumer Confidence	117.9	114.1	109.8	106.9	105.7	107.6	107.3	Index	The Conference Board
Change in Non-Farm Payrolls	85.8	551.7	551.5	523.3	714	428	428	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	5.0%	4.6%	3.9%	3.7%	3.8%	3.6%	3.6%	Rate	Bureau of Labor Statistics
US Interest Rates									
Federal Funds	1.1%	0.1%	0.1%	0.2%	0.1%	0.2%	0.3%	Interest rate	Federal Reserve
10-year Treasury Bill	1.9%	1.7%	1.9%	2.3%	1.9%	2.1%	2.8%	Interest rate	Federal Reserve

Macroeconomic Series with Latest Data for March	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	January	February	March		
Index of Leading Economic Indicators	110.4	118.0	119.3	119.6	119.5	119.5	119.8	Index	The Conference Board
Housing Starts	13.8	16.4	17.1	1.8	1.7	1.8	1.8	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.6	6.1	6.1	6.1	6.5	5.9	5.8	Annual pace, millions of units	National Association of Realtors

## Industrial & Textile Data

Industrial & Textile Series with Latest Data for March	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	January	February	March		
US Industrial Production	100.4	101.5	102.6	103.6	101.6	102.7	104.6	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	109.3	127.1	136.5	138.6	137.1	138.3	140.5	Index, December 2003=100	Bureau of Labor Statistics

Industrial & Textile Series with Latest Data for February	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	December	January	February		
Bale Equivalence of US Cotton Yarn & Fabric Exports	3.2	2.6	2.4	2.5	2.6	2.2	2.5	million 480lb bales	USDA ERS

Industrial & Textile Series with Latest Data for March	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	January	February	March		
US Textile Mill Inventory/Shipments Ratio	1.40	1.40	1.43	1.46	1.46	1.45	1.47	Ratio	Department of Commerce

## Retail Data

Retail Series with Latest Data for March	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	January	February	March		
US Real Consumer Spending									
All Goods and Services	2.5%	8.8%	5.8%	4.8%	5.2%	6.8%	2.3%	% Chg. Year/Year	Department of Commerce
Clothing	7.7%	27.8%	12.5%	7.8%	10.6%	14.8%	-1.9%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	2.3%	5.0%	5.9%	6.3%	6.0%	6.3%	6.6%	% Chg Year/Year	Bureau of Labor Statistics
Clothing	-0.8%	4.6%	5.6%	6.1%	5.1%	6.5%	6.9%	% Chg. Year/Year	Bureau of Labor Statistics

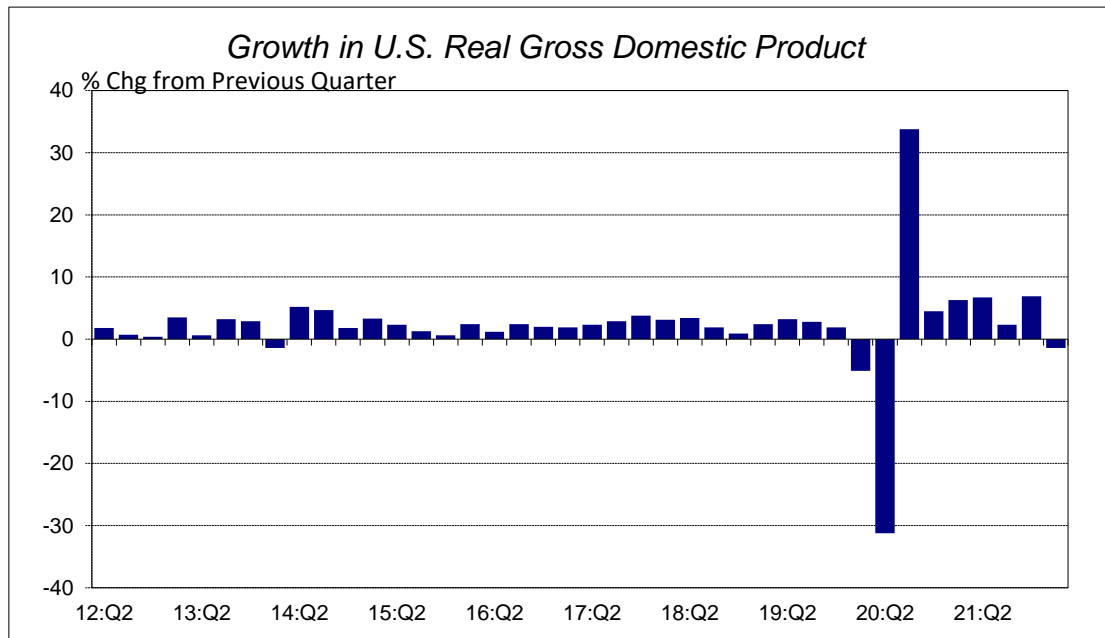
Retail Series with Latest Data for February	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	December	January	February		
Retail Inventory/Sales Ratio									
Clothing and Clothing Accessory Stores	2.7	1.9	2.0	2.1	2.0	2.1	2.1	Ratio	Department of Commerce
Department Stores	2.1	1.8	1.9	2.1	2.1	2.0	2.0	Ratio	Department of Commerce

# Executive Cotton Update

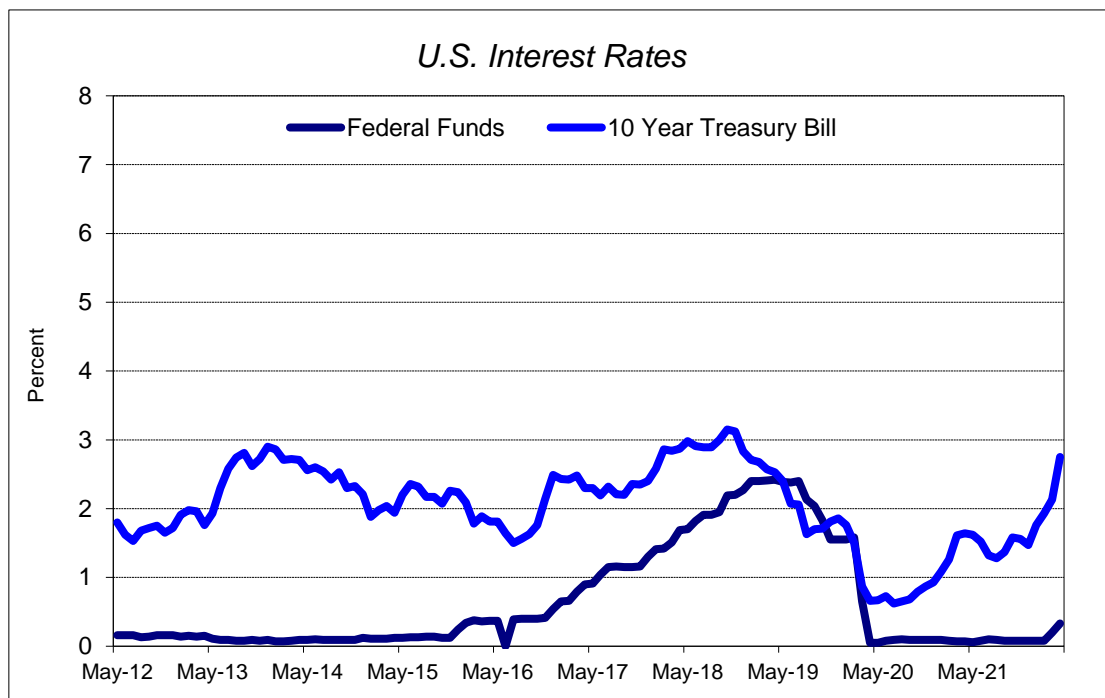
Daily Cotton Price and Currency Data  
May 2022



Daily Cotton Price Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	February	March	April		
NY Nearby	79.5	107.7	122.5	130.0	124.2	125.3	140.5	cents/pound	ICE
A Index	89.0	118.3	135.6	144.9	138.4	141.1	155.3	cents/pound	Cotlook
Daily Currency Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	February	March	April		
Dollar Trade Weighted Exchange Index	114.3	115.7	115.6	116.0	114.9	116.7	116.5	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.69	6.71	6.36	6.35	6.36	6.32	6.36	Chinese Renminbi/US dollar	Reuters
Indian Rupee	70.97	73.37	75.19	75.76	74.81	76.57	75.92	Indian Rupee/US dollar	Reuters
Japanese Yen	109.86	109.12	116.28	118.56	115.47	115.82	124.41	Japanese Yen/US dollar	Reuters
Pakistani Rupee	144.68	161.99	177.31	179.38	175.15	178.40	184.60	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	4.38	4.96	5.29	5.00	5.27	4.99	4.75	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.30	1.30	1.27	1.27	1.27	1.28	1.26	Canadian dollar/US dollar	Reuters
Mexican Peso	19.85	20.42	20.55	20.52	20.49	20.97	20.11	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.76	0.76	0.75	0.76	0.74	0.76	0.77	British Pound/US dollar	Reuters
Euro	0.87	0.87	0.89	0.90	0.88	0.91	0.92	Euro/US dollar	Reuters
Swiss Franc	0.96	0.94	0.92	0.93	0.92	0.93	0.93	Swiss Franc/US dollar	Reuters
Turkish Lira	6.69	8.13	13.38	14.32	13.56	14.66	14.76	Turkish Lira/US dollar	Reuters



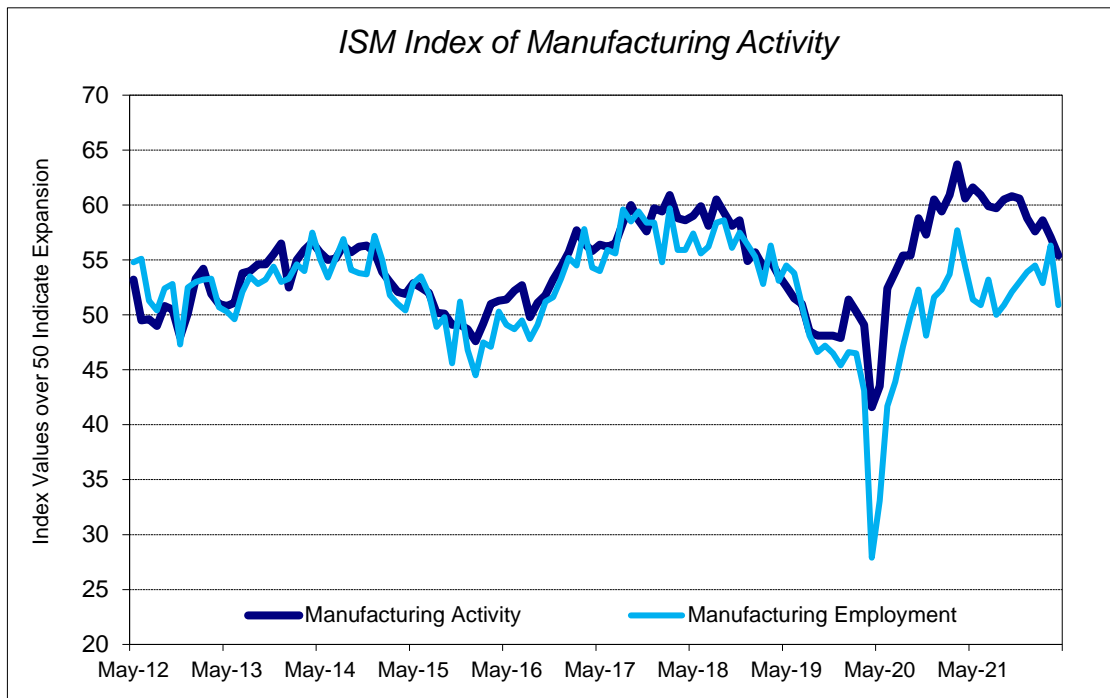
Seasonally Adjusted Annual Rate; Source: Department of Commerce  
 \*Based on chained 2005\$.



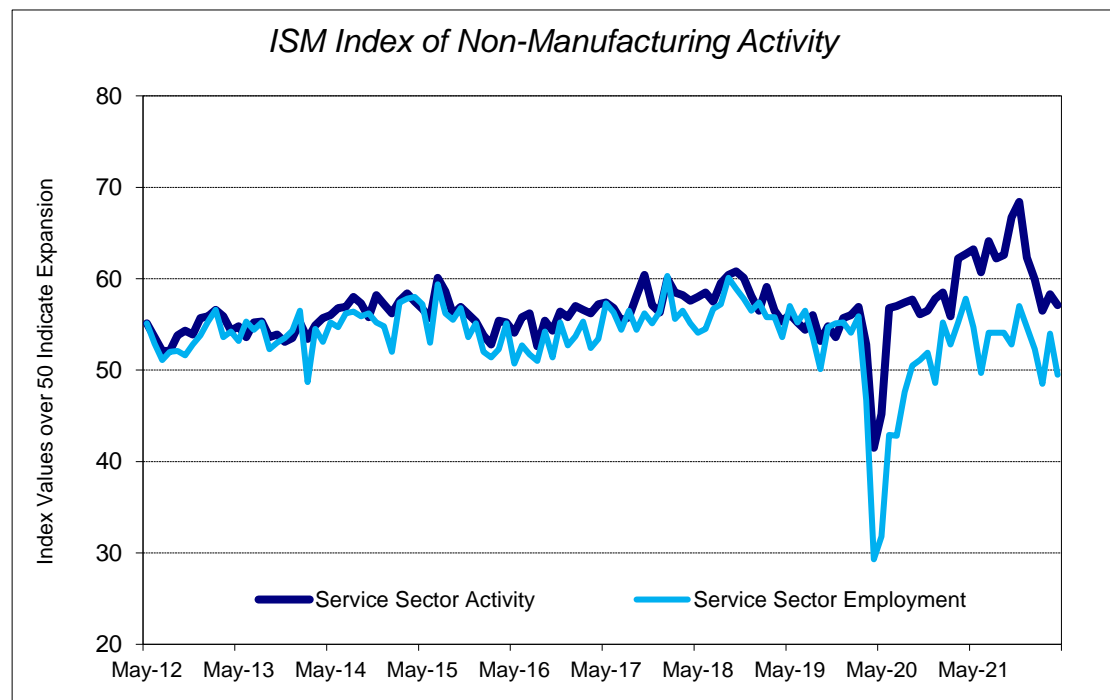
Source: Federal Reserve

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Source: Institute for Supply Chain Management

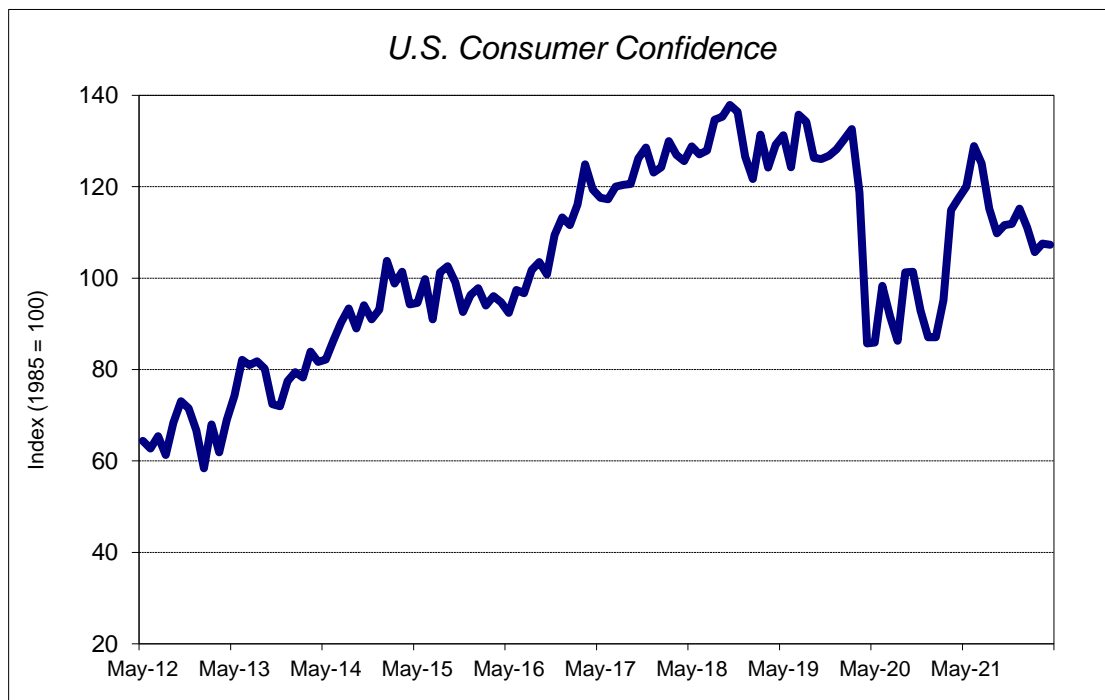


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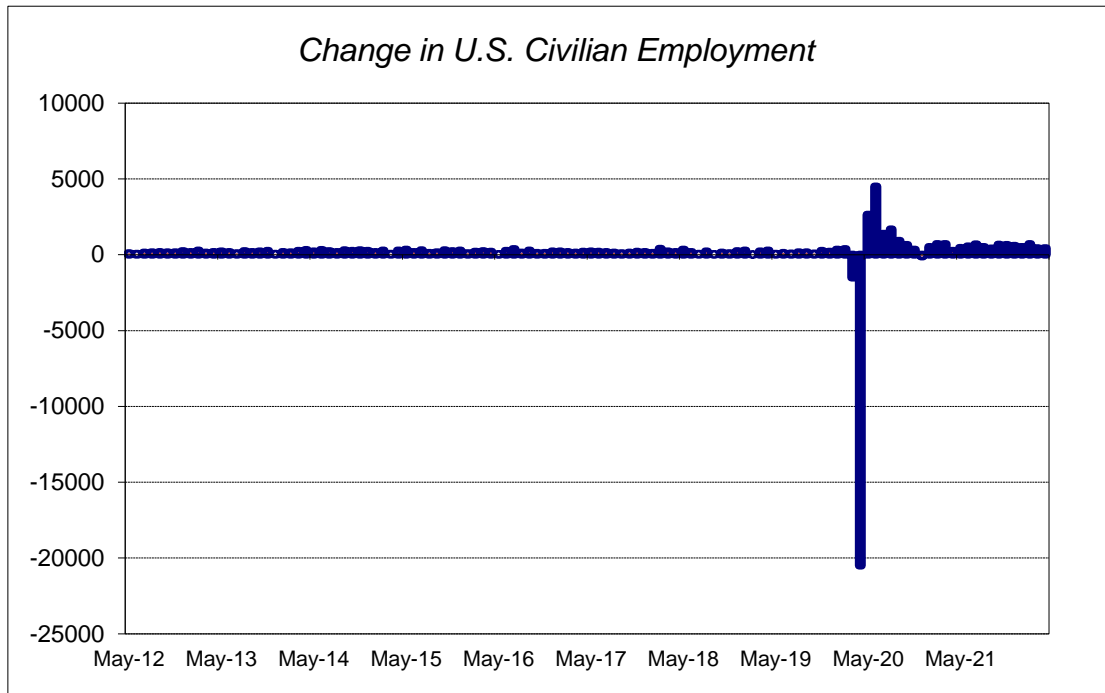
Source: The Conference Board



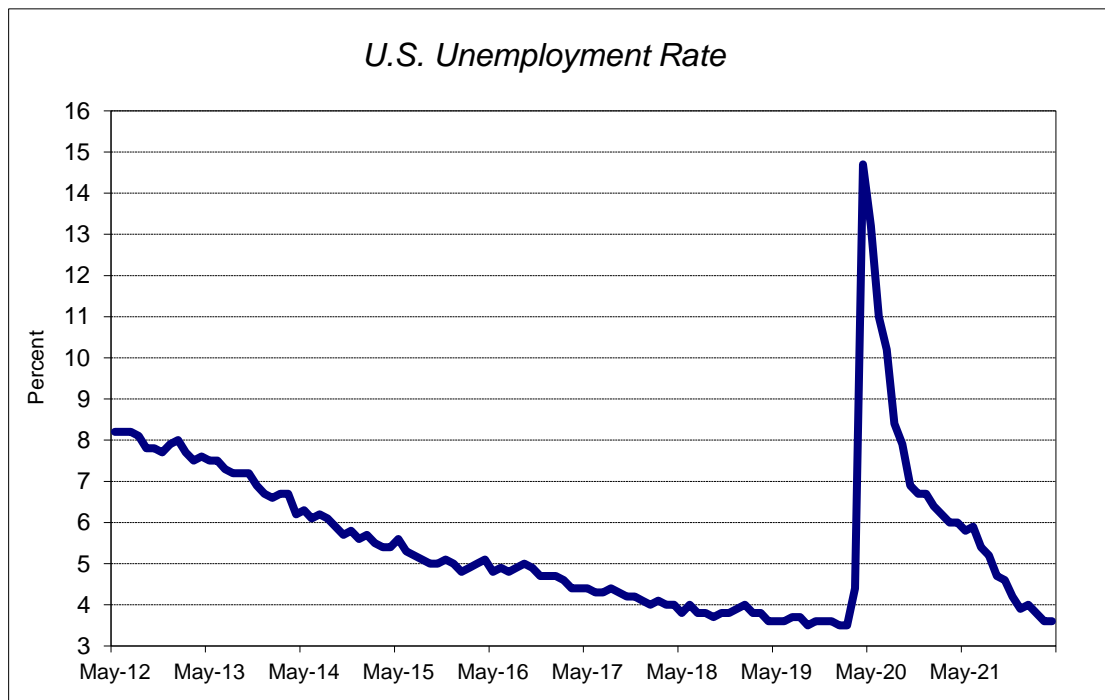
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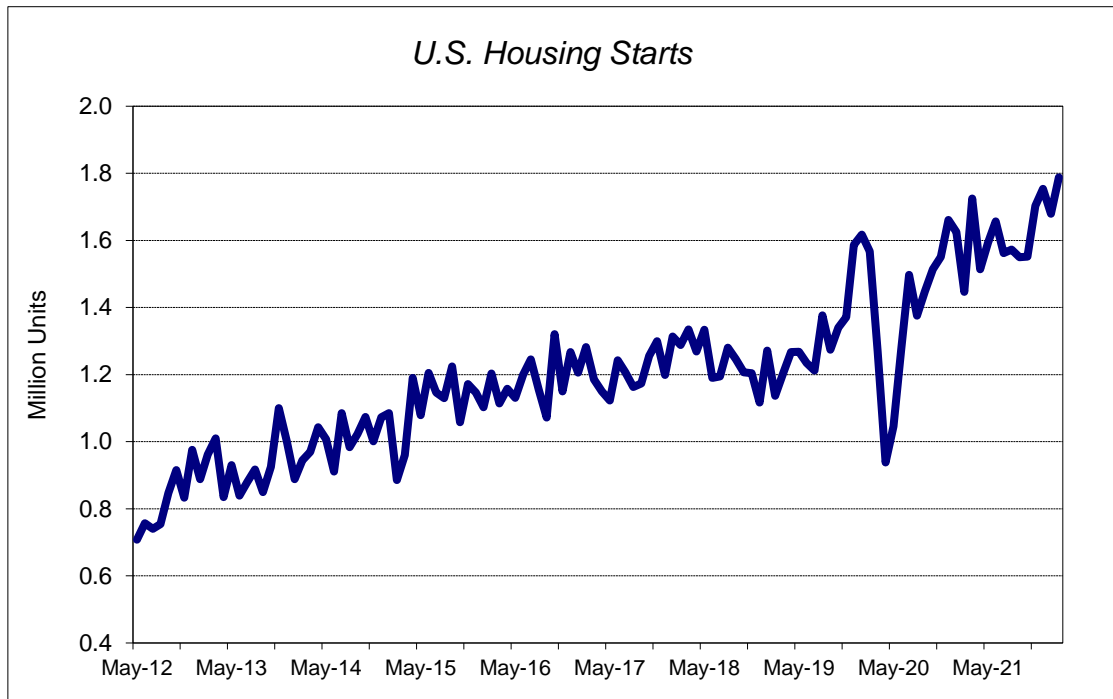


Source: Bureau of Labor Statistics

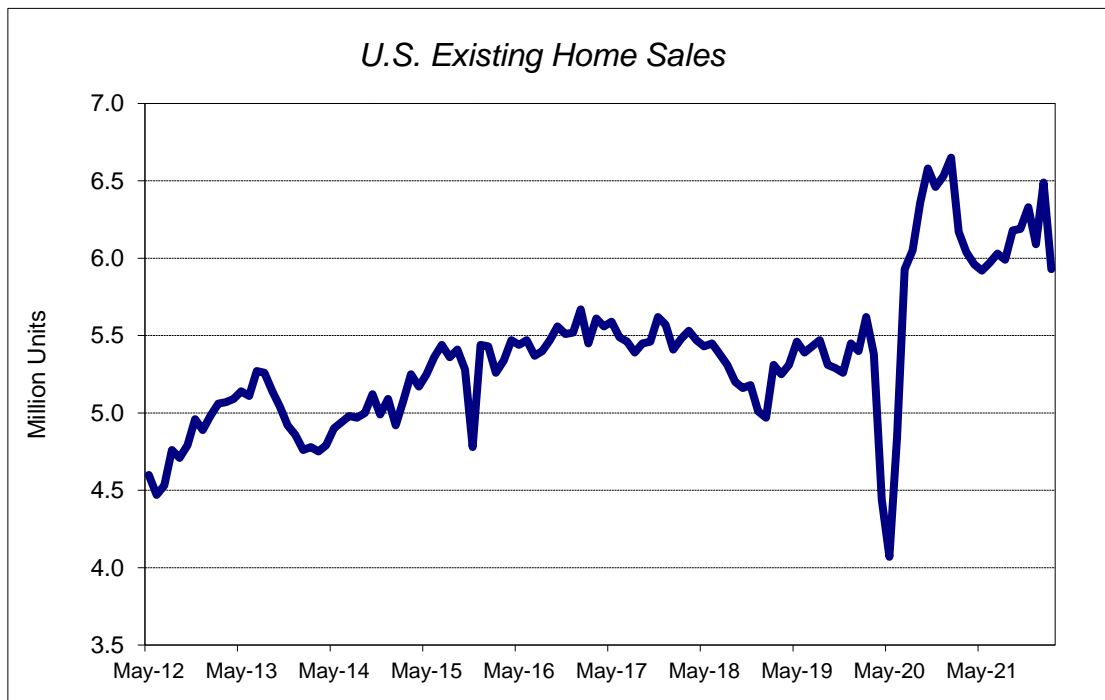


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Seasonally Adjusted Annual Rate; Source: Department of Commerce

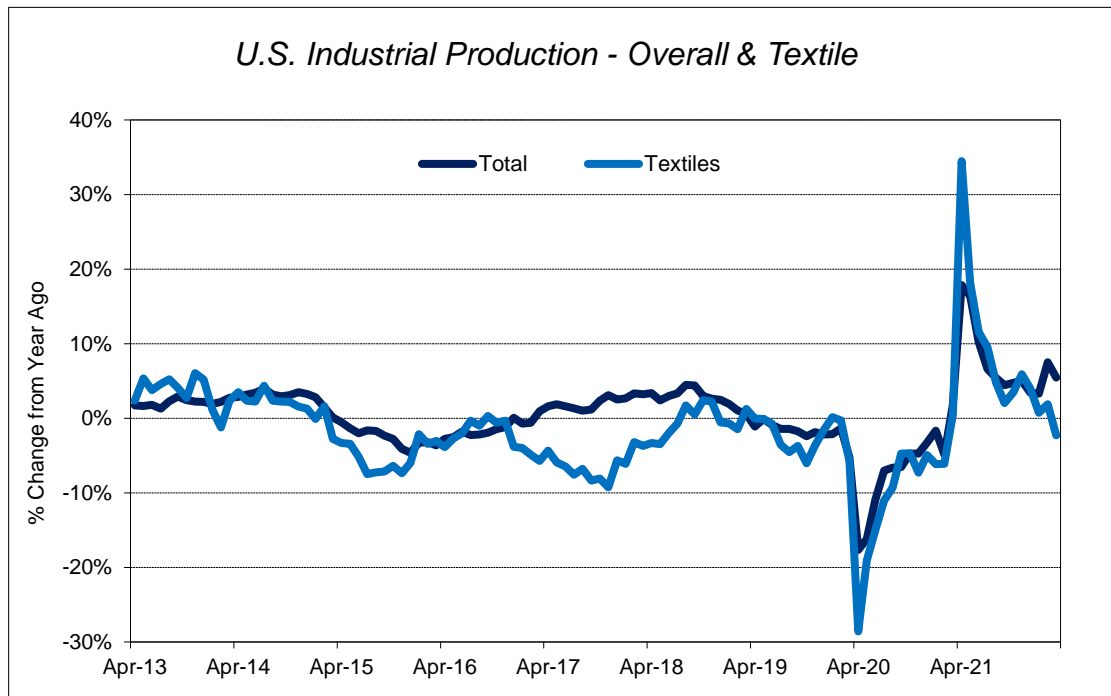


Seasonally Adjusted Annual Rate; Source: National Association of Realtors

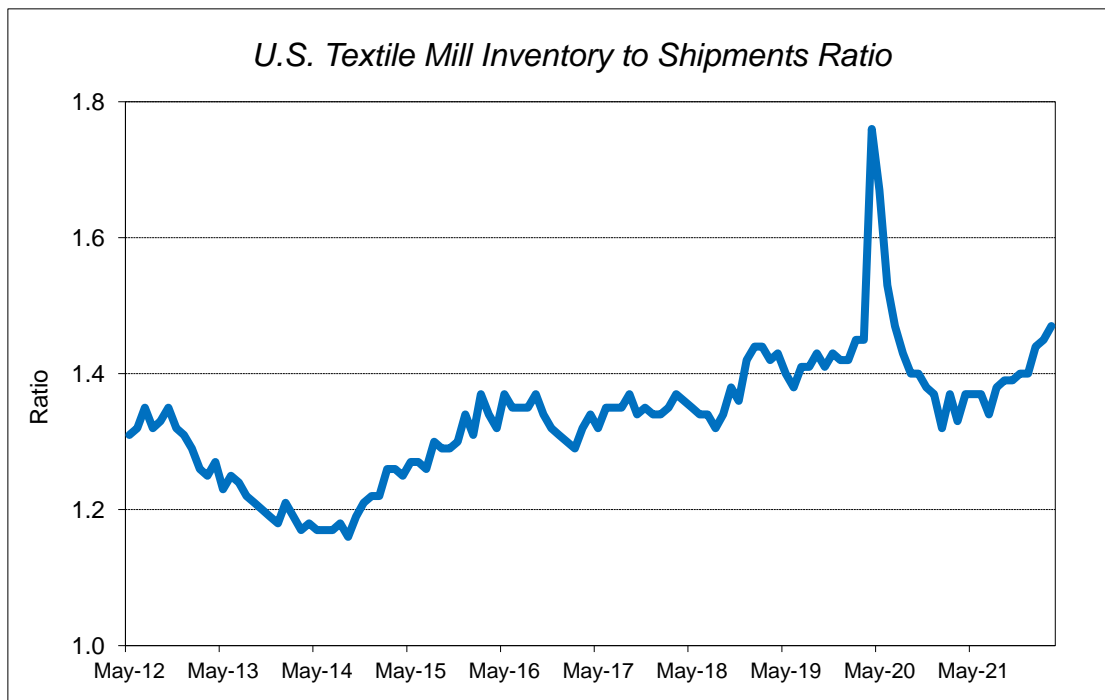
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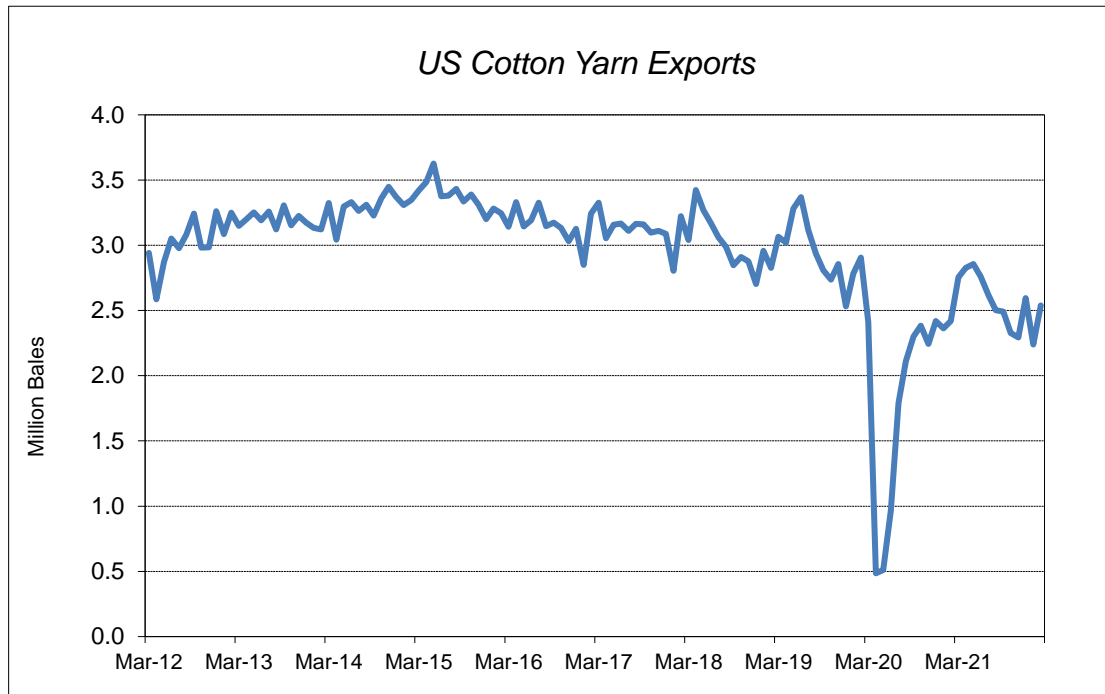
Source: Federal Reserve. Historical data revised to 1997 baseline.



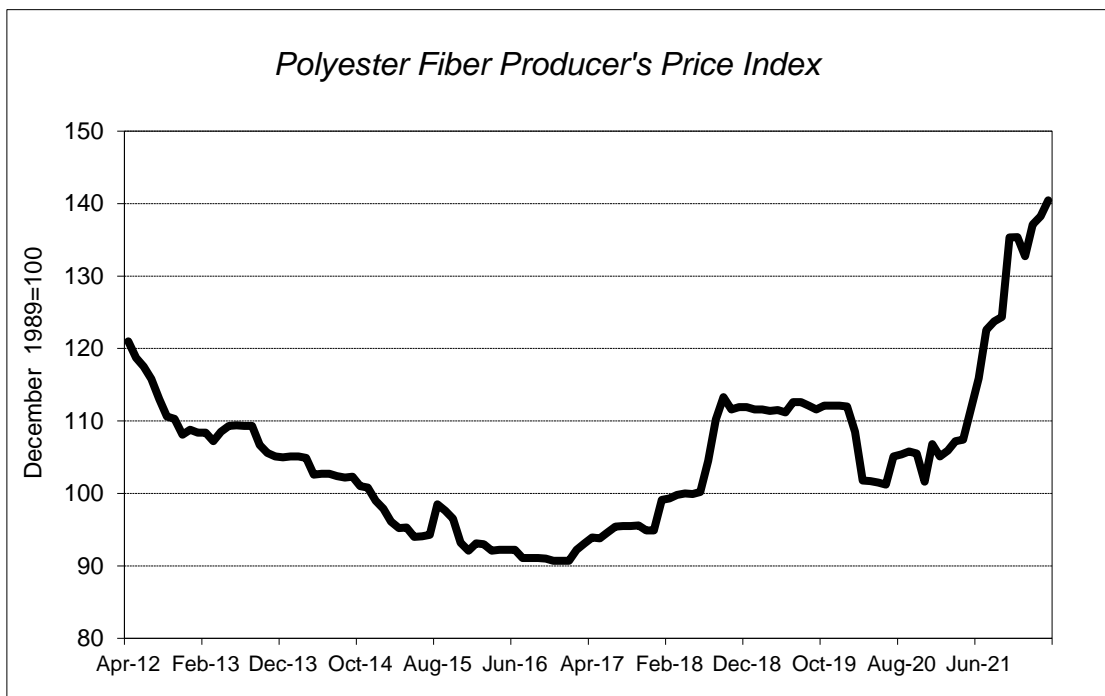
Seasonally Adjusted; Source: Department of Commerce

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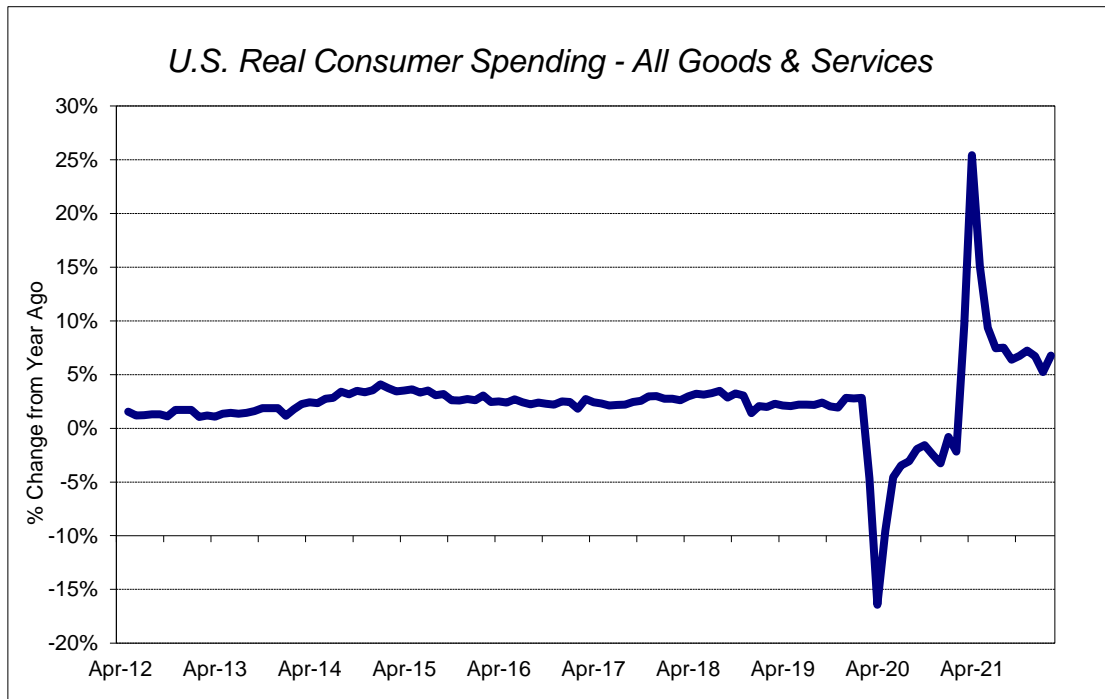
Seasonally Adjusted Annual Rate  
Source: USDA ERS



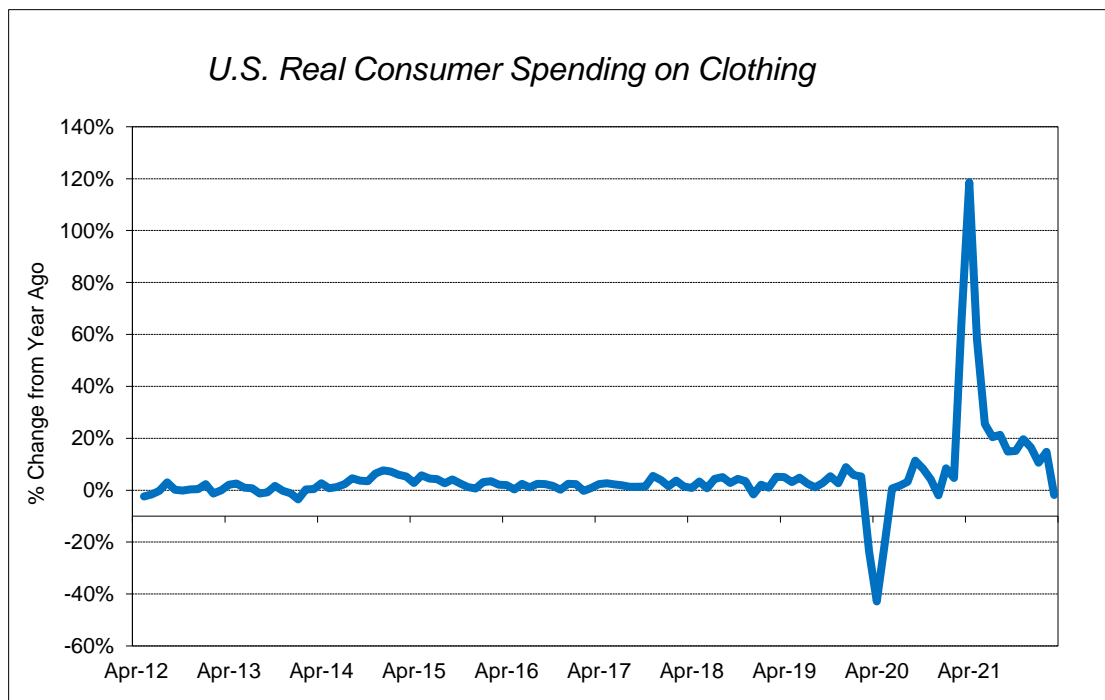
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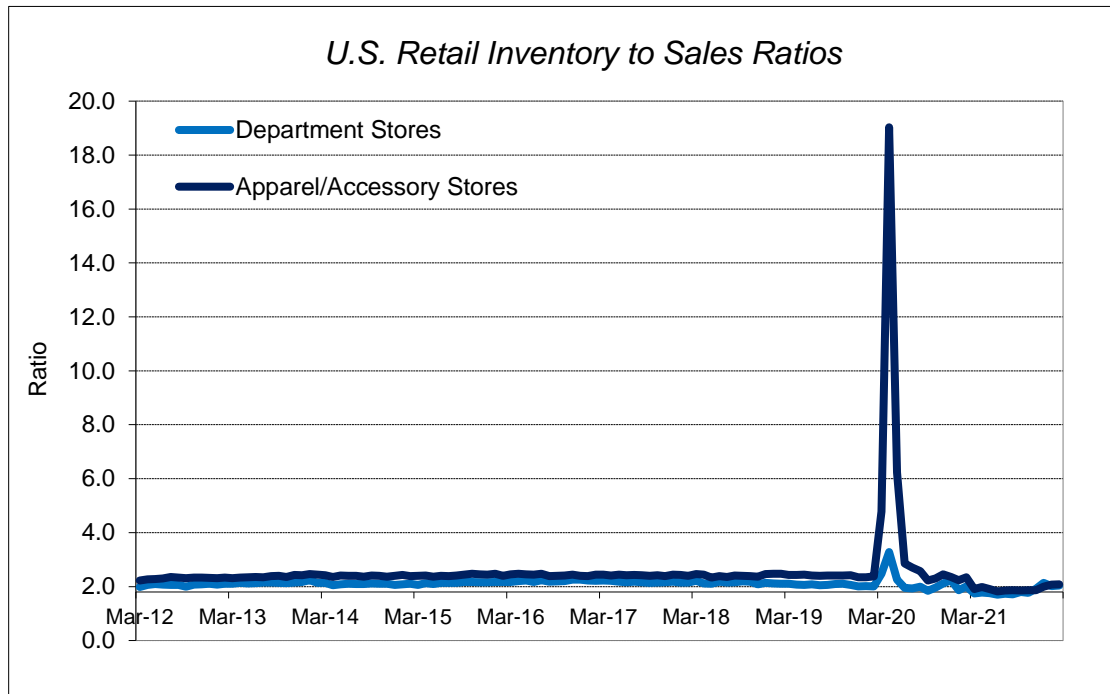
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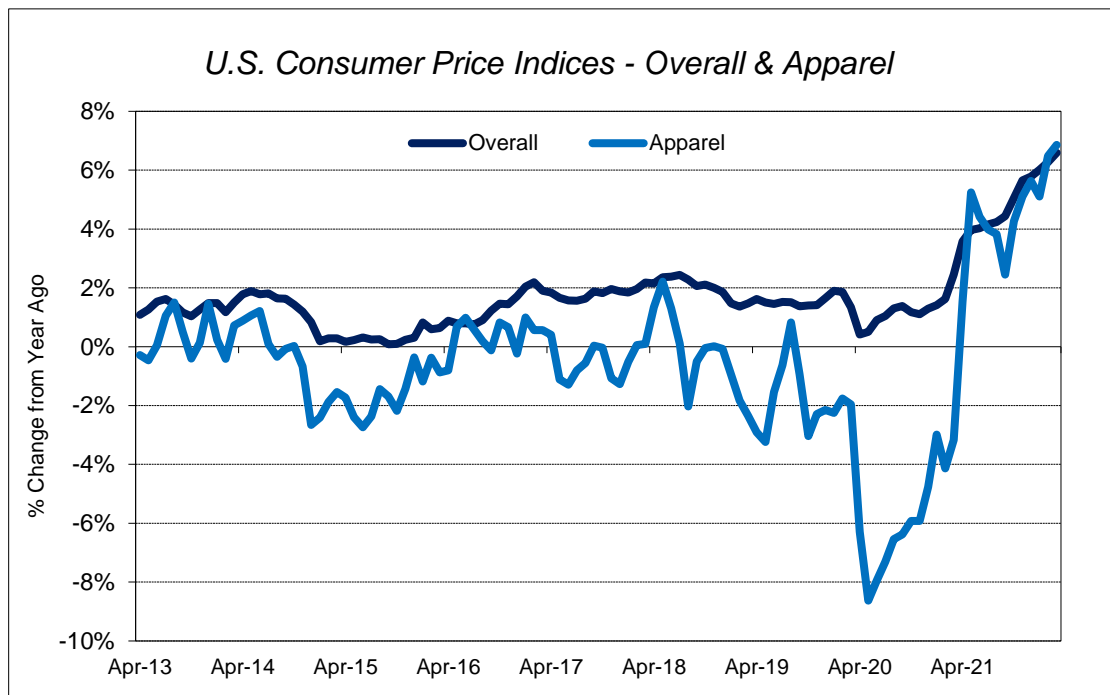
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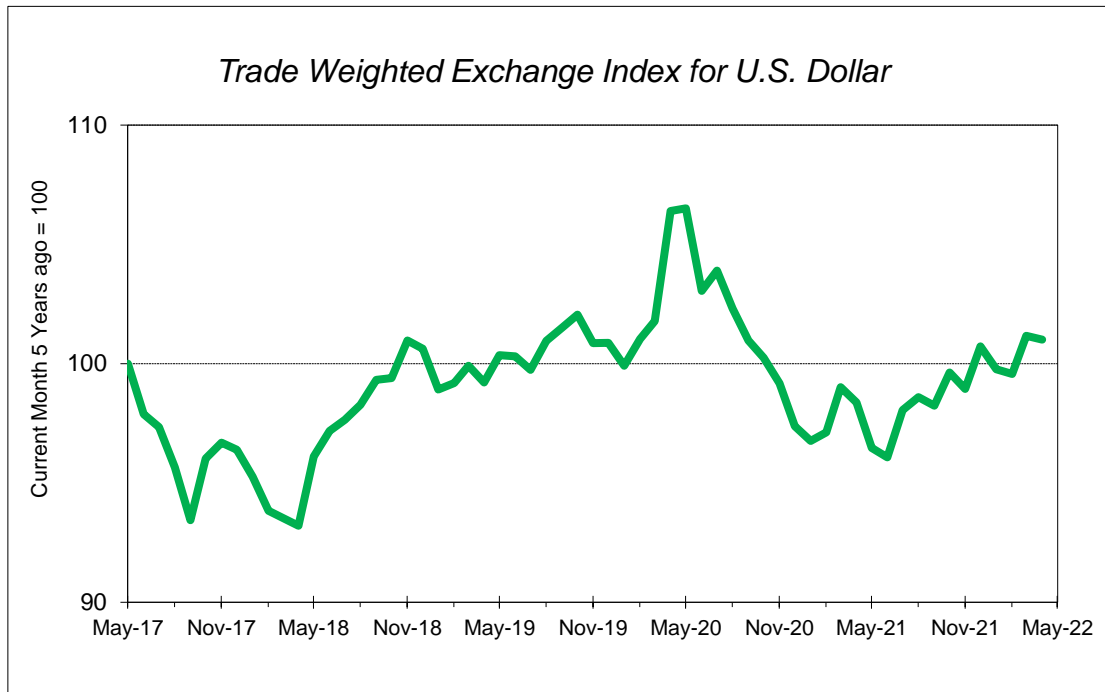
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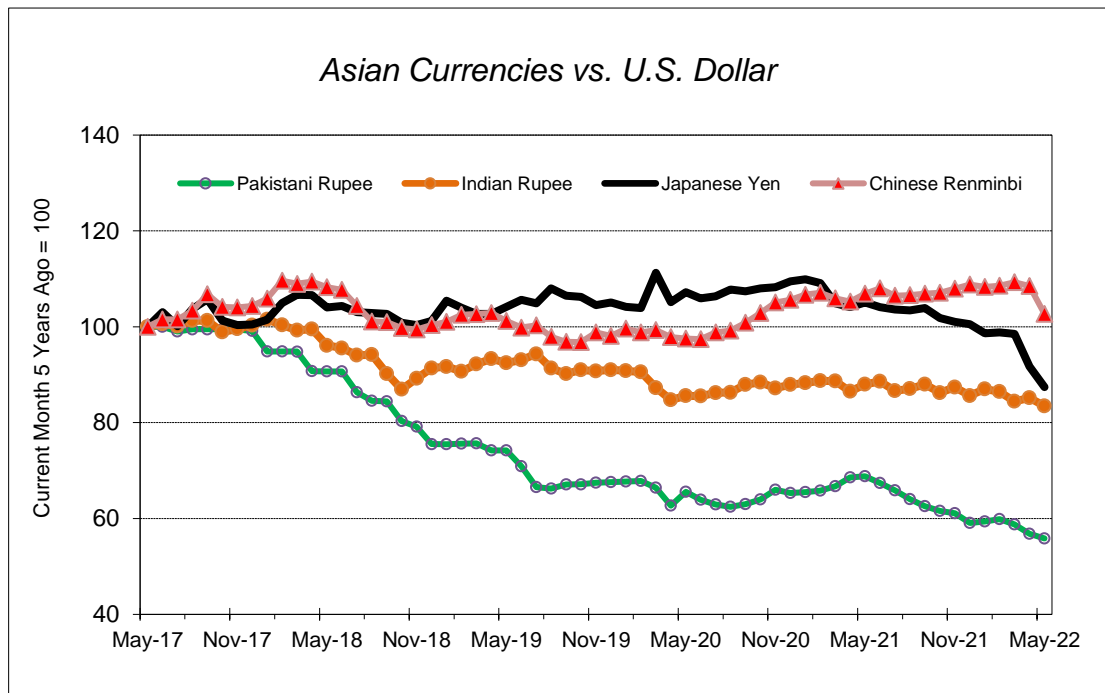
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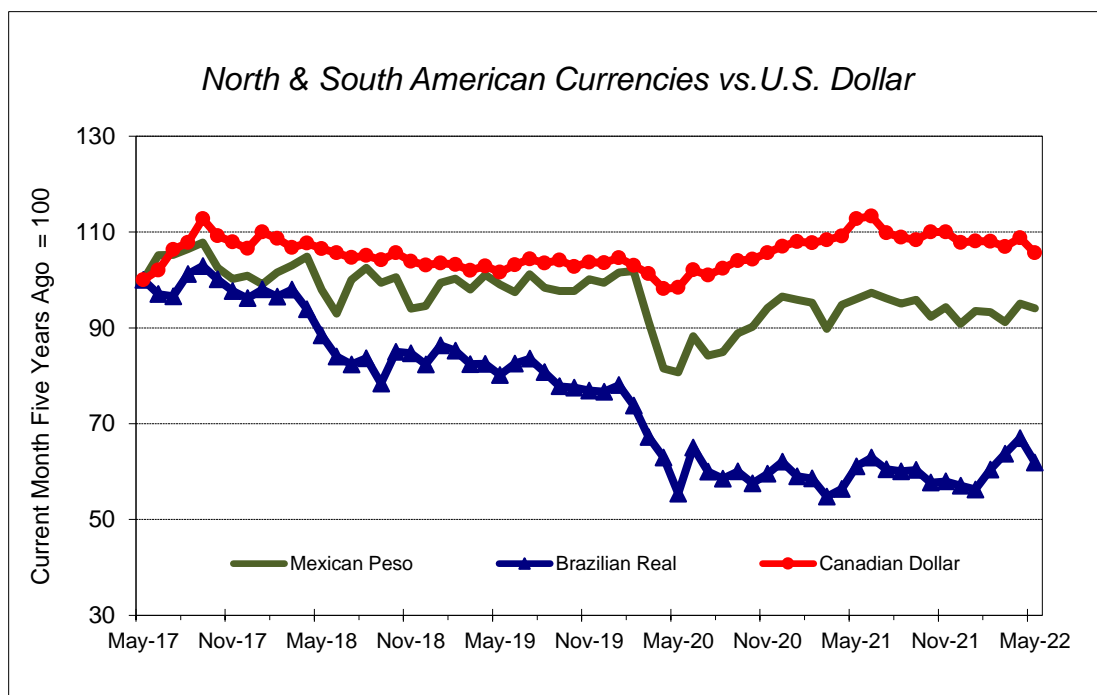
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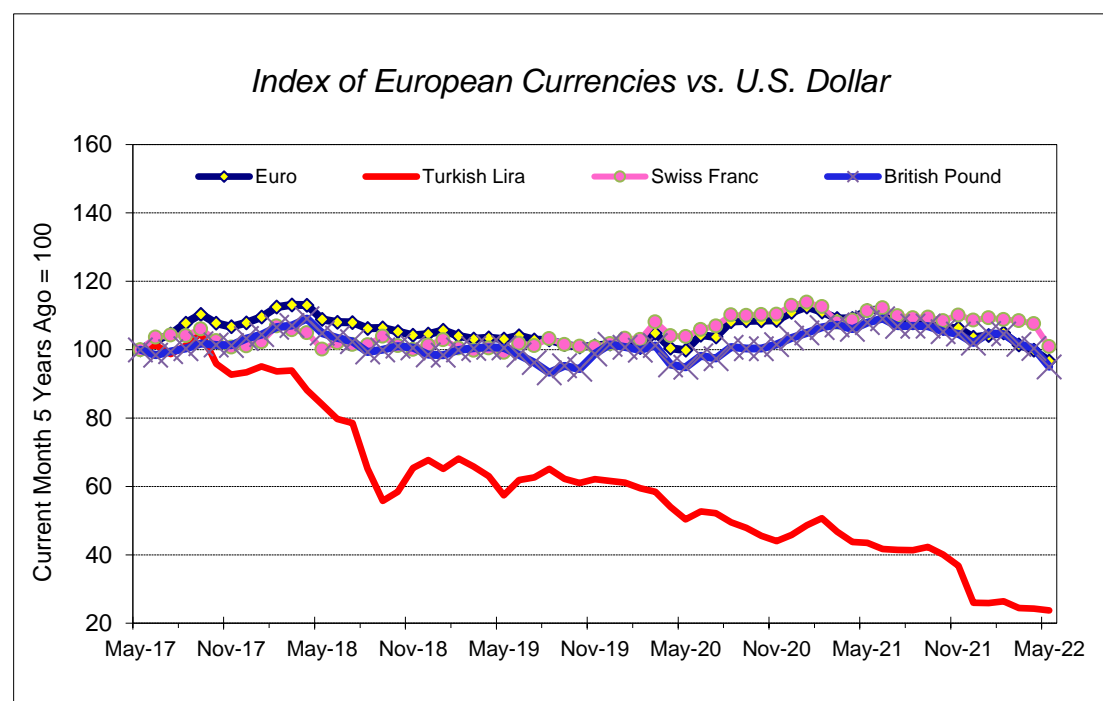
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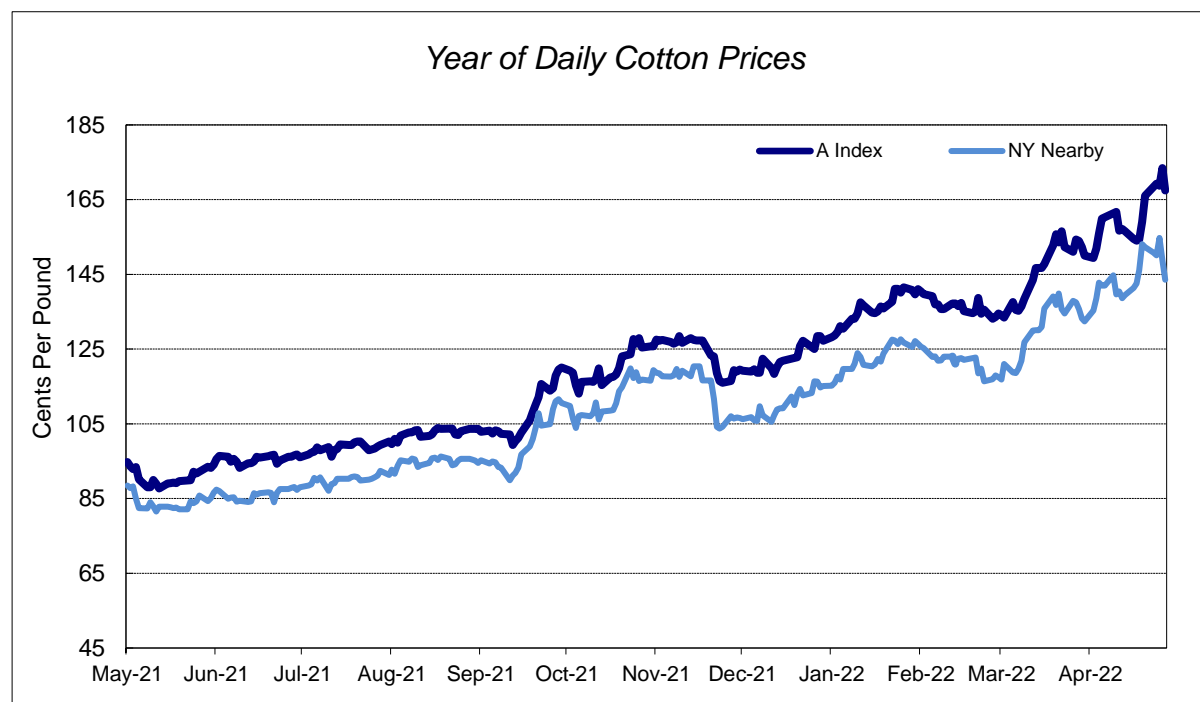
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## U.S. Balance Sheet

million 480 lb. bales	2017/18	2018/19	2019/20	2020/21	2021/22 October	2021/22 November
Beginning Stocks	2.8	4.2	4.9	7.3	3.2	3.2
Production	20.9	18.4	19.9	14.6	18.0	18.2
Imports	0.0	0.0	0.0	0.0	0.0	0.0
Supply	23.7	22.6	24.8	21.9	21.2	21.4
Mill-Use	3.2	3.0	2.2	2.4	2.5	2.5
Exports	16.3	14.8	15.5	16.4	15.5	15.5
Demand	19.5	17.8	17.7	18.8	18.0	18.0
Ending Stocks	4.2	4.9	7.3	3.2	3.2	3.4
Stocks/Use Ratio	21.5%	27.2%	41.0%	16.8%	17.8%	18.9%



Sources: ICE Futures U.S. & Cotton Outlook

[return to text](#)

