

Executive Cotton Update

U.S. Macroeconomic Indicators &
the Cotton Supply Chain



December 2022

www.cottoninc.com

Macroeconomic Overview: The U.S. labor market continues to add jobs and support wage growth. This may give the Federal Reserve more room to continue to aggressively increase interest rates to tame inflation. For this reason, financial markets turned lower after the positive job report.

Effects of rising interest rates on economic growth are lagged, so concerns remain about the outlook for growth into 2023. Nonetheless, reports regarding spending during the critical Thanksgiving weekend were generally stronger than expected.

The National Retail Federation (NRF) reported that there were 196.7 million holiday shoppers in stores and online between the Thursday of Thanksgiving (November 24th) and the following Monday. Dollar volume data for in-store sales on Black Friday (day after Thanksgiving) are not available, but online spending was reported to be +2.3% higher year-over-year. On Cyber Monday, the Monday following Thanksgiving, which has become important for online spending, Adobe reported that sales were +5.8% higher.

Spending figures in dollar terms are affected by price changes. Inflation may have pushed prices higher, but retailers facing inventory accumulation and potentially weaker consumer demand have been offering discounts. Despite the swirl of price-related effects, consumers were more active than was feared.

For the entire holiday season, the NRF forecast consumer spending would be +6-8% higher year-over-year. For comparison, holiday spending growth was +13.5% in 2021 and was +9.3% higher in 2020. Before COVID, the U.S. was in a period of slower economic growth, and holiday spending was +1.9% in 2018 and +3.6% in 2019.

This year, the strength of the labor market and accumulated savings are supporting spending growth. In addition, concerns about a future slowdown may be pulling spending forward in time. Depending on how much the economy may slow in 2023 and how many purchases are pulled forward, there could be a pullback in the new calendar year.

Employment: The U.S. economy was estimated to have added +263,000 jobs in November, near the levels posted over the past four months. Revisions to figures from the last two months were mixed (September -46,000 to +269,000, October +23,000 to +284,000). The current 12-month average is +408,000. Wages increased +5.1% year-over-year, which is near most values registered after the initial shock of COVID.

The unemployment rate was unchanged at 3.7%, which is low by historical standards. Initial claims for unemployment insurance, a proxy for layoffs, have been trending higher. However, recent weekly values have held below 250,000. Readings below 300,000 claims are associated with job growth.

Consumer Confidence & Spending: The Conference Board's Index of Consumer Confidence decreased in November (-2.0 points, from 102.2 to 100.2). The index held to levels near 110 in late 2021 in the first quarter of 2022 but dropped to levels closer to 100 more recently. The drop in confidence followed the outbreak of war in Europe and the rise in gasoline prices.

Overall consumer spending increased +0.5% month-over-month in October. Year-over-year, overall spending increased +1.8%. Consumer spending on apparel increased +0.1% month-over-month and was +0.8% higher year-over-year. Since March 2021, consumer spending on clothing has been relatively flat. However, it has been holding at levels about +25% higher than the same months in 2019.

Consumer Prices & Import Data: Retail prices for garments decreased -0.5% month-over-month in October. Year-over-year, retail apparel prices were +4.6% higher. Compared to the average before COVID (2019 calendar year), clothing prices were +1.5% higher.

Import prices, as represented by the cost per square meter equivalent (SME) of cotton-dominant apparel, were \$4.27/SME in seasonally-adjusted terms for October. This is the highest value on record, and it follows a near-record low posted in March 2021 (\$2.97/SME).

In terms of square meter equivalence (seasonally-adjusted), import volumes were down -17% year-over-year in October and have been negative year-over-year for each of the past four months of data (since July). This followed record volume in April. Imports remained elevated through June. Since then, shipments have been trending sharply lower. The volume in October was below the lower end of the general range that bound imports for most of the past decade (excluding months severely affected by COVID).

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
December 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%	2.9%	% Chg. Quarter/Quarter	Department of Commerce

Macroeconomic Series with Latest Data for November

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	September	October	November		
ISM Index of Manufacturing Activity	55.5	54.4	51.5	50.0	50.9	50.2	49.0	Index	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	57.6	57.2	56.1	55.9	56.7	54.4	56.5	Index	Institute for Supply Management
Consumer Confidence	115.5	104.9	101.3	103.4	107.8	102.2	100.2	Index	The Conference Board
Change in Non-Farm Payrolls	103.3	408.0	323.0	272.0	269	284	263	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	4.9%	3.7%	3.6%	3.6%	3.5%	3.7%	3.7%	Rate	Bureau of Labor Statistics
US Interest Rates									
Federal Funds	1.2%	1.3%	2.4%	3.1%	2.6%	3.1%	3.8%	Interest rate	Federal Reserve
10-year Treasury Bill	2.0%	2.8%	3.4%	3.8%	3.5%	4.0%	3.9%	Interest rate	Federal Reserve

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		
Index of Leading Economic Indicators	112.7	117.5	116.1	115.5	115.8	115.8	114.9	Index	The Conference Board
Housing Starts	14.1	16.1	14.9	1.5	1.5	1.5	1.4	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.6	5.5	4.9	4.6	4.8	4.7	4.4	Annual pace, millions of units	National Association of Realtors

Industrial & Textile Data

Industrial & Textile 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		
US Industrial Production	100.9	103.6	104.5	104.7	104.8	104.7	104.7	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	116.9	150.1	161.0	166.2	159.3	167.9	171.3	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	2.6	2.8	2.8	3.0	2.8	2.6	million 480lb bales	USDA ERS

Industrial & Textile 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		
US Textile Mill Inventory/Shipments Ratio	1.43	1.52	1.56	1.57	1.57	1.56	1.57	Ratio	Department of Commerce

Retail Data

Retail 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		
US Real Consumer Spending									
All Goods and Services	2.7%	3.7%	2.1%	2.0%	2.1%	2.0%	1.8%	% Chg. Year/Year	Department of Commerce
Clothing	7.1%	4.3%	0.2%	0.5%	0.5%	0.1%	0.8%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	3.5%	8.0%	8.4%	8.1%	8.3%	8.2%	7.7%	% Chg Year/Year	Bureau of Labor Statistics
Clothing	-0.1%	5.4%	5.1%	5.2%	5.1%	6.0%	4.6%	% Chg. Year/Year	Bureau of Labor Statistics

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		
Retail Inventory/Sales Ratio									
Clothing and Clothing Accessory Stores	2.6	2.1	2.2	2.2	2.2	2.2	2.2	Ratio	Department of Commerce
Department Stores	2.0	2.1	2.2	2.2	2.2	2.2	2.1	Ratio	Department of Commerce

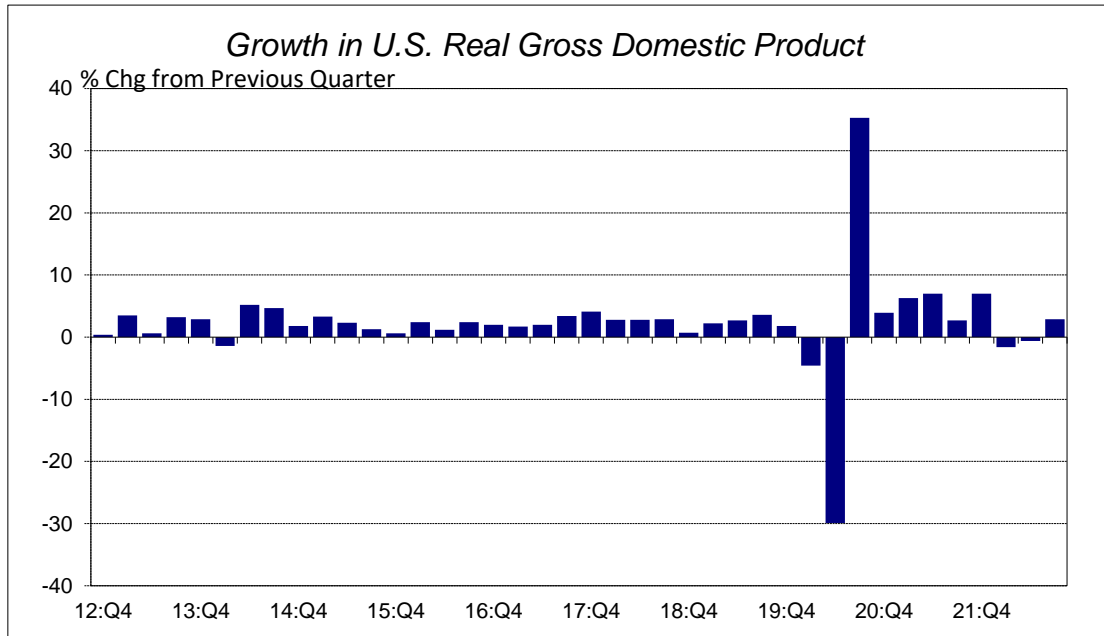
Executive Cotton Update

Daily Cotton Price and Currency Data
December 2022

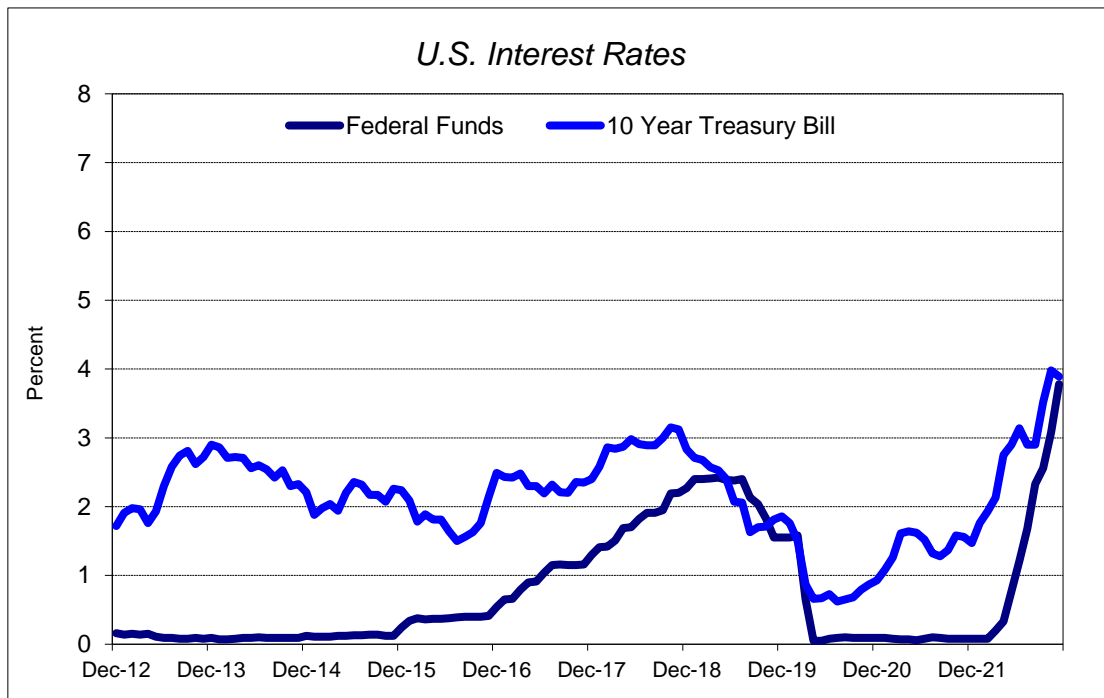


Daily Cotton Price Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	September	October	November		
NY Nearby	81.6	116.7	131.2	139.4	140.5	145.0	132.7	cents/pound	ICE
A Index	91.4	129.3	147.5	157.7	155.3	163.8	154.2	cents/pound	Cotlook

Daily Currency Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	September	October	November		
Dollar Trade Weighted Exchange Index	115.7	117.1	123.9	126.6	124.9	127.4	127.4	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.71	6.69	6.90	7.10	6.95	7.09	7.27	Chinese Renminbi/US dollar	Reuters
Indian Rupee	72.67	75.12	80.06	81.39	79.84	81.89	82.44	Indian Rupee/US dollar	Reuters
Japanese Yen	112.98	115.03	139.53	144.95	142.72	144.89	147.25	Japanese Yen/US dollar	Reuters
Pakistani Rupee	156.82	173.10	215.88	221.18	221.10	220.88	221.55	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	4.61	5.18	5.15	5.15	5.23	5.19	5.04	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.30	1.30	1.32	1.35	1.31	1.37	1.35	Canadian dollar/US dollar	Reuters
Mexican Peso	20.07	20.61	20.07	19.91	20.13	20.08	19.53	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.77	0.77	0.85	0.88	0.87	0.89	0.89	British Pound/US dollar	Reuters
Euro	0.88	0.89	0.99	1.01	1.01	1.02	1.01	Euro/US dollar	Reuters
Swiss Franc	0.96	0.94	0.98	0.99	0.98	0.99	1.00	Swiss Franc/US dollar	Reuters
Turkish Lira	8.28	10.38	17.86	18.47	18.22	18.58	18.61	Turkish Lira/US dollar	Reuters



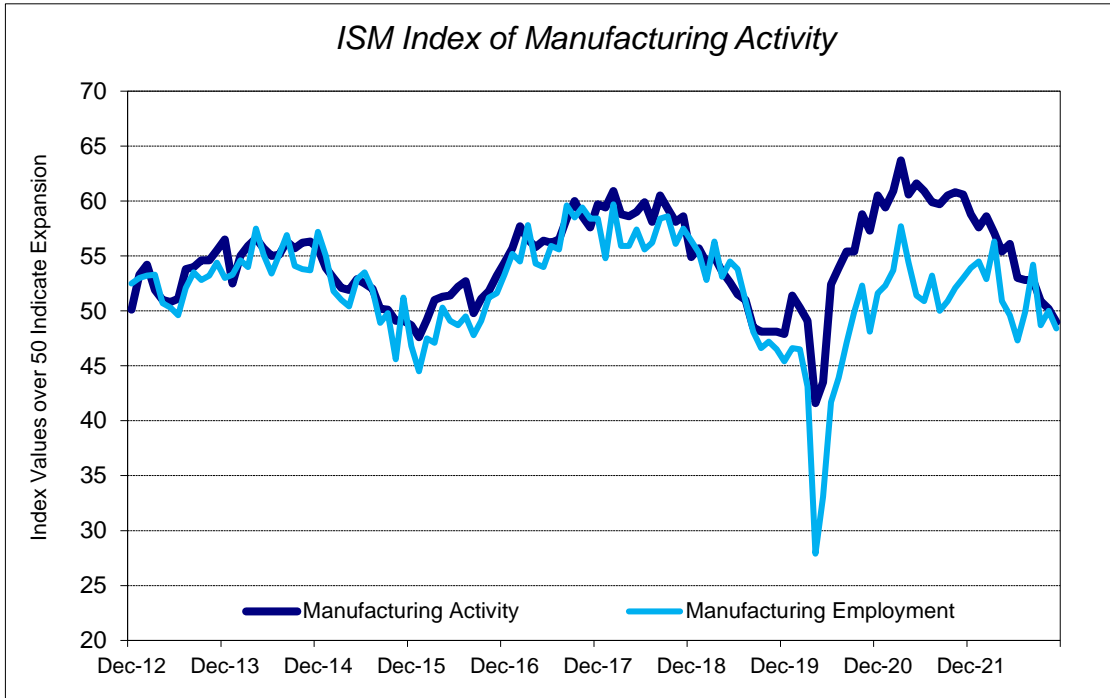
Seasonally Adjusted Annual Rate; Source: Department of Commerce
 *Based on chained 2005\$.



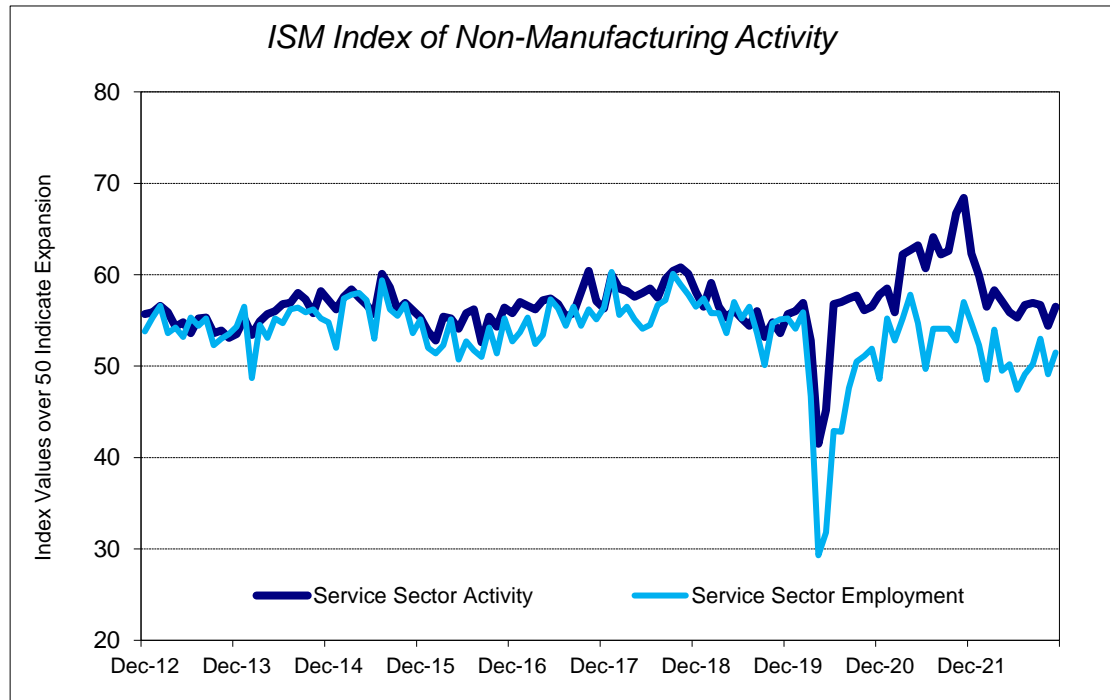
Source: Federal Reserve

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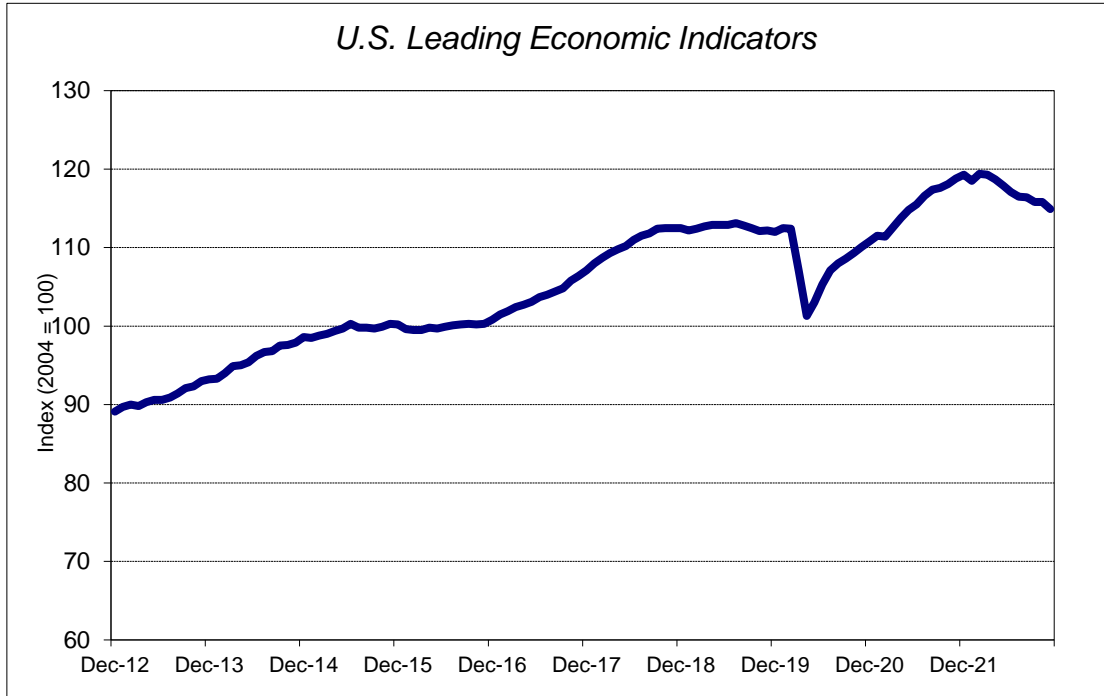
Source: Institute for Supply Chain Management



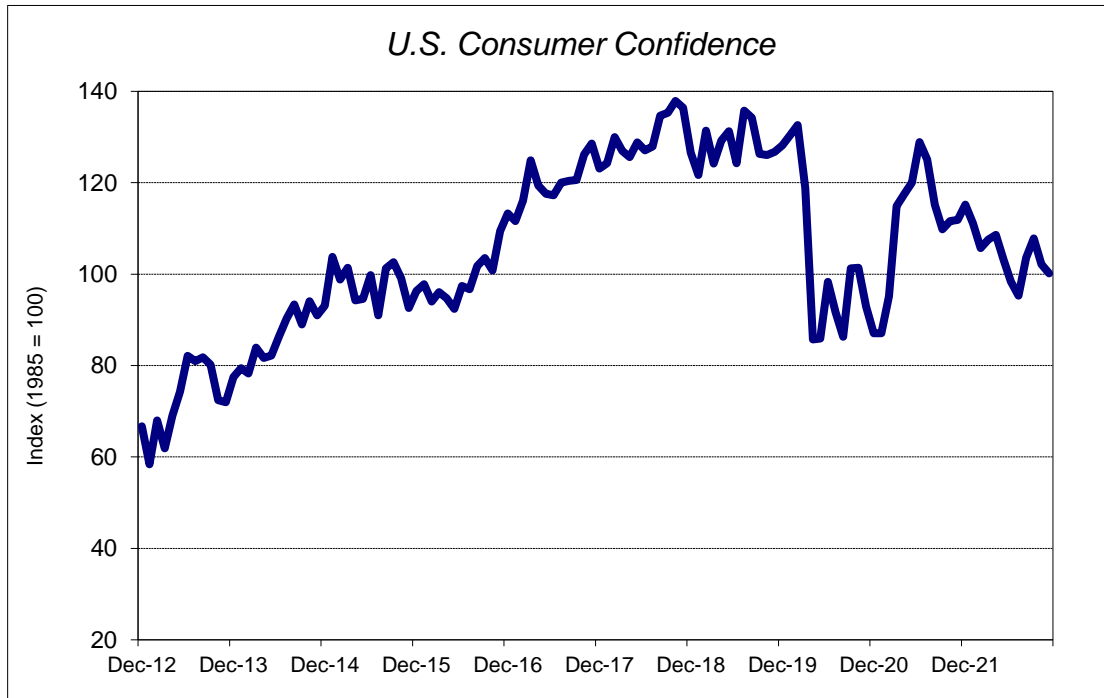
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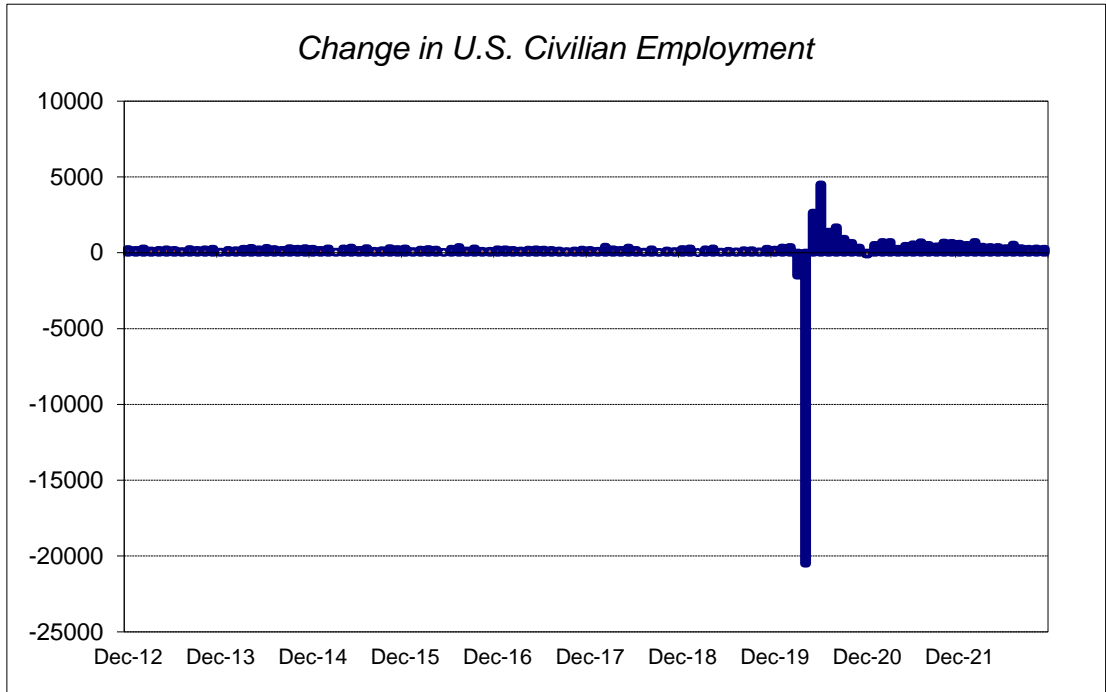
Source: The Conference Board



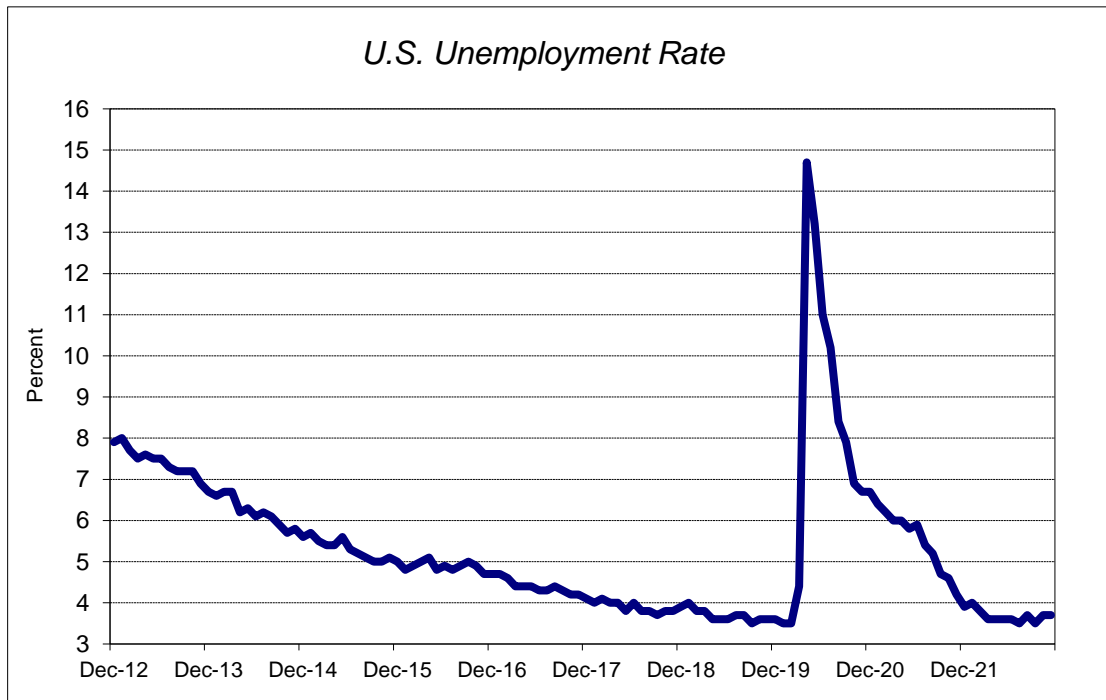
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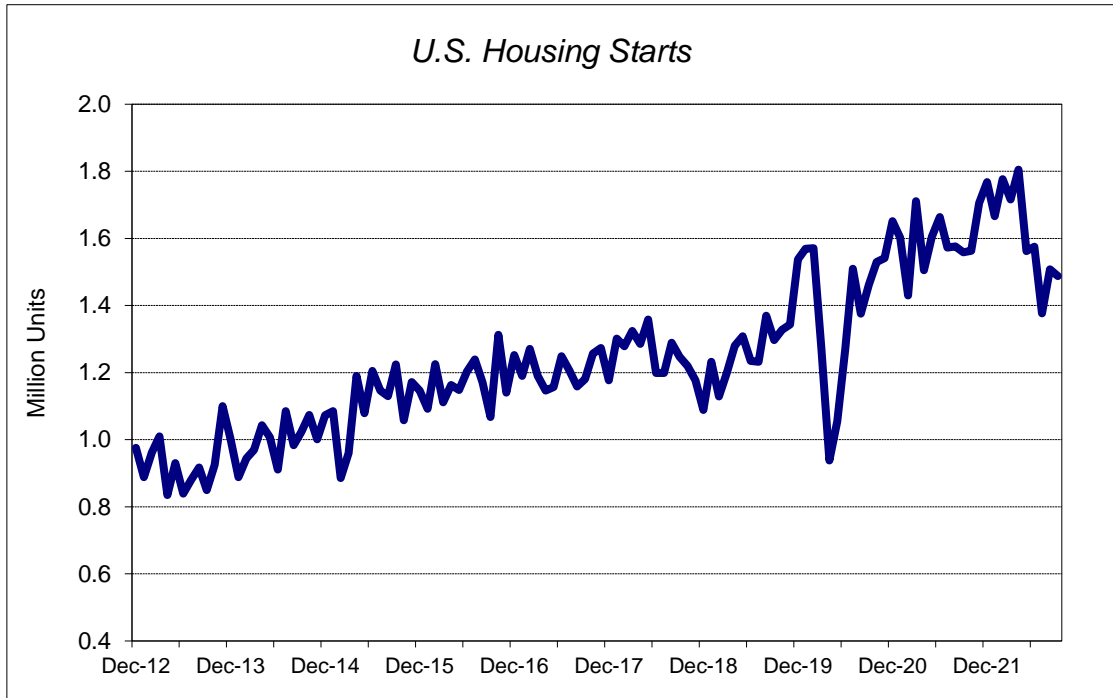
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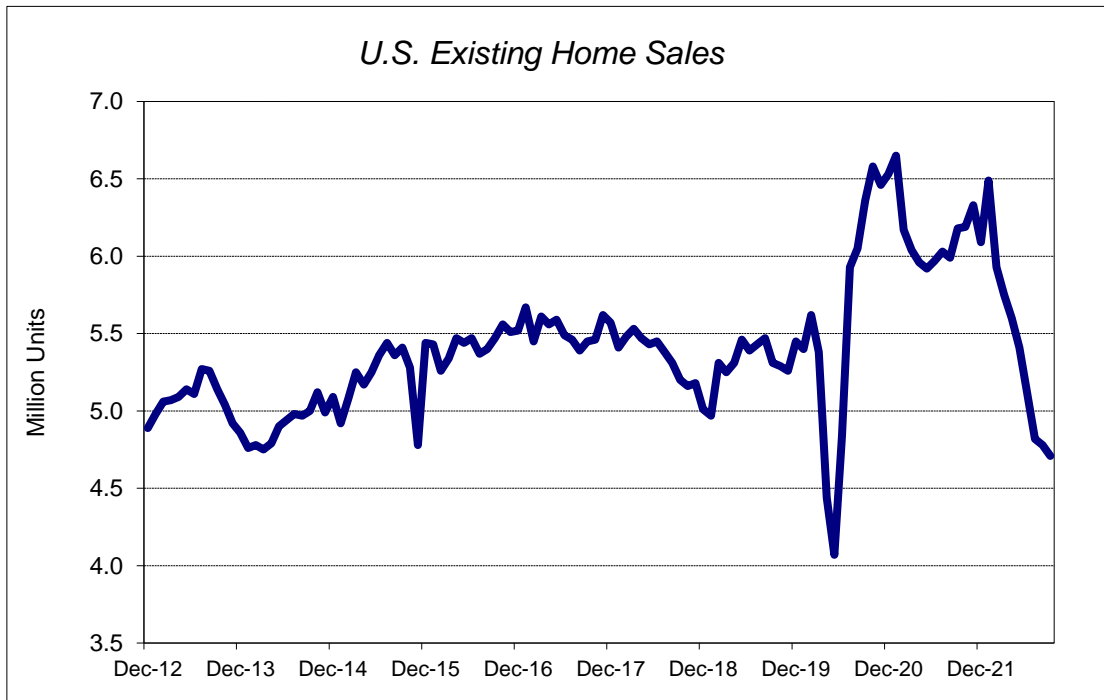
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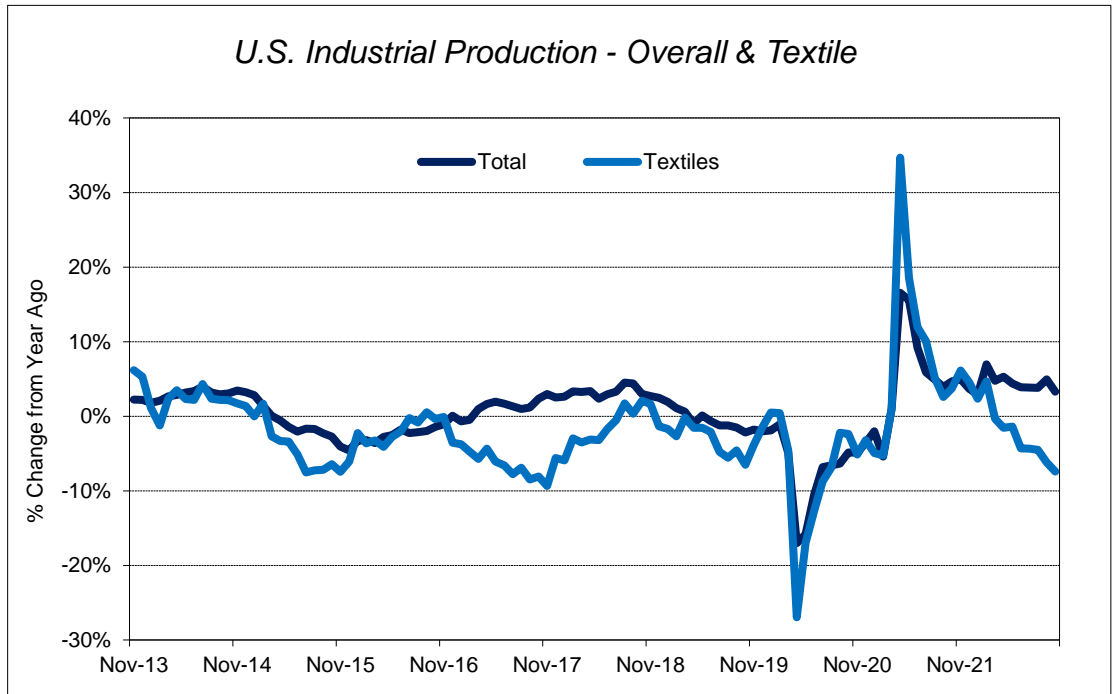
Seasonally Adjusted Annual Rate; Source: Department of Commerce



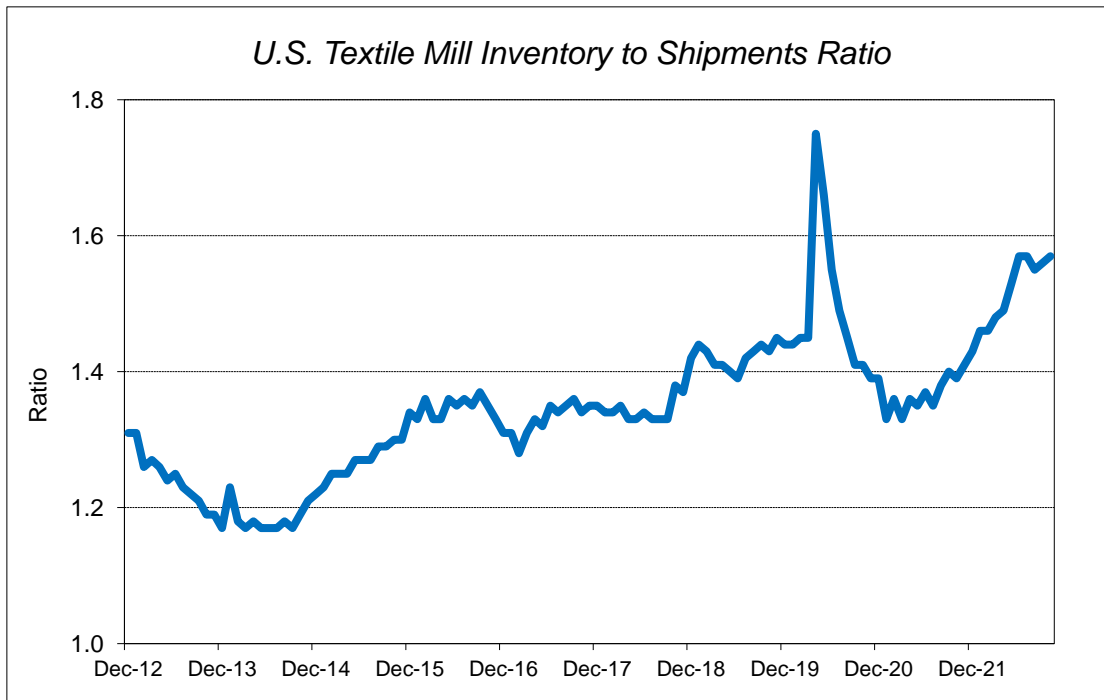
Seasonally Adjusted Annual Rate; Source: National Association of Realtors

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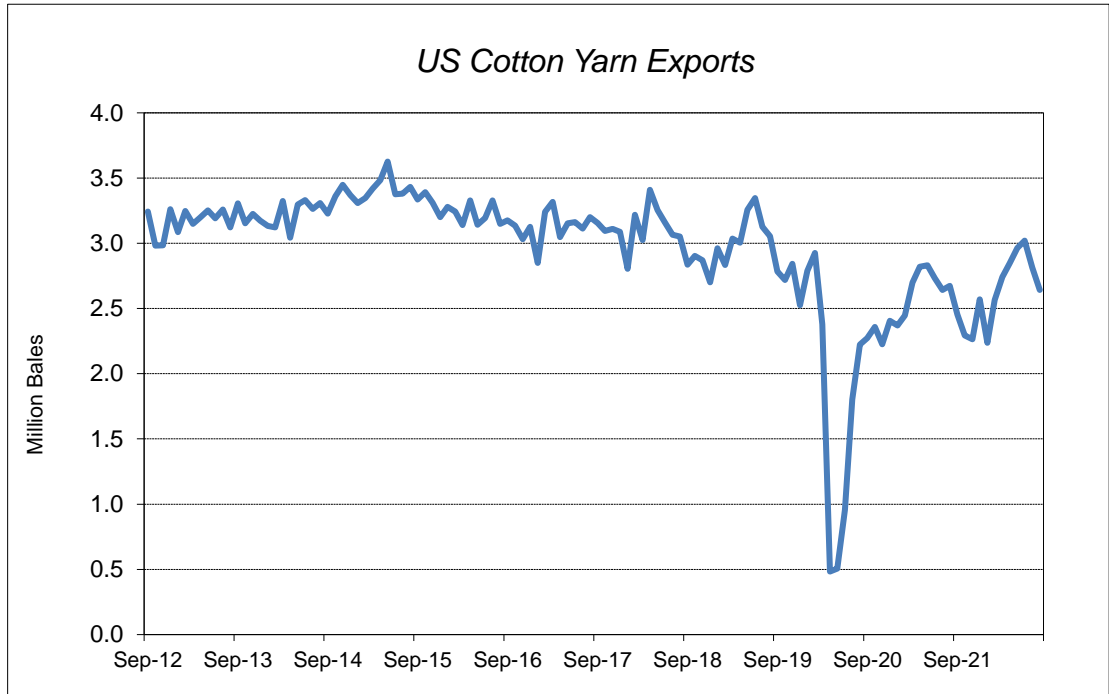
Source: Federal Reserve. Historical data revised to 1997 baseline.



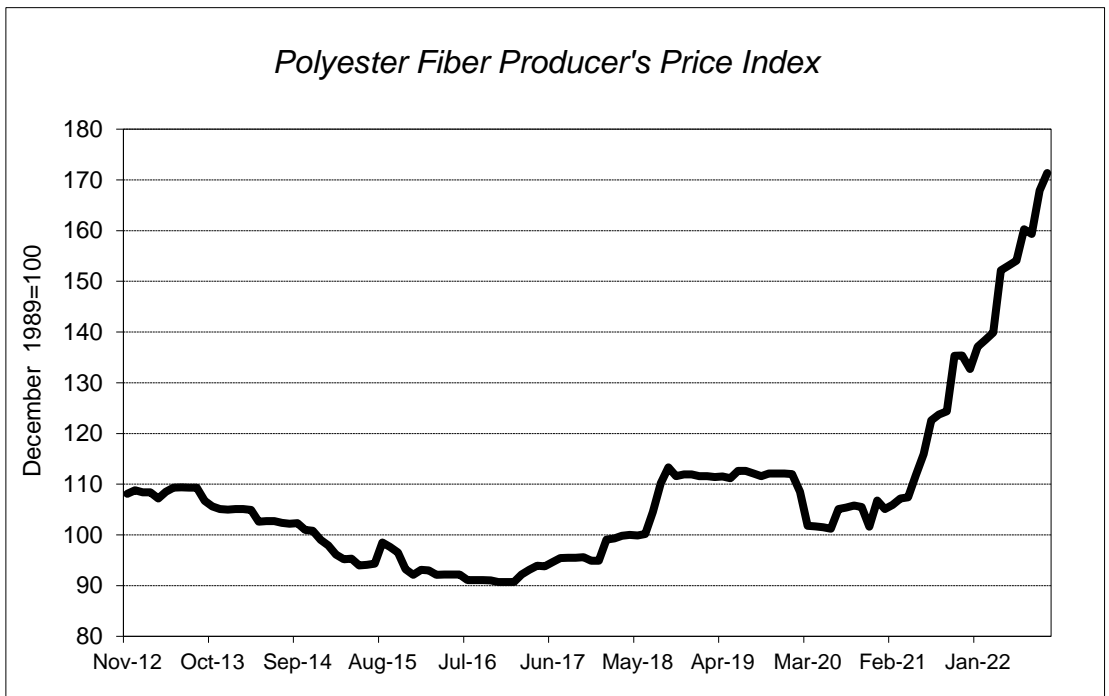
Seasonally Adjusted; Source: Department of Commerce

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Seasonally Adjusted Annual Rate
Source: USDA ERS



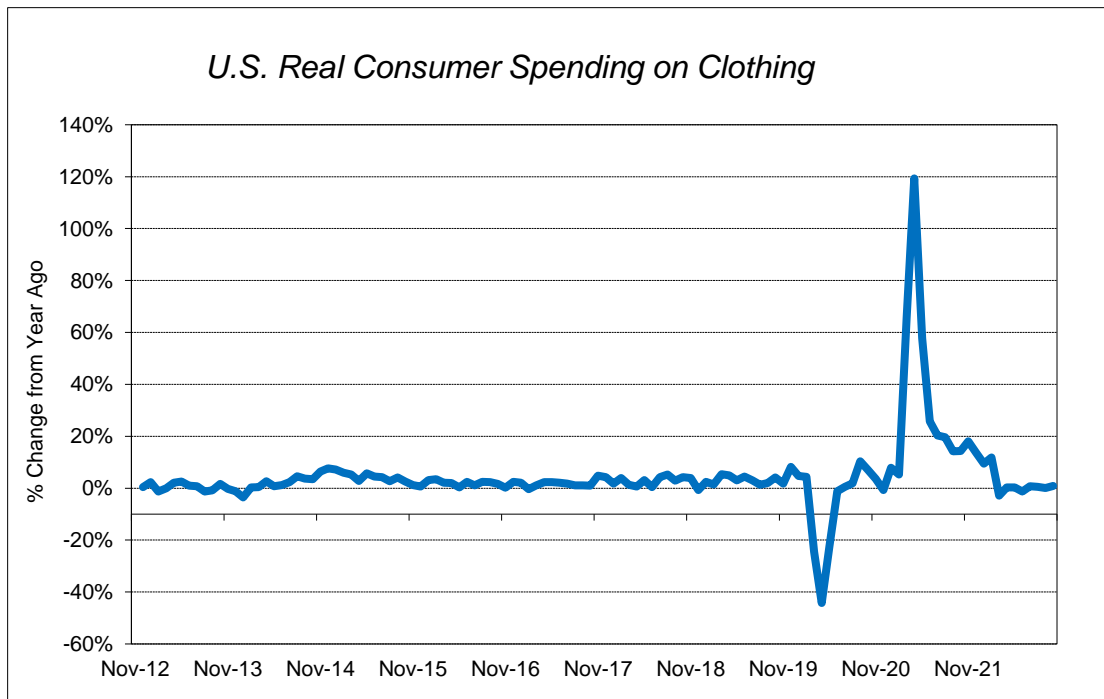
Source: Bureau of Labor Statistics

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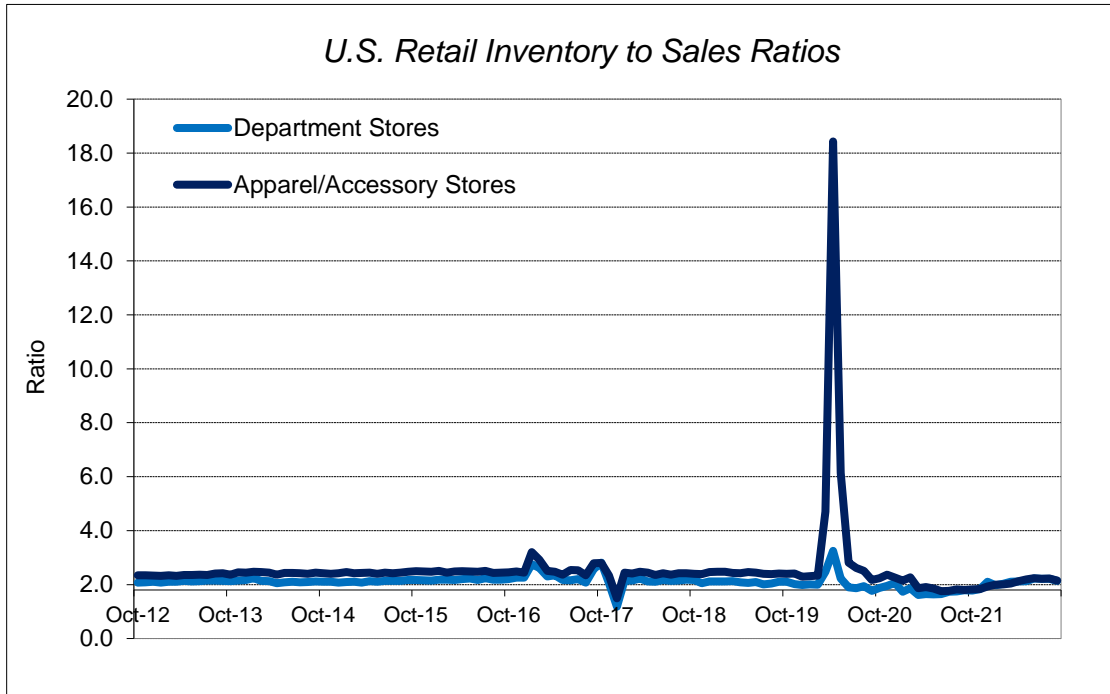
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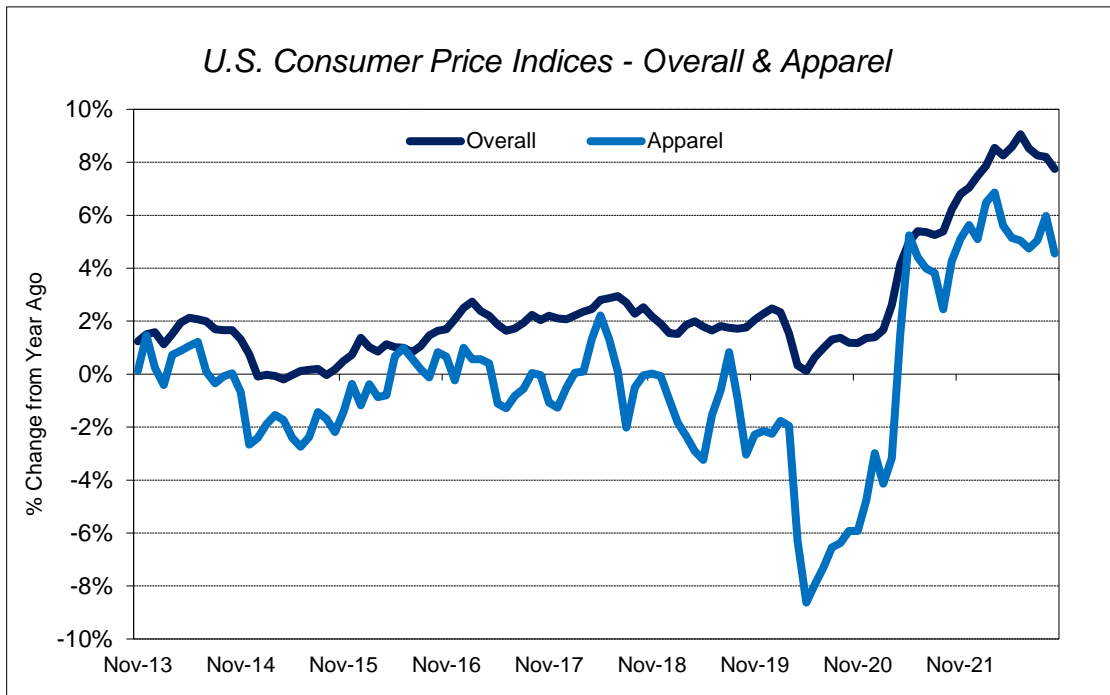
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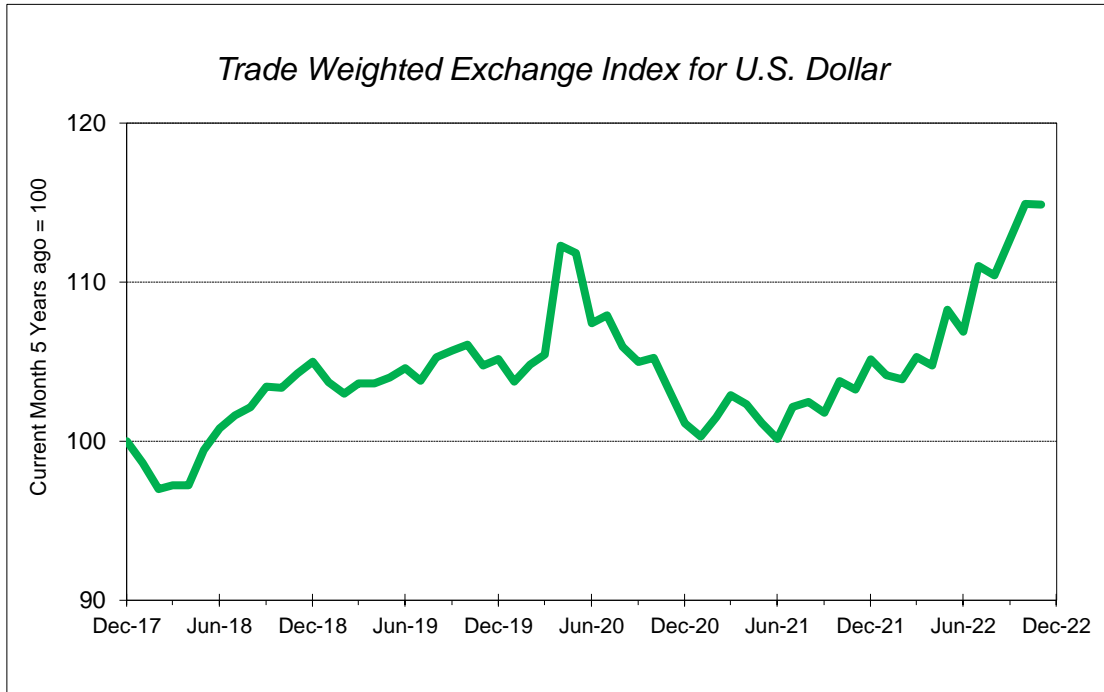
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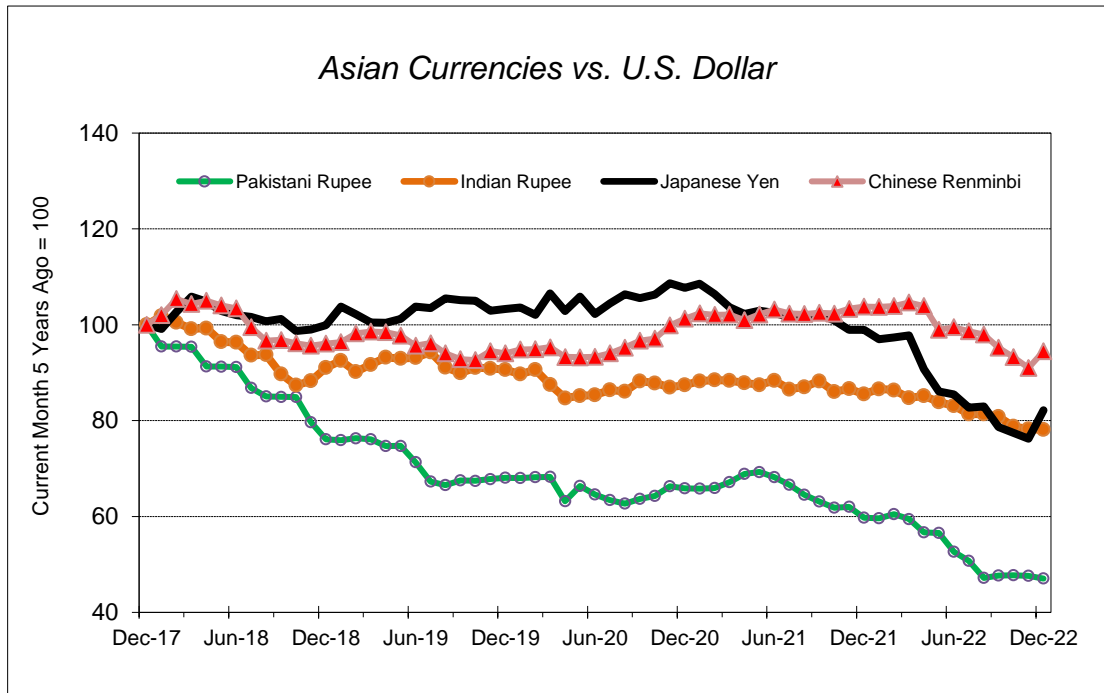
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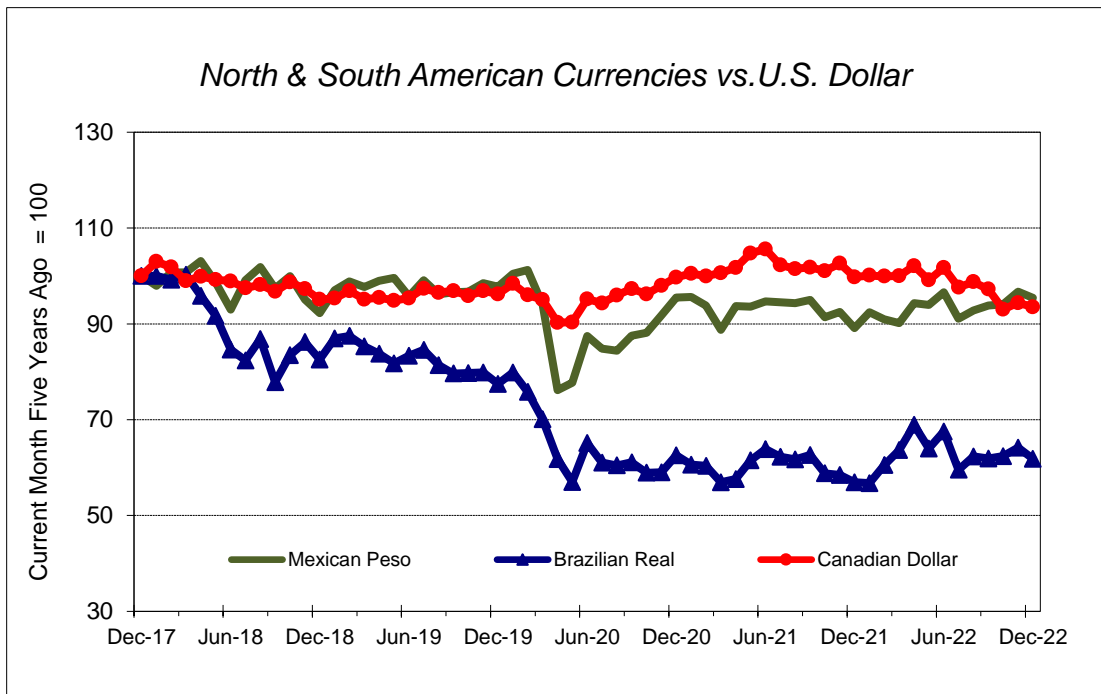
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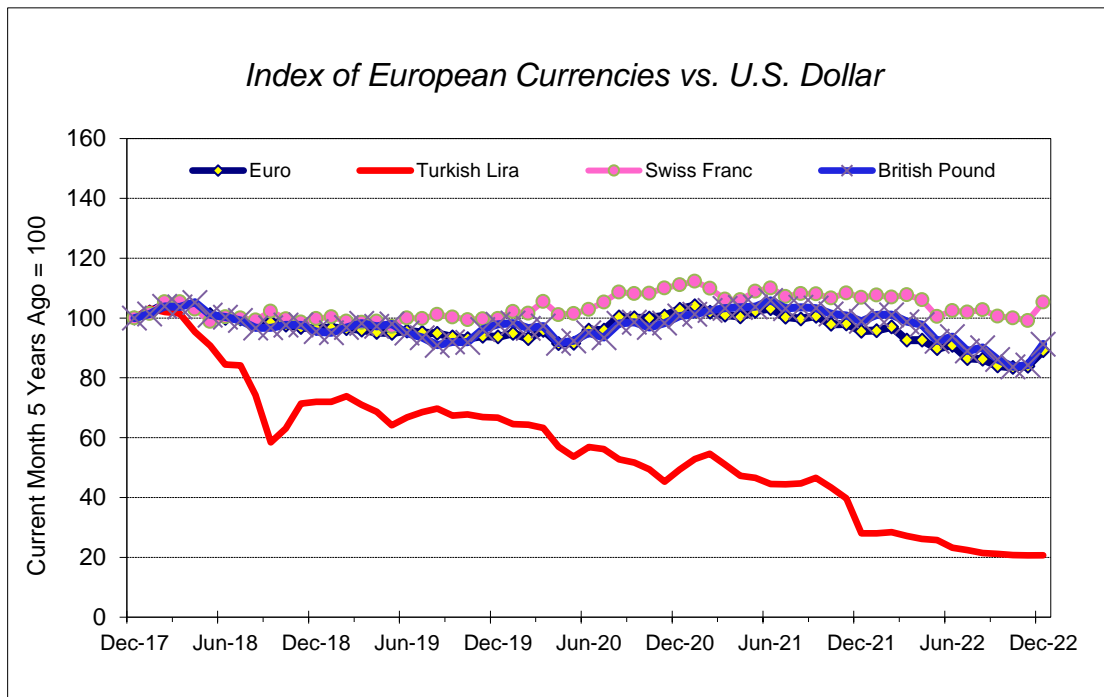
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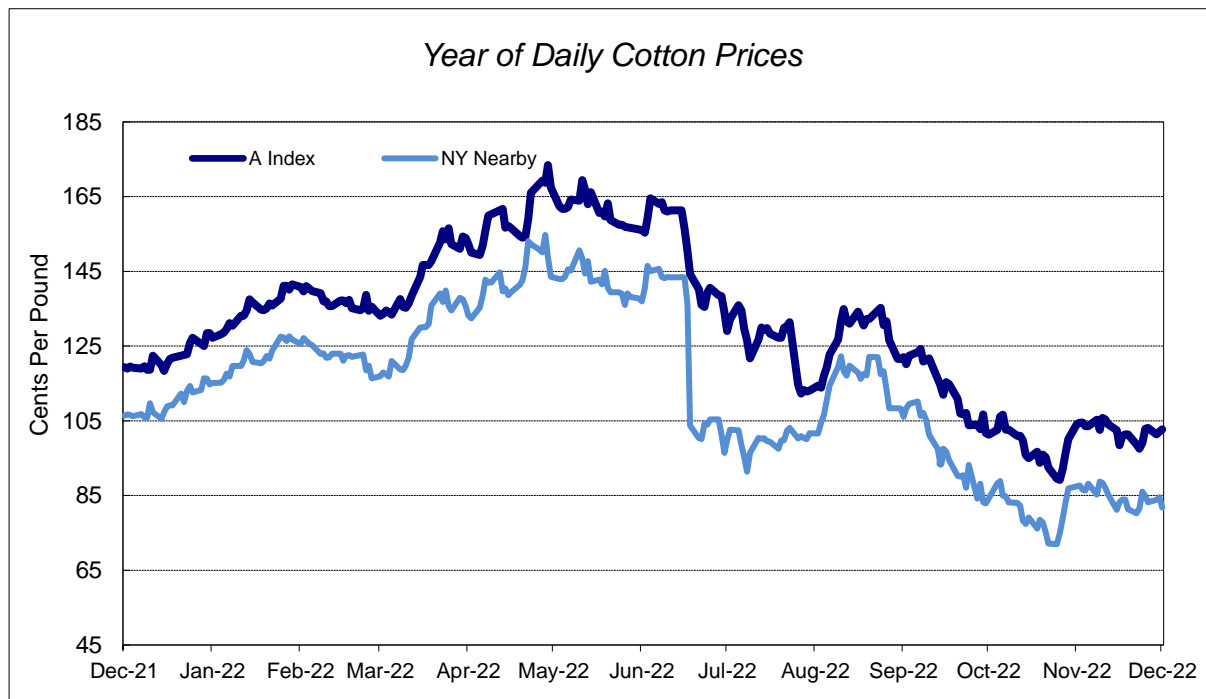
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U.S. Balance Sheet

million 480 lb. bales	2018/19	2019/20	2020/21	2021/22	2022/23 October	2022/23 November
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	14.0
Imports	0.0	0.0	0.0	0.0	0.0	0.0
Supply	22.6	24.8	21.9	20.7	17.6	17.8
Mill-Use	3.0	2.2	2.4	2.6	2.3	2.3
Exports	14.8	15.5	16.4	14.6	12.5	12.5
Demand	17.8	17.7	18.8	17.2	14.8	14.8
Ending Stocks	4.9	7.3	3.2	3.8	2.8	3.0
Stocks/Use Ratio	27.2%	41.0%	16.8%	21.8%	18.9%	20.3%



Sources: ICE Futures U.S. & Cotton Outlook

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