

# Executive Cotton Update

U.S. Macroeconomic Indicators &  
the Cotton Supply Chain



November 2022

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

**Macroeconomic Overview:** For a fourth consecutive time this year, the Federal Reserve increased interest rates 0.75 percentage points. In the official statements accompanying the increase, it was acknowledged the lagged effect of rising rates on the economy and that further increases may eventually need to taper. However, comments made by the Federal Reserve chairman after the release underlined the central bank's commitment to taming inflation, even if it meant further additional aggressive increases.

The labor market continues to add jobs and to post wage increases near five percent. However, both the pace of hiring and wage gains were slower last month. Labor is an ingredient to everything produced in the economy and is a cost to producers, so wage growth is associated with inflation. As the effects of rising interest rates are more fully transmitted through the economy, the labor market may cool and allow the slack to emerge to slow wage costs and tame overall inflation.

In the meantime, consumers have decent balance sheets established by savings accumulated with stimulus and from higher wages. Forecasts from the National Retail Federation (NRF) for the important holiday sales period suggest a six to eight percent increase in spending this year. Last year, growth was 13.5%, which was the strongest in at least 20 years.

**Employment:** The U.S. economy was estimated to have added 261,000 jobs last month. This was the lowest addition since December 2020, but job growth has nonetheless remained resilient to interest rate increases. Revisions to previous months were mixed. The figure for August fell -23,000 positions to +292,000. The figure for September rose +52,000 to +315,000. The twelve-month average for job growth is currently +442,000.

The unemployment rate moved higher, from 3.5% to 3.7% month-over-month. This increase occurred despite a slight decrease in the size of the labor force and was a result of a decrease in the number of employed workers (the unemployment rate is the ratio of the number of people working over the number of those in the labor force or wanting to work). Nonetheless, unemployment rates below four percent are rare, and there have been just a handful of other periods when it held at levels this low.

Wage growth slowed to the lowest level in about a year (4.7%) in October. Despite the slowdown, the latest value easily exceeds growth rates experienced after the financial crisis, which topped out near 3.5% in the decade that followed the last recession.

**Consumer Confidence & Spending:** After two monthly increases, the Conference Board's Index of Consumer Confidence decreased month-over-month in October (from 107.8 to 102.5). The current value is the lowest since July. In both June (98.4) and July (95.3), readings were below 100. These were the only two values below 100 since early 2021. The lowest value reached after COVID was 85.7. The long-term average (since 1970) is 93.9.

Overall consumer spending increased +0.3% month-over-month in seasonally and inflation-adjusted terms in September. Year-over-year, overall spending was up +1.9%. This was the slowest rate of annual growth since early 2021. Spending on garments was up +1.4% month-over-month but was down -0.3% year-over-year.

**Consumer Prices & Import Data:** Retail prices for garments decreased -0.2% month-over-month in September. Year-over-year, retail apparel prices were 6.0% higher. Year-over-year increases are affected by the reflation that occurred after the onset of COVID, when clothing prices decreased as much as -8.6% (May 2020). Relative to the average in 2019, current retail prices were 2.1% higher in September.

Import costs continue to rise. The latest value for square meter equivalent (SME) of cotton-dominant apparel set a new record (data since 1989) in seasonally-adjusted terms \$4.11/SME. Recent values represent quite a reversal relative to the values that were posted in the wake of COVID. In March 2021, which allowed for a 12-month lag after the onset of the pandemic, the average cost per SME was below \$2.97/SME. Levels below three dollars per SME were only recorded in one other period on record, and that was after the financial crisis.

The combination of high and rising sourcing costs and an increasingly challenging retail environment can be expected to pressure retailer margins. These challenges will compound issues related to inventory. After struggling to keep up with consumer demand following the release of stimulus and with the shipping crisis, apparel import volumes have been strong in recent months. In seasonally-adjusted terms for raw fiber equivalence (weight terms), total apparel imports (all fibers) were the highest on record between February and June. More recent figures have declined slightly but remain higher than the average before COVID and may add to inventories, particularly if the consumer environment slows.

## 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  
November 2022



## Macroeconomic Data

### Quarterly Data

	Recent Averages				Values in Recent Quarters			Unit	Source
	5-year	1-year	6-month	3-month	Q1 : 2022	Q2 : 2022	Q3 : 2022		
Growth in US Real GDP	2.6%	2.6%	-1.1%	-0.6%	-1.6%	-0.6%	2.6%	% Chg. Quarter/Quarter	Department of Commerce

### Macroeconomic Series with Latest Data for October

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	August	September	October		
ISM Index of Manufacturing Activity	55.7	55.3	52.6	51.3	52.8	50.9	50.2	Index	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	57.6	58.2	56.0	56.0	56.9	56.7	54.4	Index	Institute for Supply Management
Consumer Confidence	116.0	105.9	101.8	104.6	103.6	107.8	102.5	Index	The Conference Board
Change in Non-Farm Payrolls	102.6	441.9	347.3	289.3	292	315	261	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	5.0%	3.7%	3.6%	3.6%	3.7%	3.5%	3.7%	Rate	Bureau of Labor Statistics
US Interest Rates									
Federal Funds	1.1%	1.0%	1.9%	2.7%	2.3%	2.6%	3.1%	Interest rate	Federal Reserve
10-year Treasury Bill	2.0%	2.6%	3.2%	3.5%	2.9%	3.5%	4.0%	Interest rate	Federal Reserve

### Macroeconomic Series with Latest Data for September

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	July	August	September		
Index of Leading Economic Indicators	112.6	117.8	116.7	116.2	116.4	116.4	115.9	Index	The Conference Board
Housing Starts	14.1	16.3	15.5	1.5	1.4	1.6	1.4	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.6	5.6	5.1	4.8	4.8	4.8	4.7	Annual pace, millions of units	National Association of Realtors

## Industrial & Textile Data

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

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	July	August	September		
US Industrial Production	100.9	103.4	104.6	104.9	104.1	104.9	105.2	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	115.6	147.0	157.5	161.9	160.3	159.1	166.5	Index, December 2003=100	Bureau of Labor Statistics

### Industrial & Textile 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		
Bale Equivalence of US Cotton Yarn & Fabric Exports	3.2	#N/A	#N/A	#N/A	3.1	2.9	#N/A	million 480lb bales	USDA ERS

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

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	July	August	September		
US Textile Mill Inventory/Shipments Ratio	1.42	1.50	1.55	1.55	1.55	1.55	1.55	Ratio	Department of Commerce

## Retail Data

### Retail Series with Latest Data for September

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	July	August	September		
US Real Consumer Spending									
All Goods and Services	2.7%	4.1%	2.2%	2.0%	2.1%	2.0%	1.9%	% Chg. Year/Year	Department of Commerce
Clothing	7.0%	5.4%	0.0%	0.2%	0.8%	0.2%	-0.3%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	3.4%	7.9%	8.5%	8.3%	8.5%	8.3%	8.2%	% Chg. Year/Year	Bureau of Labor Statistics
Clothing	-0.2%	5.4%	5.3%	5.3%	4.7%	5.1%	6.0%	% Chg. Year/Year	Bureau of Labor Statistics

### Retail 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		
Retail Inventory/Sales Ratio									
Clothing and Clothing Accessory Stores	2.6	2.0	2.2	2.2	2.2	2.2	2.2	Ratio	Department of Commerce
Department Stores	2.0	2.0	2.2	2.2	2.2	2.2	2.2	Ratio	Department of Commerce

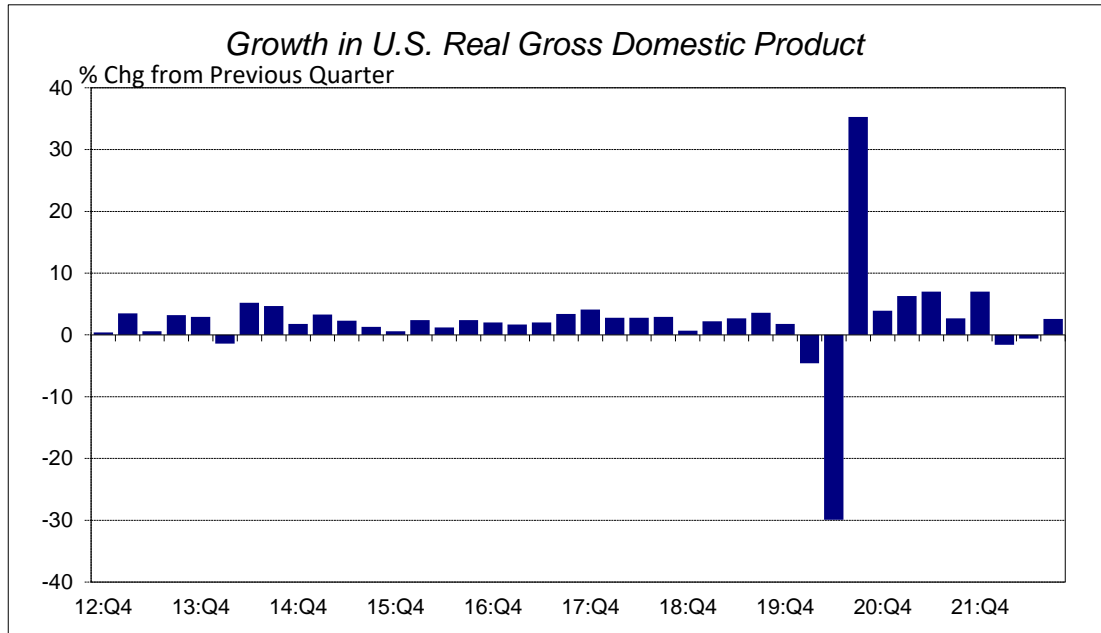
# Executive Cotton Update

Daily Cotton Price and Currency Data  
November 2022

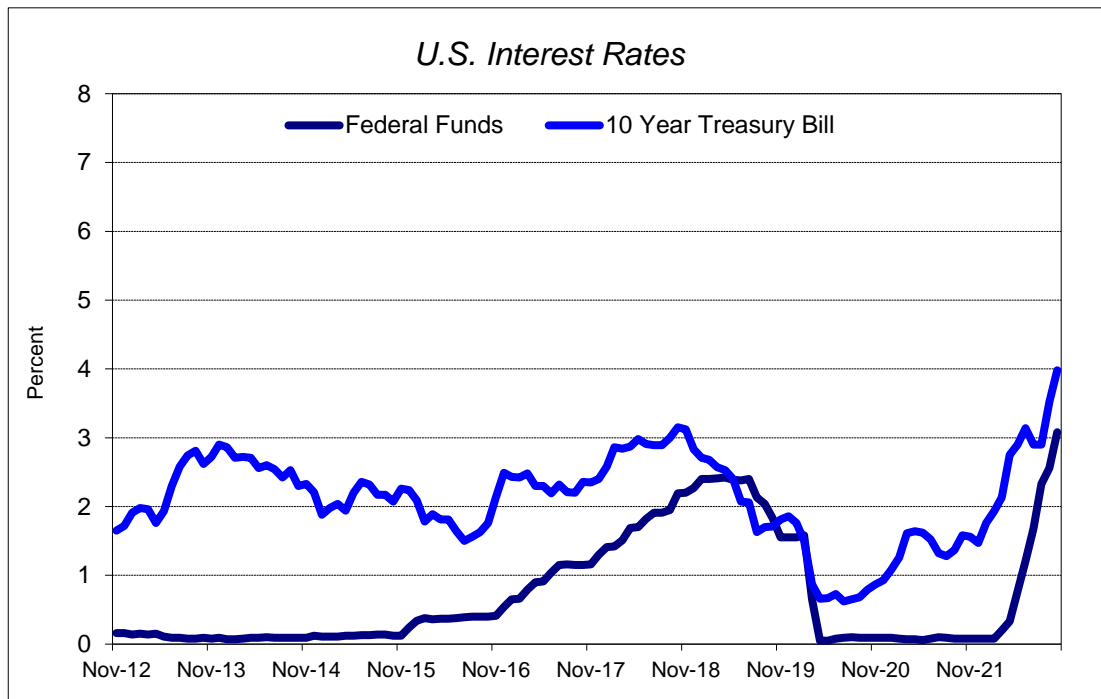


Daily Cotton Price Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	August	September	October		
NY Nearby	81.6	116.7	131.2	139.4	140.5	145.0	132.7	cents/pound	ICE
A Index	91.4	129.3	147.5	157.7	155.3	163.8	154.2	cents/pound	Cotlook

Daily Currency Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	August	September	October		
Dollar Trade Weighted Exchange Index	115.4	116.8	122.3	124.7	122.5	123.9	127.6	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.70	6.69	6.79	6.92	6.76	6.90	7.09	Chinese Renminbi/US dollar	Reuters
Indian Rupee	72.26	74.71	79.00	80.28	79.16	79.81	81.88	Indian Rupee/US dollar	Reuters
Japanese Yen	112.27	113.76	135.77	139.63	134.39	140.04	144.47	Japanese Yen/US dollar	Reuters
Pakistani Rupee	154.90	171.29	210.18	224.34	227.65	218.15	227.21	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	4.57	5.15	5.13	5.22	5.30	5.18	5.18	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.30	1.29	1.30	1.32	1.29	1.31	1.37	Canadian dollar/US dollar	Reuters
Mexican Peso	20.09	20.63	20.16	20.21	20.69	19.95	19.99	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.77	0.77	0.83	0.86	0.83	0.86	0.89	British Pound/US dollar	Reuters
Euro	0.88	0.89	0.97	1.00	0.99	1.00	1.02	Euro/US dollar	Reuters
Swiss Franc	0.96	0.94	0.97	0.98	0.96	0.98	0.99	Swiss Franc/US dollar	Reuters
Turkish Lira	7.99	9.95	17.14	18.24	17.97	18.22	18.54	Turkish Lira/US dollar	Reuters



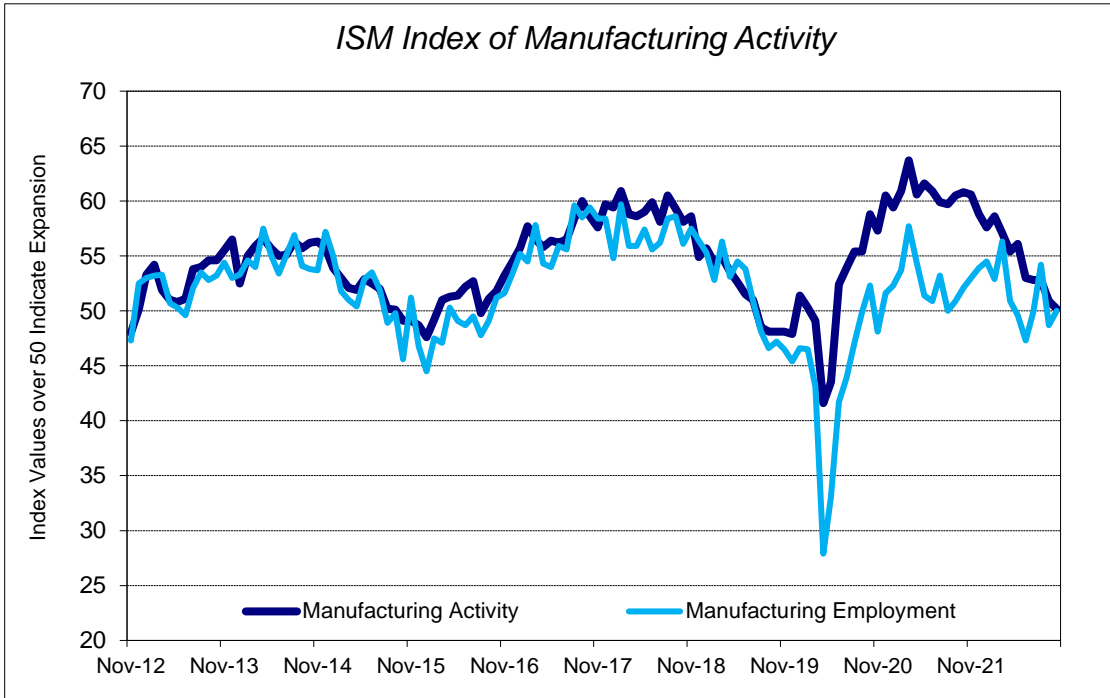
Seasonally Adjusted Annual Rate; Source: Department of Commerce  
 \*Based on chained 2005\$.



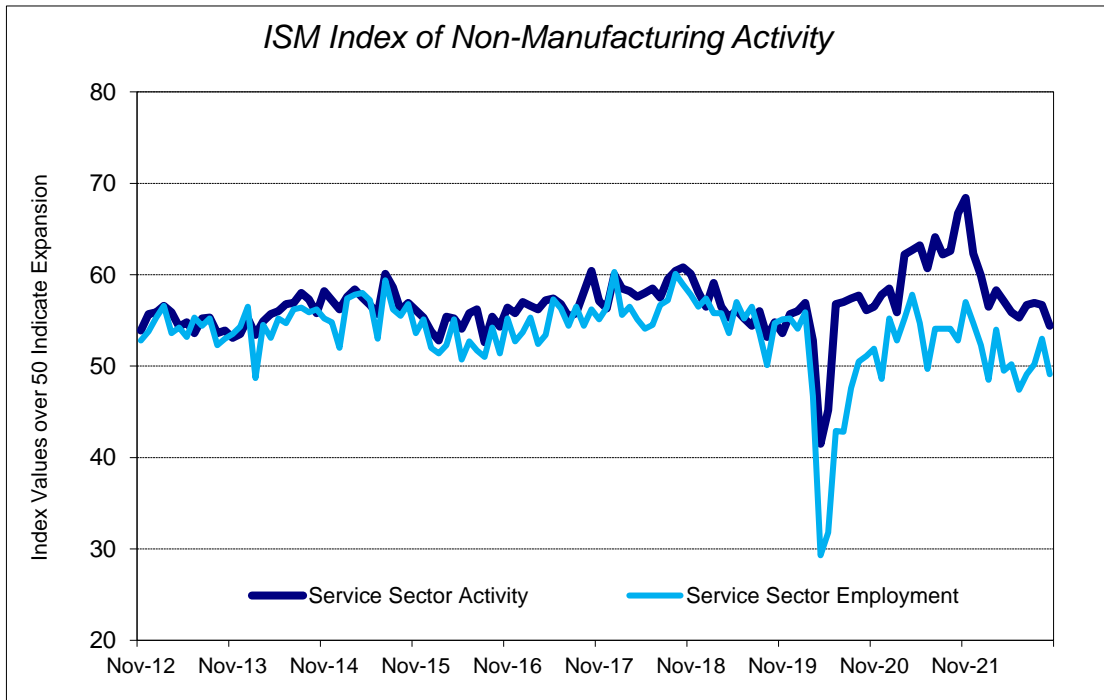
Source: Federal Reserve

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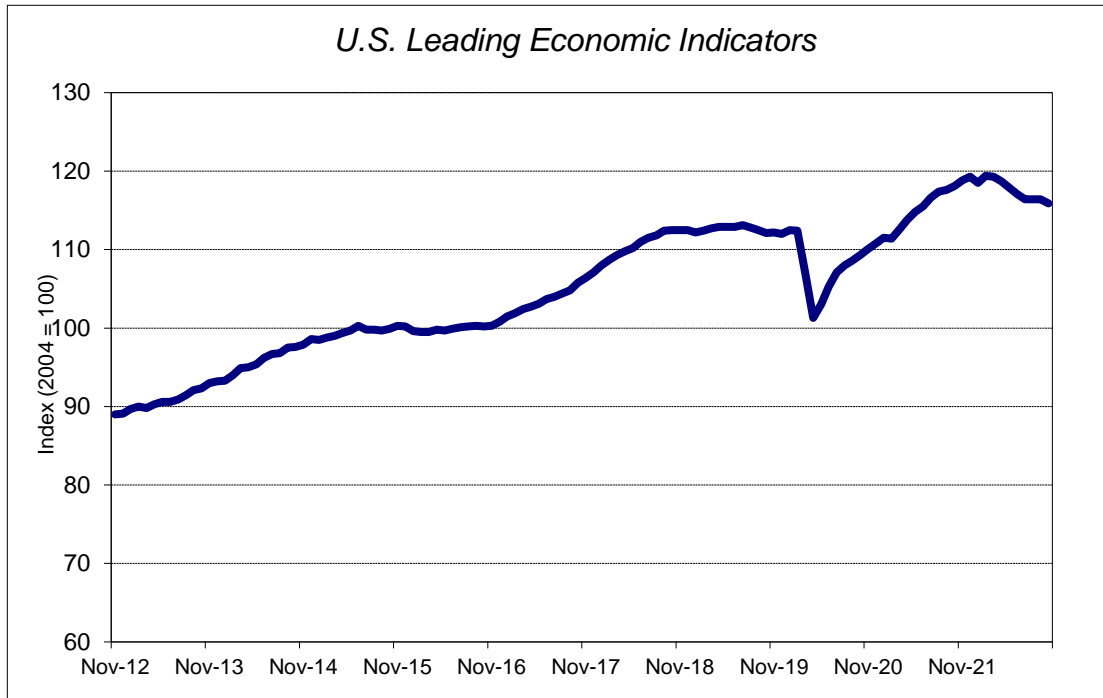
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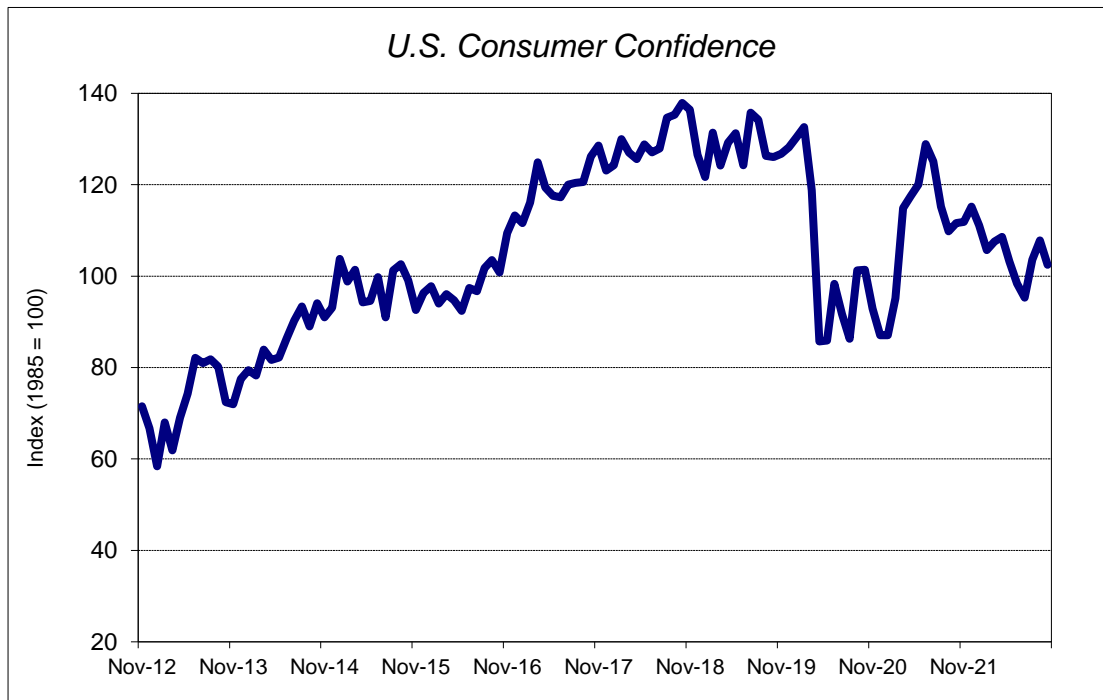
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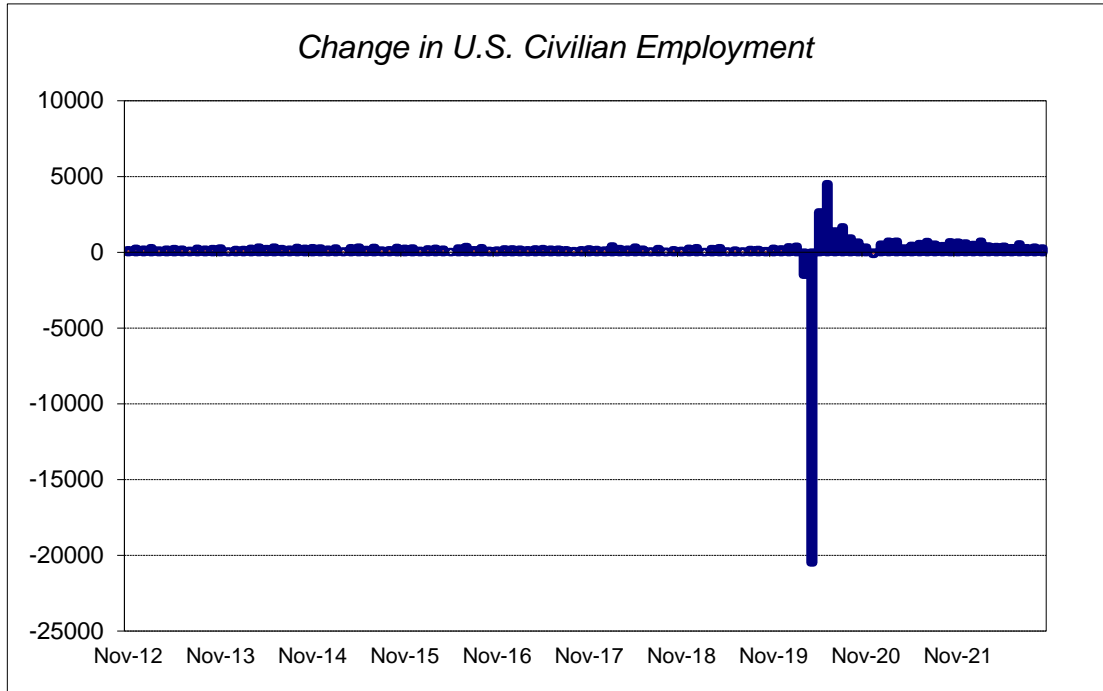
Source: The Conference Board



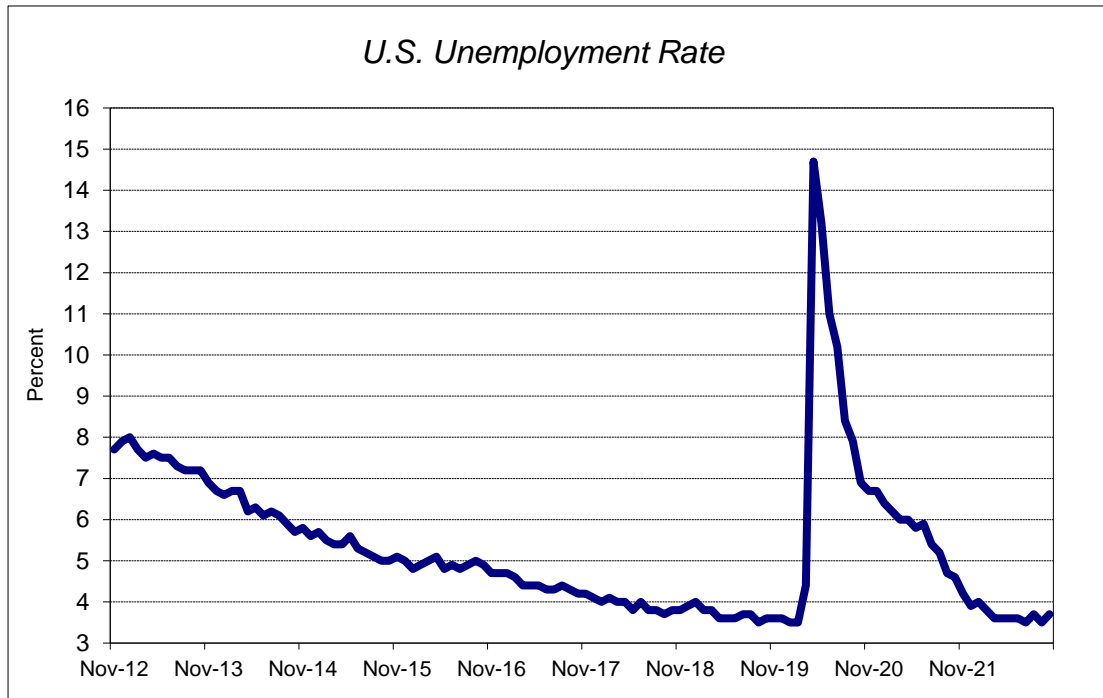
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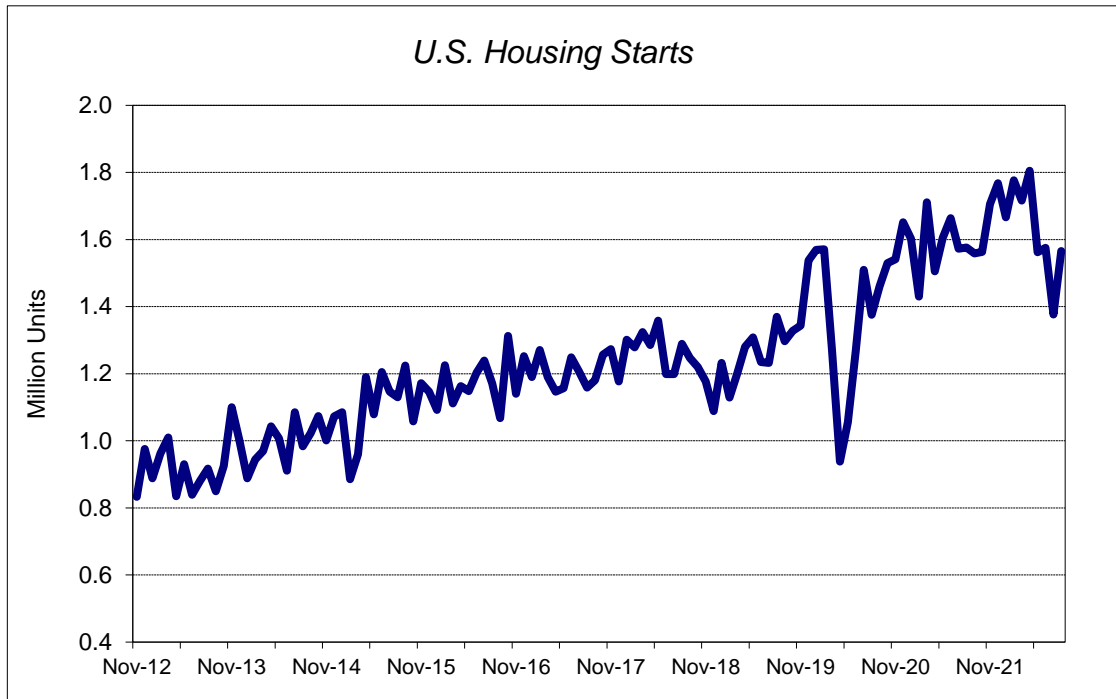
Source: Bureau of Labor Statistics



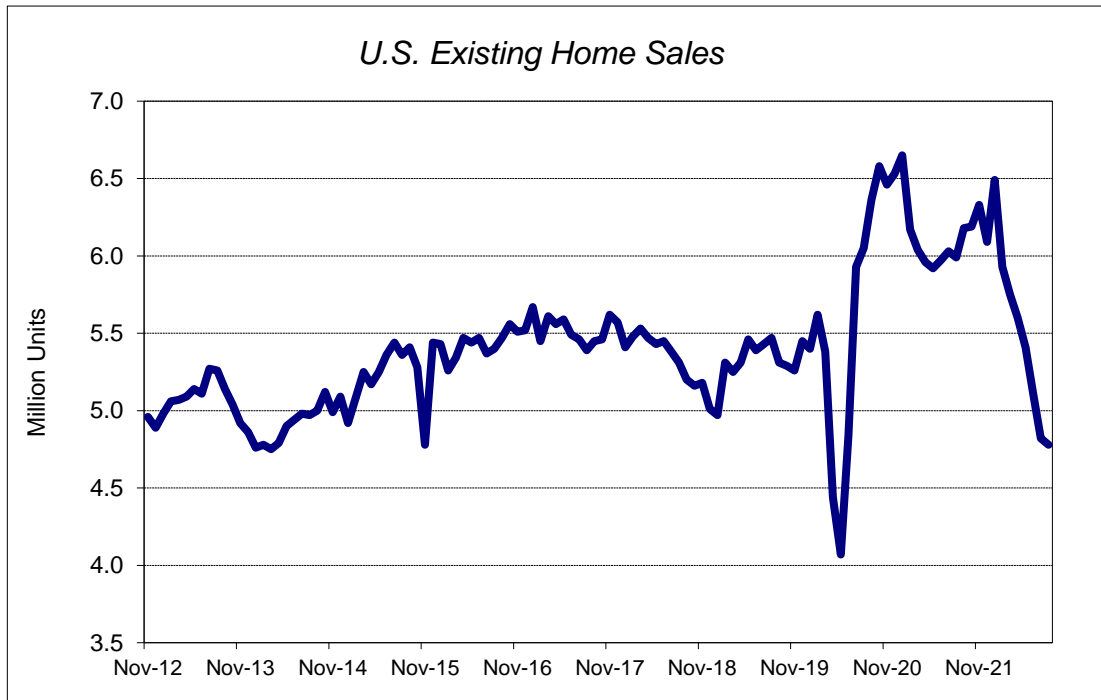
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Seasonally Adjusted Annual Rate; Source: Department of Commerce

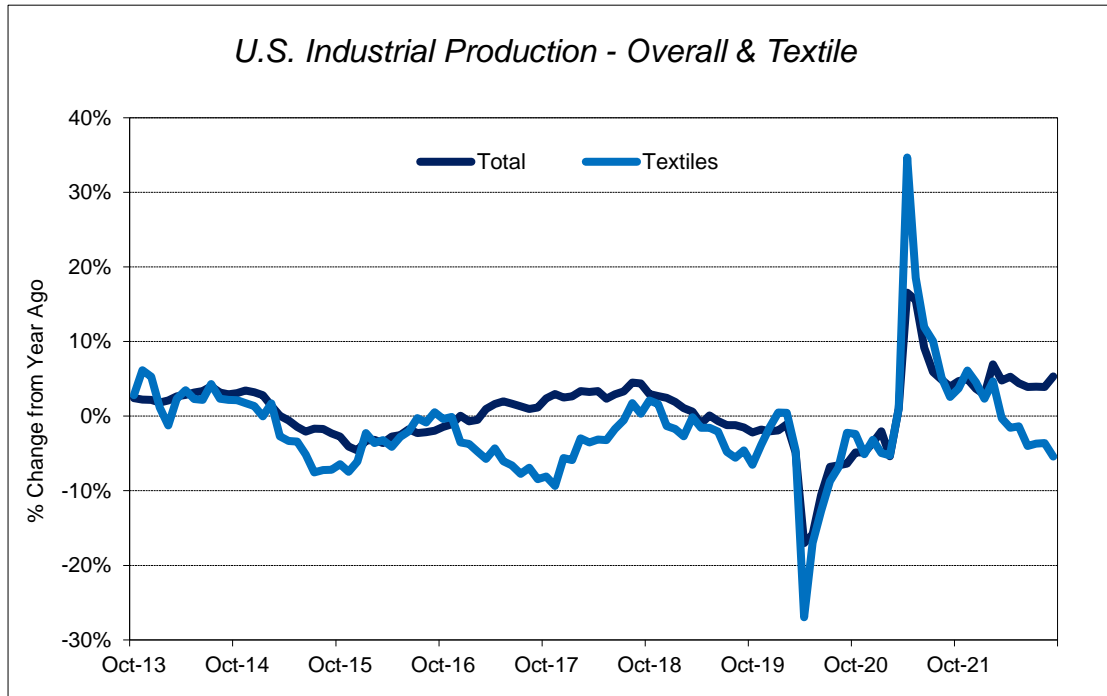


Seasonally Adjusted Annual Rate; Source: National Association of Realtors

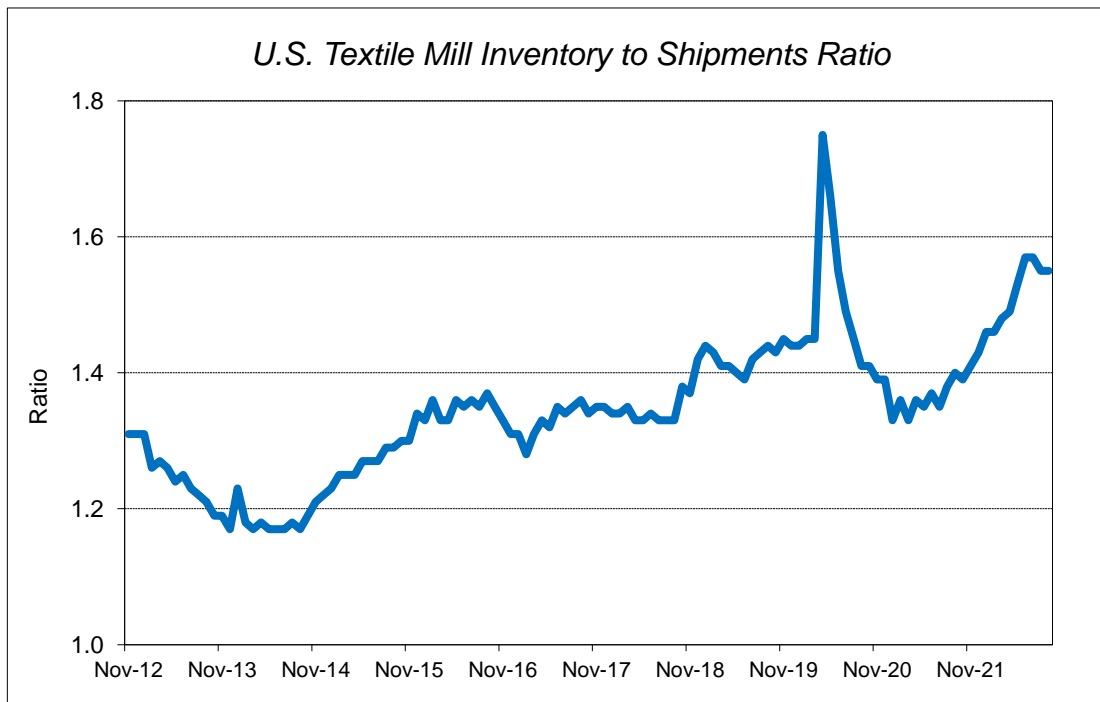
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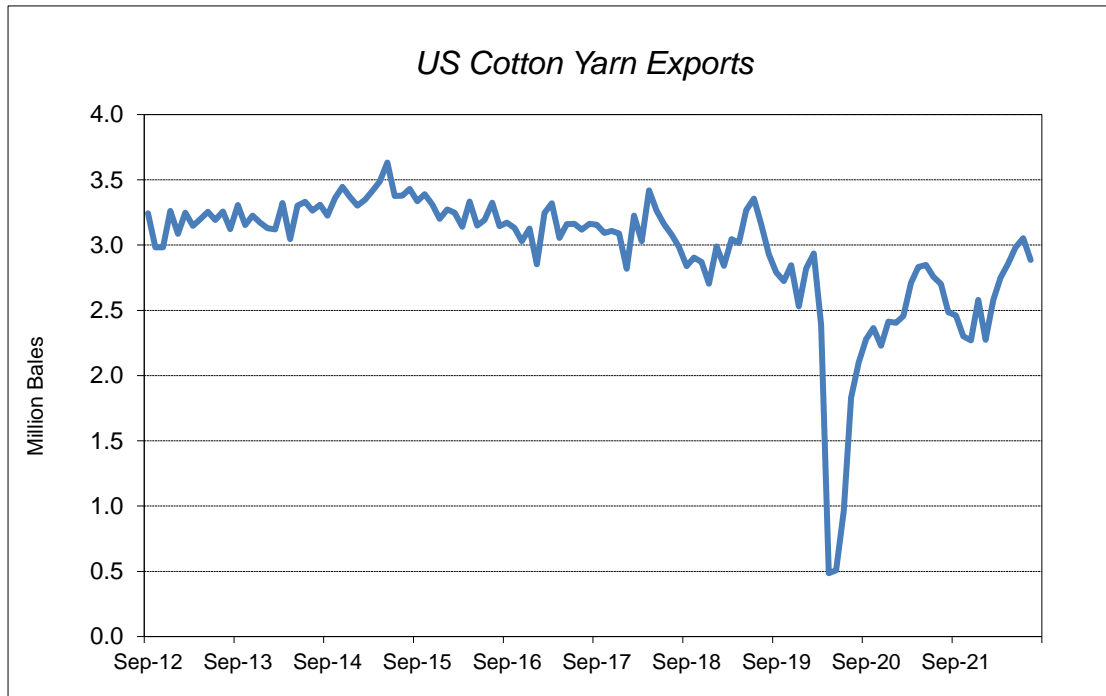
Source: Federal Reserve. Historical data revised to 1997 baseline.



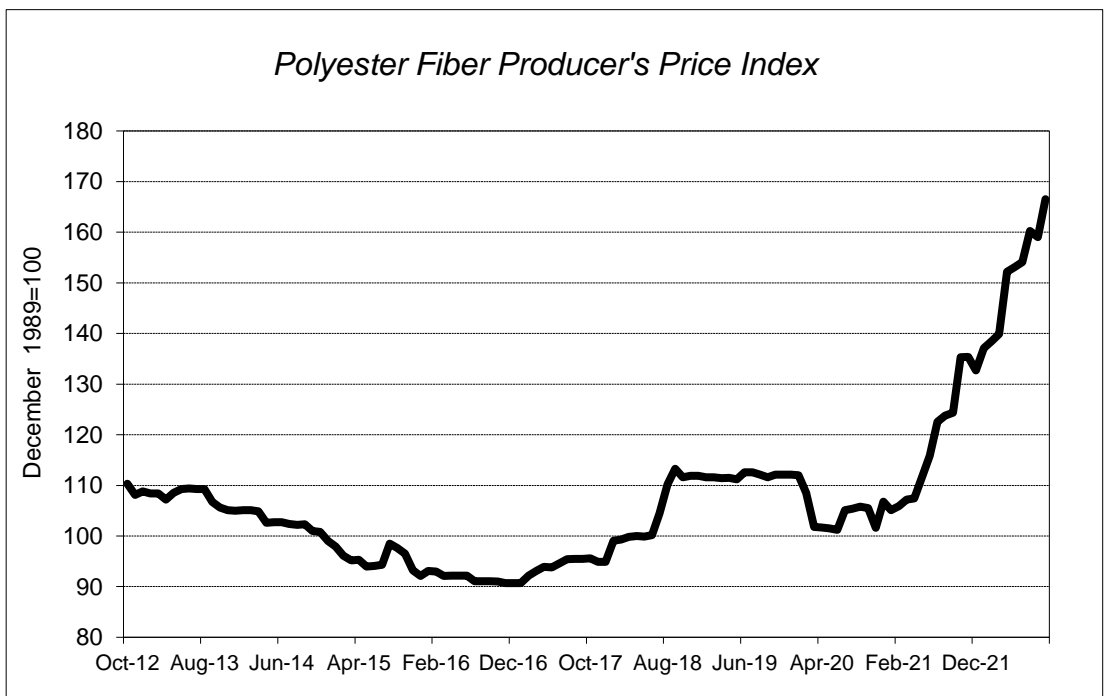
Seasonally Adjusted; Source: Department of Commerce

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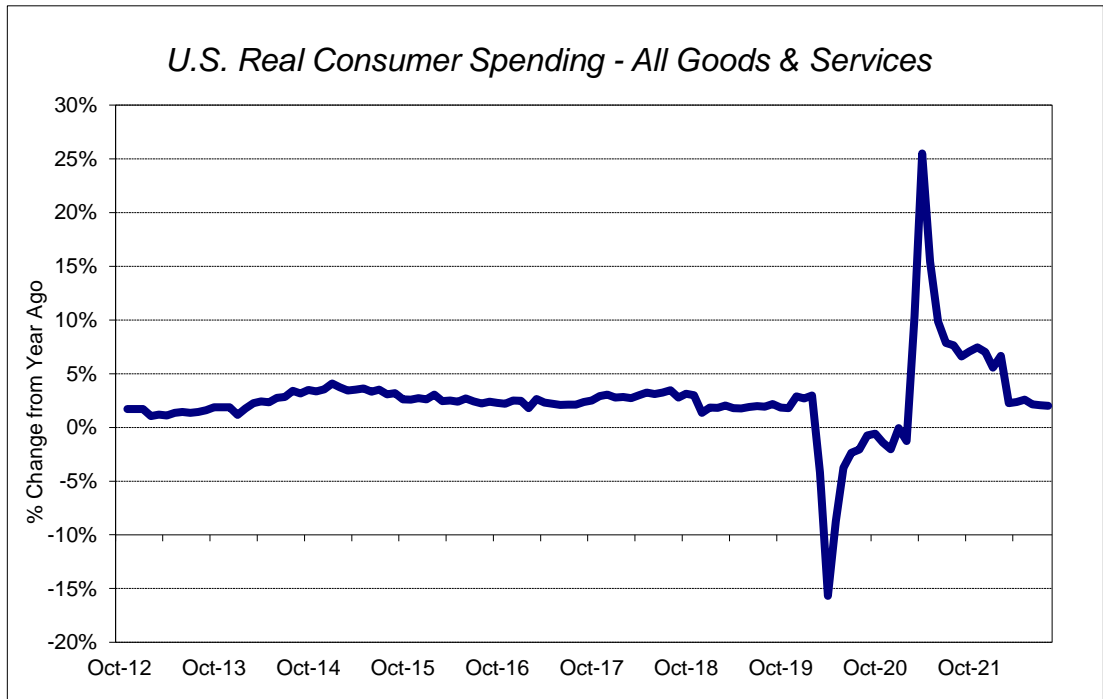
Seasonally Adjusted Annual Rate  
Source: USDA ERS



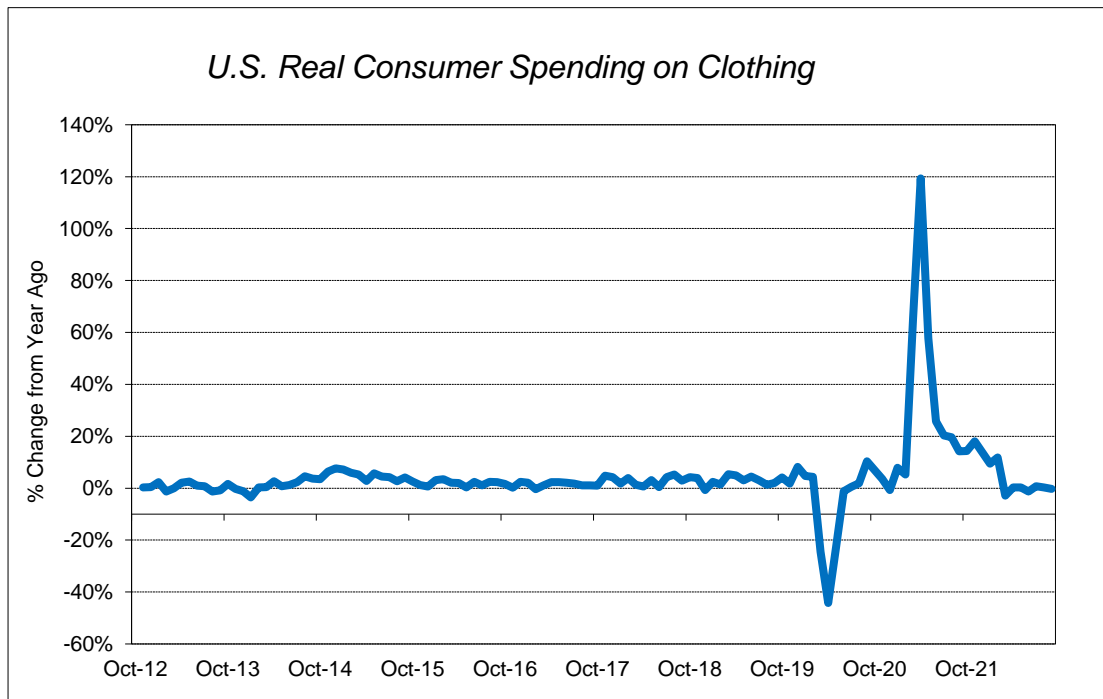
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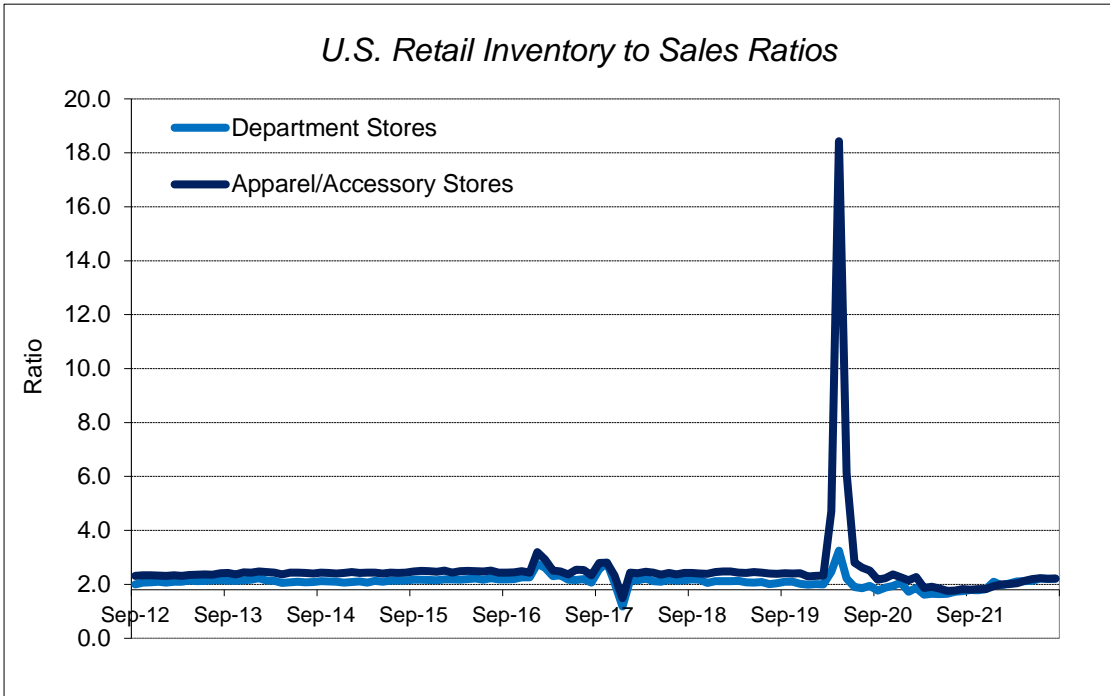
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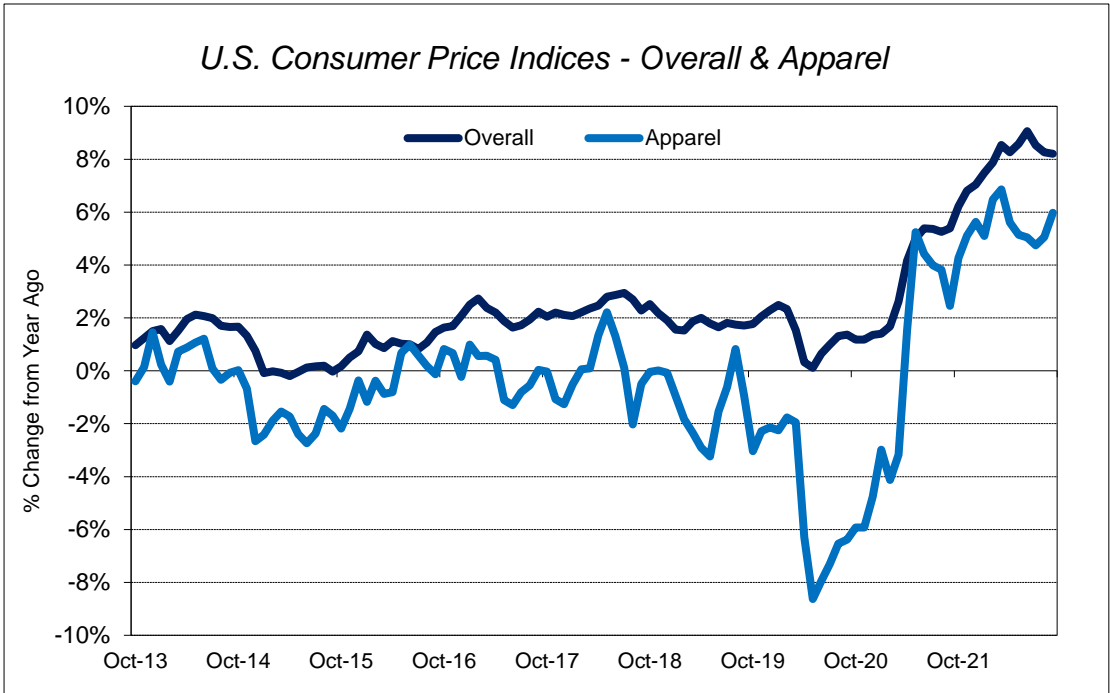
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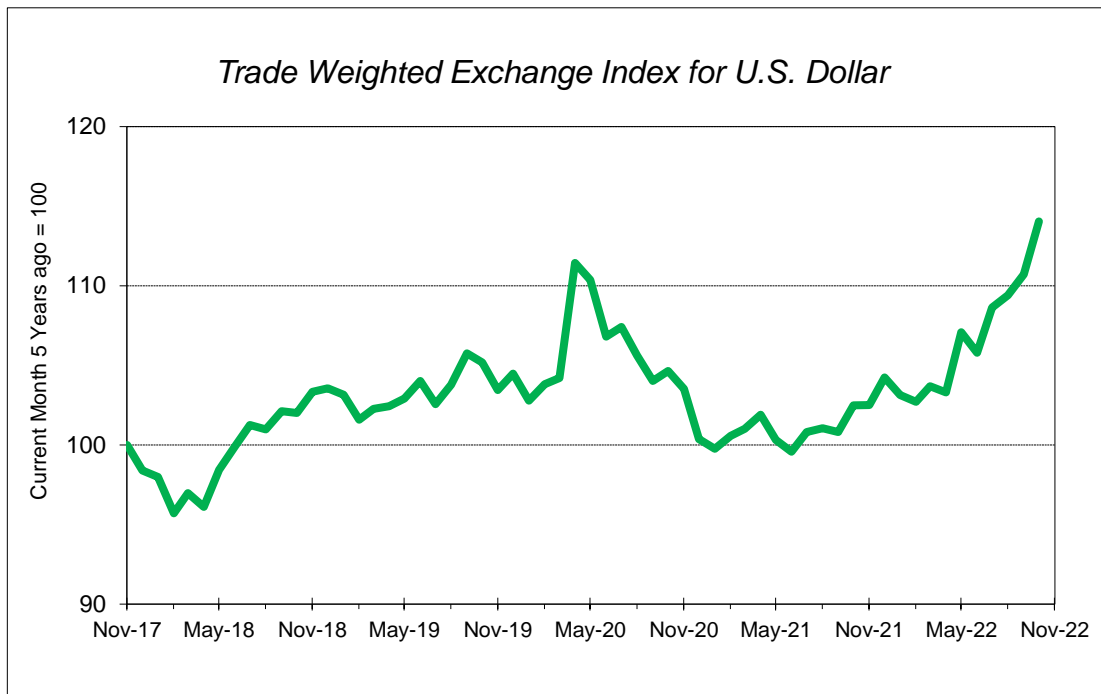
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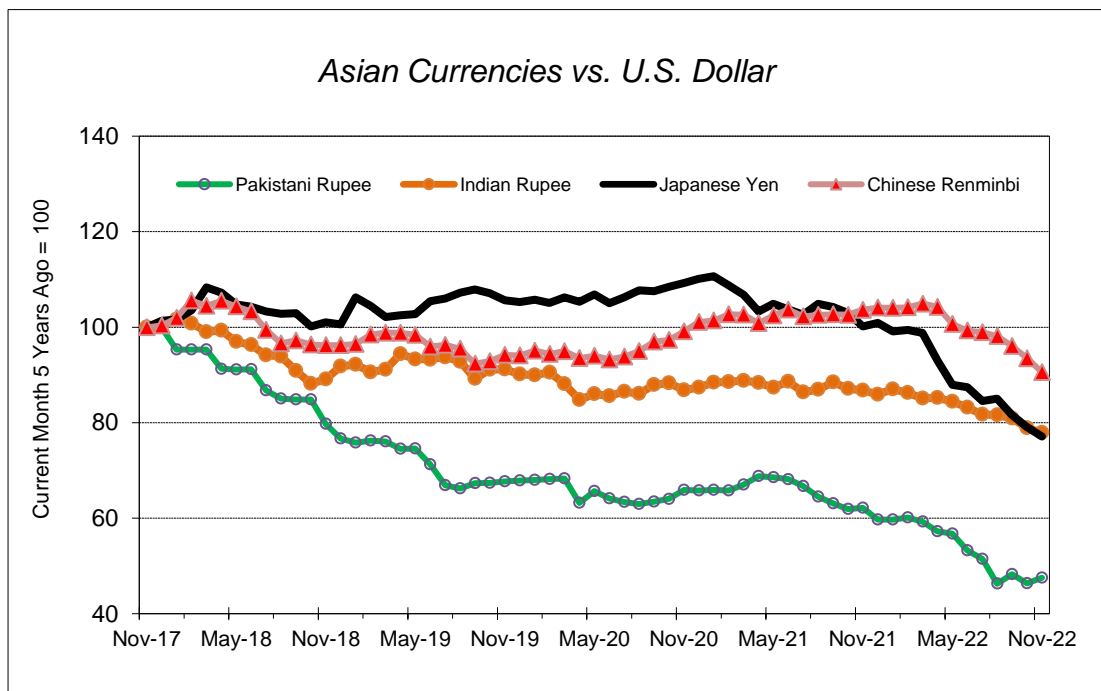
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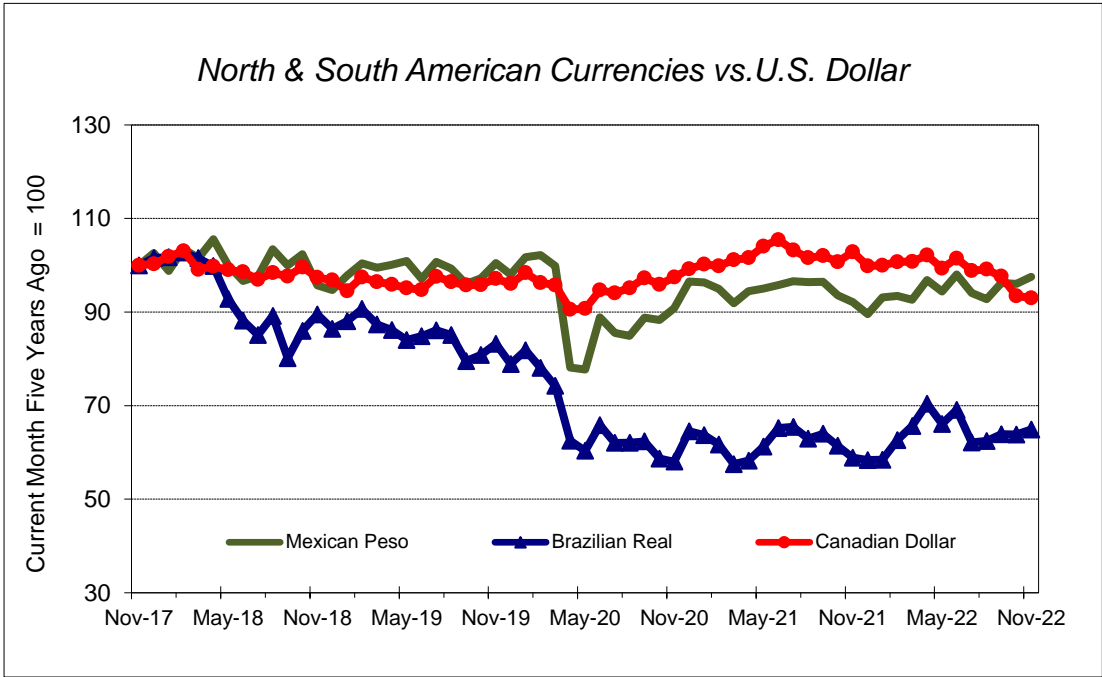
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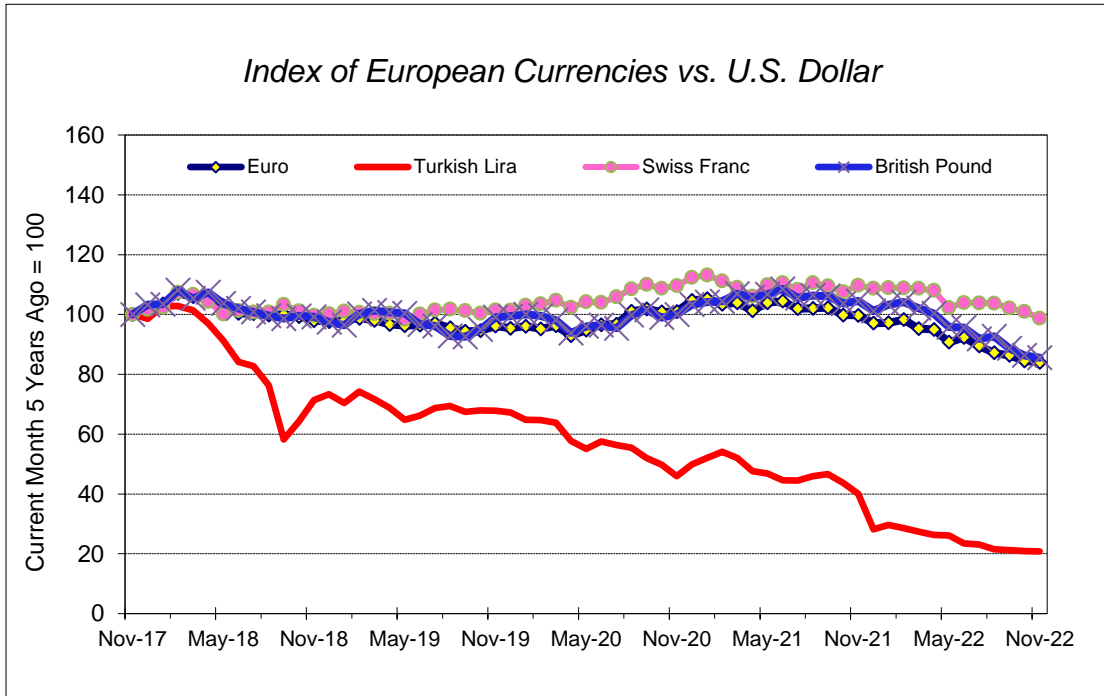
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Source: Reuters



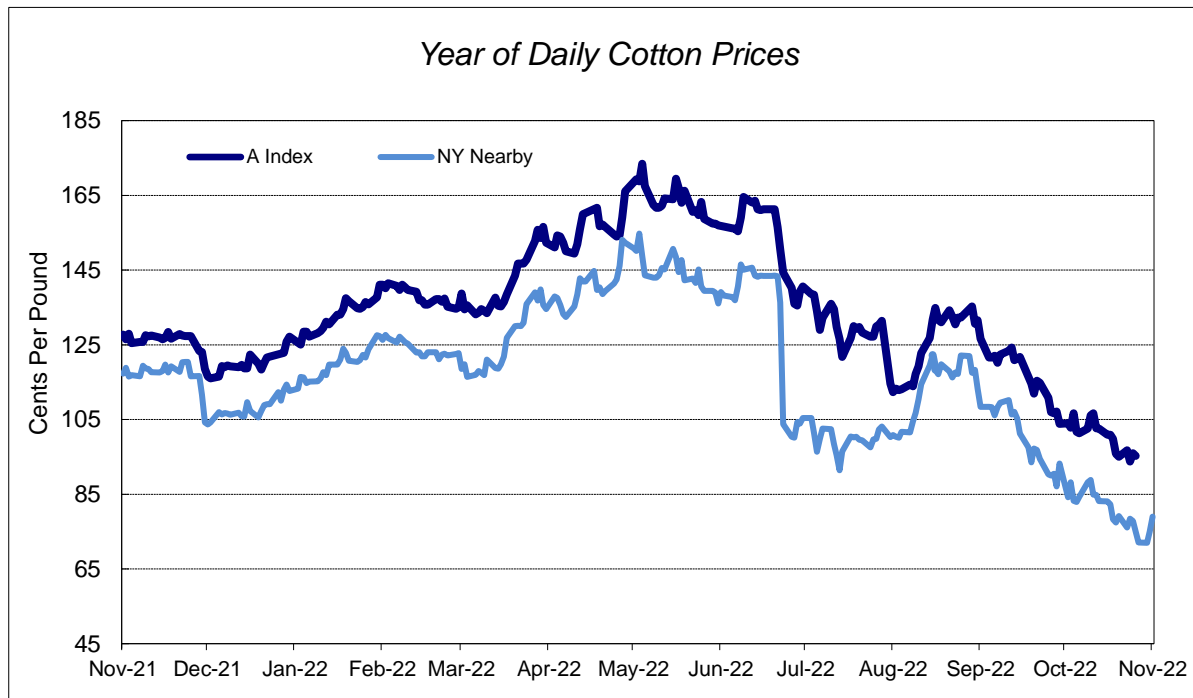
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## U.S. Balance Sheet

million 480 lb. bales	2018/19	2019/20	2020/21	2021/22	2022/23	2022/23
					September	October
Beginning Stocks	4.2	4.9	7.3	3.2	3.8	3.8
Production	18.4	19.9	14.6	17.5	13.8	13.8
Imports	0.0	0.0	0.0	0.0	0.0	0.0
Supply	22.6	24.8	21.9	20.7	17.6	17.6
Mill-Use	3.0	2.2	2.4	2.6	2.3	2.3
Exports	14.8	15.5	16.4	14.6	12.6	12.5
Demand	17.8	17.7	18.8	17.2	14.9	14.8
Ending Stocks	4.9	7.3	3.2	3.8	2.7	2.8
Stocks/Use Ratio	27.2%	41.0%	16.8%	21.8%	18.1%	18.9%



Sources: ICE Futures U.S. & Cotton Outlook

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