

# Executive Cotton Update

U.S. Macroeconomic Indicators &  
the Cotton Supply Chain



December 2023

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

**Macroeconomic Overview:** The traditional holiday sales season began during the extended weekend that followed Thanksgiving (Nov 23-27, including Cyber Monday). Initial reports suggest spending growth was nearly 8% higher year-over-year that weekend (figure from Adobe Analytics). This was stronger than generally forecasted, with the National Retail Federation predicting 2023 spending for the entire shopping period will be 3-4% higher year-over-year.

However, the outlook for holiday spending this year is clouded by a swirl of conflicting economic influences. Consumers may still be able to spend savings accumulated with stimulus following the pandemic, but it is unknown how much remains and how much could still be allocated towards purchases. Although inflation continues to be a concern, it has slowed. Prices remain at higher levels, but the inflation rate has been below the rate of wage growth since May (inflation was rising faster than wages from April 2021 through April 2022), and the labor market remains tight. Interest rates have climbed sharply and worries that an economic slowdown could be looming have weighed on consumer confidence.

Nonetheless, the latest U.S. GDP data describe the strongest rate of quarterly growth since the stimulus-driven period after COVID (excluding figures from 2020 and 2021, the +5.2% growth rate in Q3 2023 is the strongest rate of quarterly GDP growth since 2014), and the largest contributor to this growth was consumer spending. Forecasters have been expecting the net result of these competing factors to result in a sales season with growth near the longer-term averages (between 3-4%, as mentioned above).

Adjustment of holiday sales figures for inflation is complicated this year. This makes figures expressed in value terms more difficult to interpret relative to what they imply for product volumes. Higher prices could imply that the volume of goods represented by figures for spending growth could be close to flat. However, it has been reported that retailers have been discounting earlier in the season to entice shoppers. If widespread, these price reductions could offset some of the influence of inflation.

Regardless of the eventual result of price-related effects, many participants in supply chains would appreciate the movement of inventory to stimulate order placement. The International Textile Manufacturers Federation (ITMF) reported that respondents to its survey on business conditions was the lowest on record (data only extends back to 2021, but it covers weakness caused by the pandemic), with widespread weakness reported across regions and each stage in apparel manufacturing. U.S. cotton-dominant apparel imports in October (seasonally-adjusted) were -21% lower than the 2019 average. U.S. imports have been down between -9% and -25% relative to the 2019 average every month since October of last year.

**Employment:** The U.S. economy is estimated to have added +199,000 new jobs in November. Revision lowered the previous number for September -35,000 to +262,000. The figure for October was unchanged at +150,000. The current twelve-month average is +233,000.

The unemployment rate decreased slightly, from 3.9 to 3.7%, and remains at a historically low level.

Wage growth continues to slow. The peak post-stimulus was +5.9% year-over-year (March 2022). The year-over-year increase in November was +4.0%. A figure for the overall inflation rate in November has not been released yet, but it was +3.2% in October.

**Consumer Confidence & Spending:** The Conference Board's Index of Consumer Confidence increased for the first time in four months in November (+2.9 points, to 102.0). The current value is in line with figures from the holiday sales period last year (the average for the index between October and November 2022 was 101.8).

Overall consumer spending was +0.2% higher month-over-month in October. Year-over-year, overall spending was +2.2% higher. Spending on garments was down -0.6% month-over-month and down -0.5% year-over-year. October marked the eighth straight month apparel spending was negative year-over-year.

**Consumer Prices & Import Data:** Retail prices for apparel increased +0.2% month-over-month in October. This followed two month-over-month decreases (-0.04% in August and -1.1% in September), which may be a reflection of retailer discounting. Year-over-year, the CPI for apparel was +3.0% higher in October. Price levels remain above the values before the pandemic (the value in October was +5.2% higher than the average in 2019).

Average import prices for cotton-dominant apparel decreased month-over-month in seasonally-adjusted data for October (-\$0.09 per square meter equivalent or SME). The latest value is -14.9% lower than the peak set in November 2022 but is +6.6% higher than the average in 2019.

## 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 2023



## Macroeconomic Data

Quarterly Data	Recent Averages				Values in Recent Quarters			Unit	Source
	5-year	1-year	6-month	3-month	Q1 : 2023	Q2 : 2023	Q3 : 2023		
Growth in US Real GDP	2.5%	5.6%	2.2%	2.1%	2.2%	2.1%	5.2%	% 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	53.1	47.2	47.1	47.5	49.0	46.7	46.7	Index	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	56.4	52.7	53.2	52.7	53.6	51.8	52.7	Index	Institute for Supply Management
Consumer Confidence	110.7	105.6	106.4	101.8	104.3	99.1	102.0	Index	The Conference Board
Change in Non-Farm Payrolls	124.4	232.6	186.2	203.7	262	150	199	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	4.9%	3.6%	3.7%	3.8%	3.8%	3.9%	3.7%	Rate	Bureau of Labor Statistics
US Interest Rates									
Federal Funds	1.8%	4.9%	5.3%	5.3%	5.3%	5.3%	5.3%	Interest rate	Federal Reserve
10-year Treasury Bill	2.3%	3.9%	4.3%	4.6%	4.4%	4.8%	4.5%	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	110.8	107.0	105.1	104.4	104.7	104.7	103.9	Index	The Conference Board
Housing Starts	1.4	1.4	1.4	1.3	1.3	1.3	1.4	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.3	4.1	4.1	3.9	4.0	4.0	3.8	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	100.5	102.8	103.0	103.1	103.3	103.3	102.7	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	127.2	154.2	149.6	149.9	149.7	150.2	149.9	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	2.1	2.2	2.2	2.3	2.3	2.0	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	1.52	1.70	1.71	1.69	1.69	1.69	1.69	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	2.6%	1.9%	2.2%	2.2%	2.2%	2.2%	2.2%	% Chg. Year/Year	Department of Commerce
Clothing	5.8%	-0.1%	-0.8%	-0.6%	-0.6%	-0.5%	-0.5%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	3.9%	4.7%	3.5%	3.5%	3.7%	3.7%	3.2%	% Chg Year/Year	Bureau of Labor Statistics
Clothing	0.7%	3.9%	3.8%	3.2%	3.9%	2.7%	3.0%	% 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	2.3	2.4	2.4	2.4	2.4	2.4	Ratio	Department of Commerce
Department Stores	2.0	2.0	2.0	2.0	2.0	2.0	2.0	Ratio	Department of Commerce

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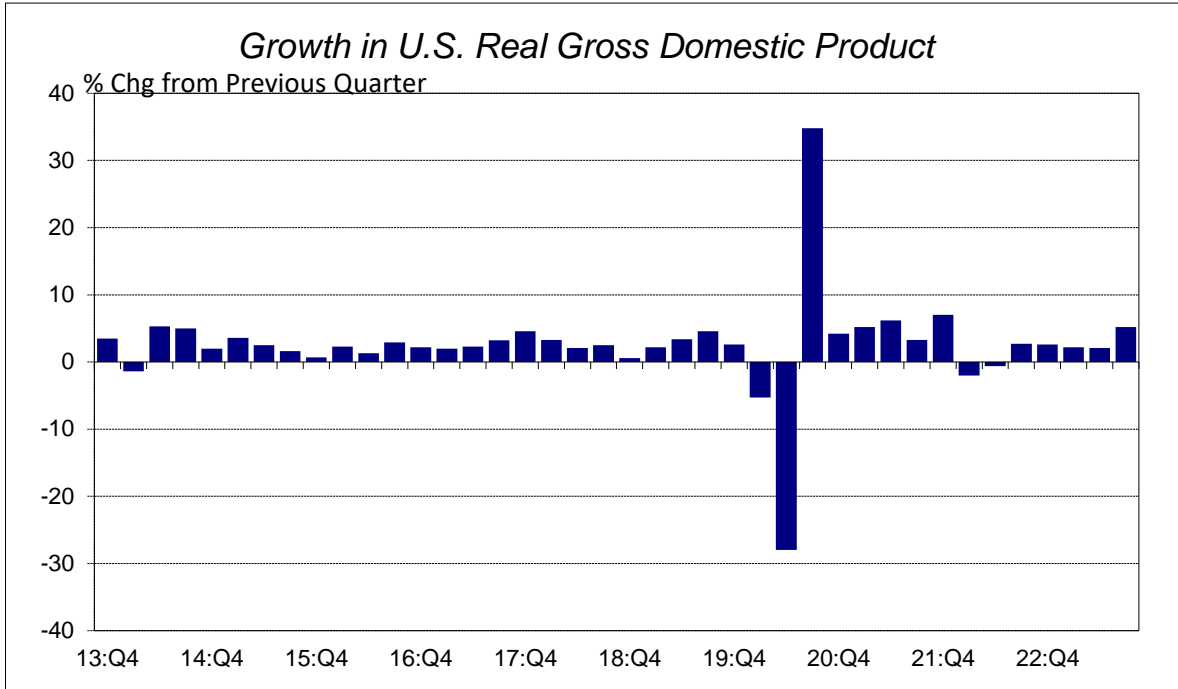
Daily Cotton Price and Currency Data  
December 2023



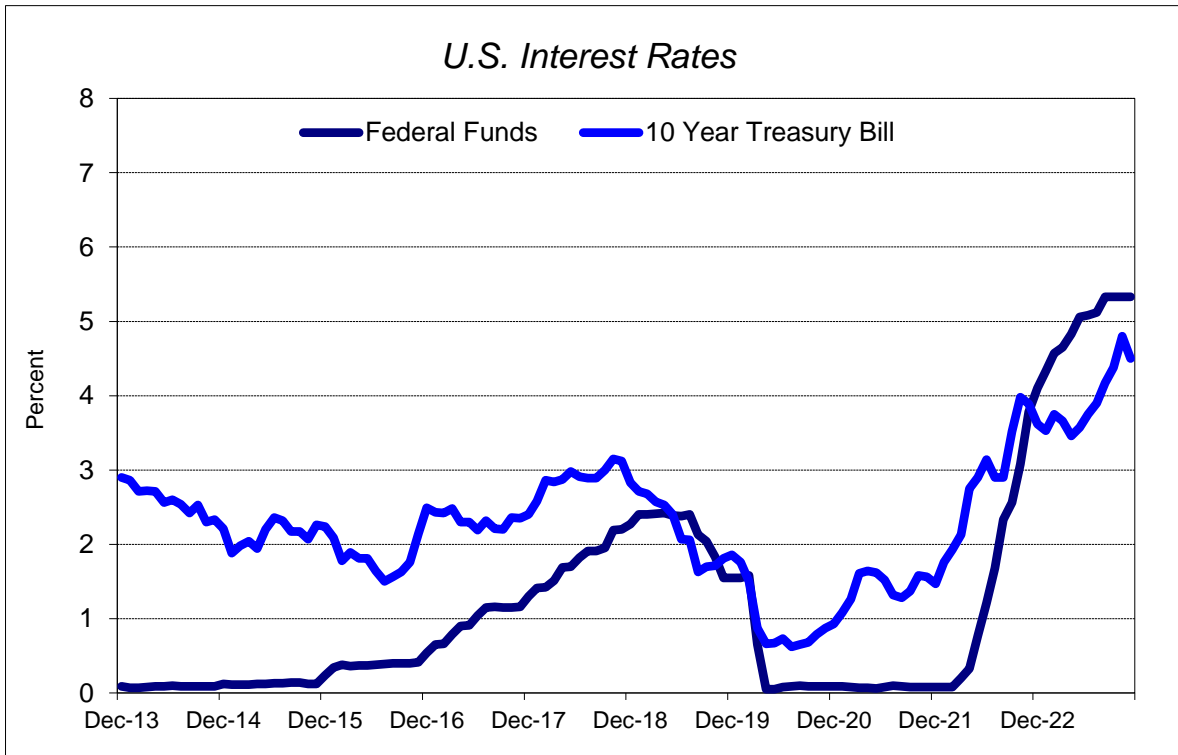
Daily Cotton Price Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	September	October	November		
NY Nearby	84.0	83.2	83.6	83.0	86.6	84.9	78.4	cents/pound	ICE
A Index	94.7	95.7	94.1	94.3	97.9	95.6	90.5	cents/pound	Cotlook

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	117.6	118.0	121.4	122.9	122.4	123.8	122.5	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.81	6.73	7.25	7.31	7.34	7.30	7.28	Chinese Renminbi/US dollar	Reuters
Indian Rupee	75.71	78.09	82.94	83.16	82.95	83.25	83.28	Indian Rupee/US dollar	Reuters
Japanese Yen	118.84	125.99	145.37	149.30	147.67	149.37	150.86	Japanese Yen/US dollar	Reuters
Pakistani Rupee	188.31	211.03	287.22	290.08	302.75	282.48	285.00	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	4.90	5.20	4.96	5.02	4.99	5.19	4.89	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.31	1.30	1.35	1.37	1.36	1.37	1.38	Canadian dollar/US dollar	Reuters
Mexican Peso	19.84	19.51	17.52	17.79	17.56	18.33	17.48	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.78	0.78	0.80	0.81	0.80	0.82	0.81	British Pound/US dollar	Reuters
Euro	0.90	0.90	0.93	0.94	0.93	0.95	0.93	Euro/US dollar	Reuters
Swiss Franc	0.94	0.92	0.90	0.90	0.89	0.91	0.90	Swiss Franc/US dollar	Reuters
Turkish Lira	11.94	15.72	26.57	27.65	26.85	27.62	28.49	Turkish Lira/US dollar	Reuters



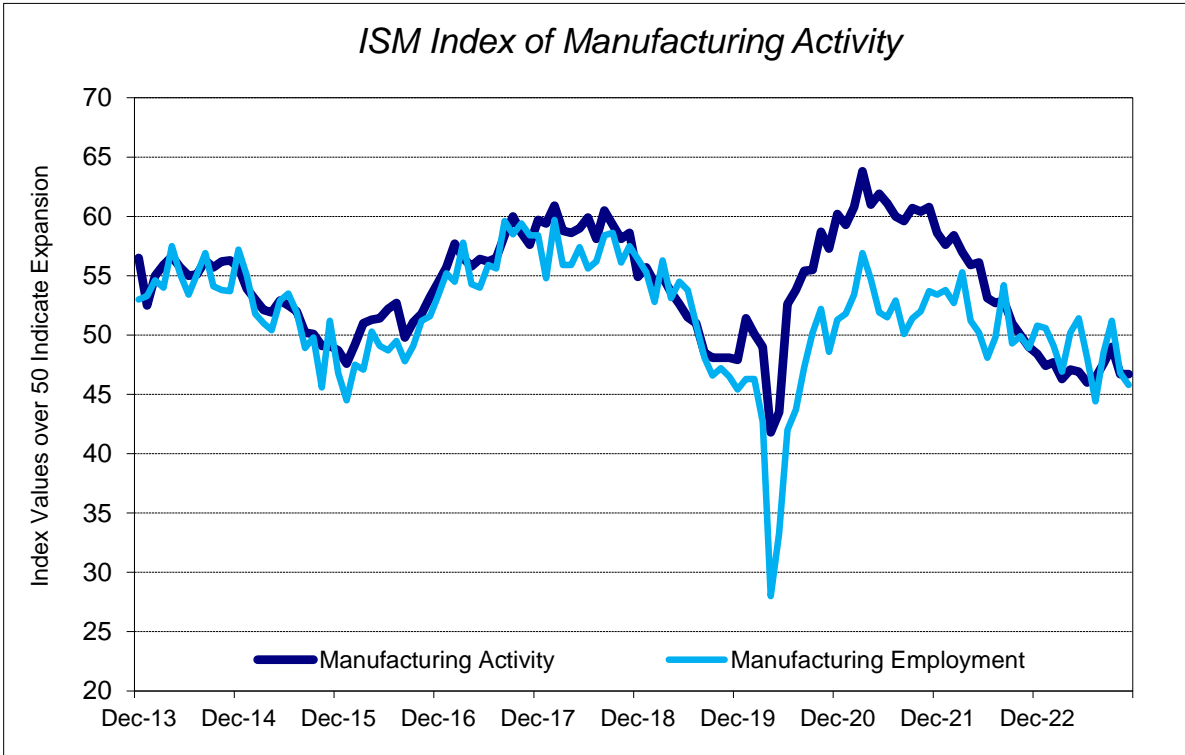
Seasonally Adjusted Annual Rate; Source: Department of Commerce  
 \*Based on chained 2005\$.



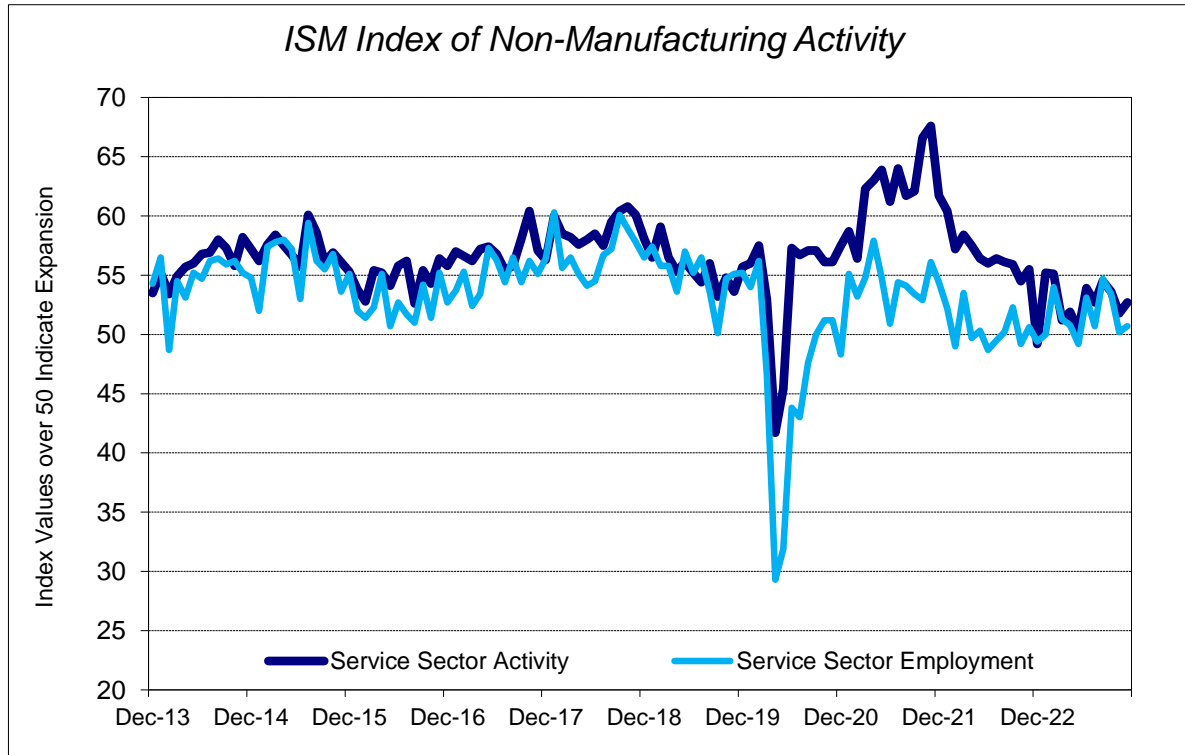
Source: Federal Reserve

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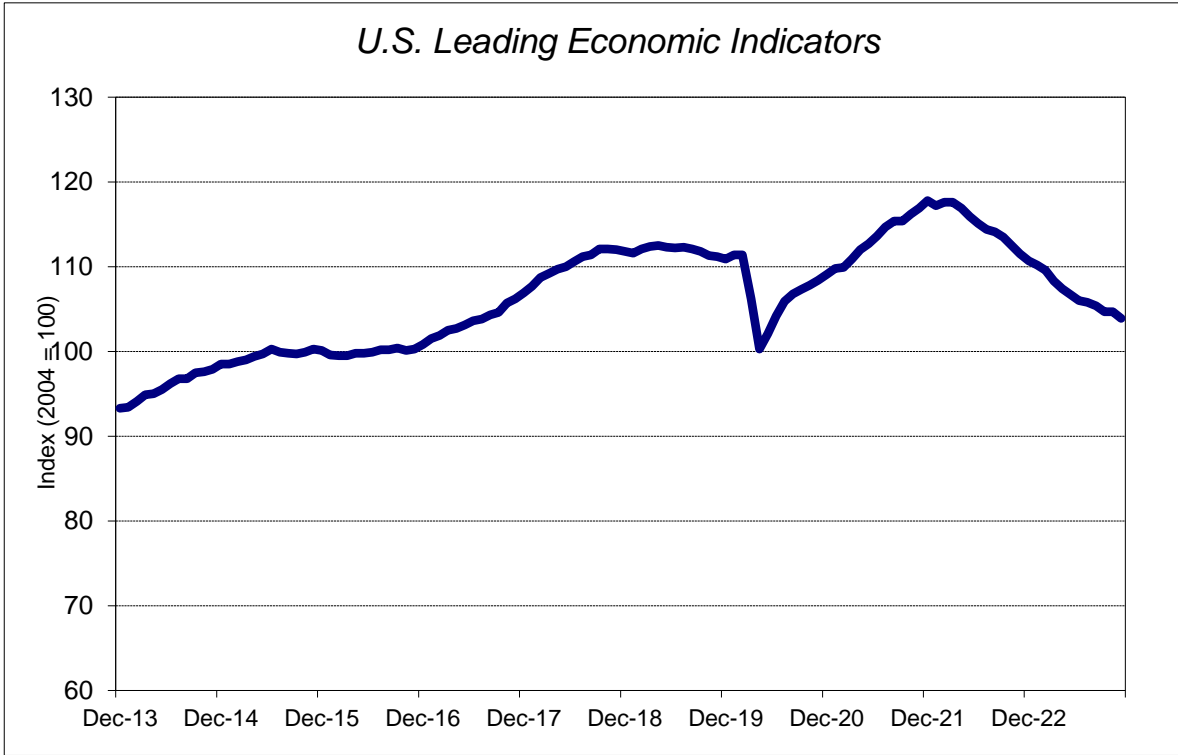
Source: Institute for Supply Chain Management



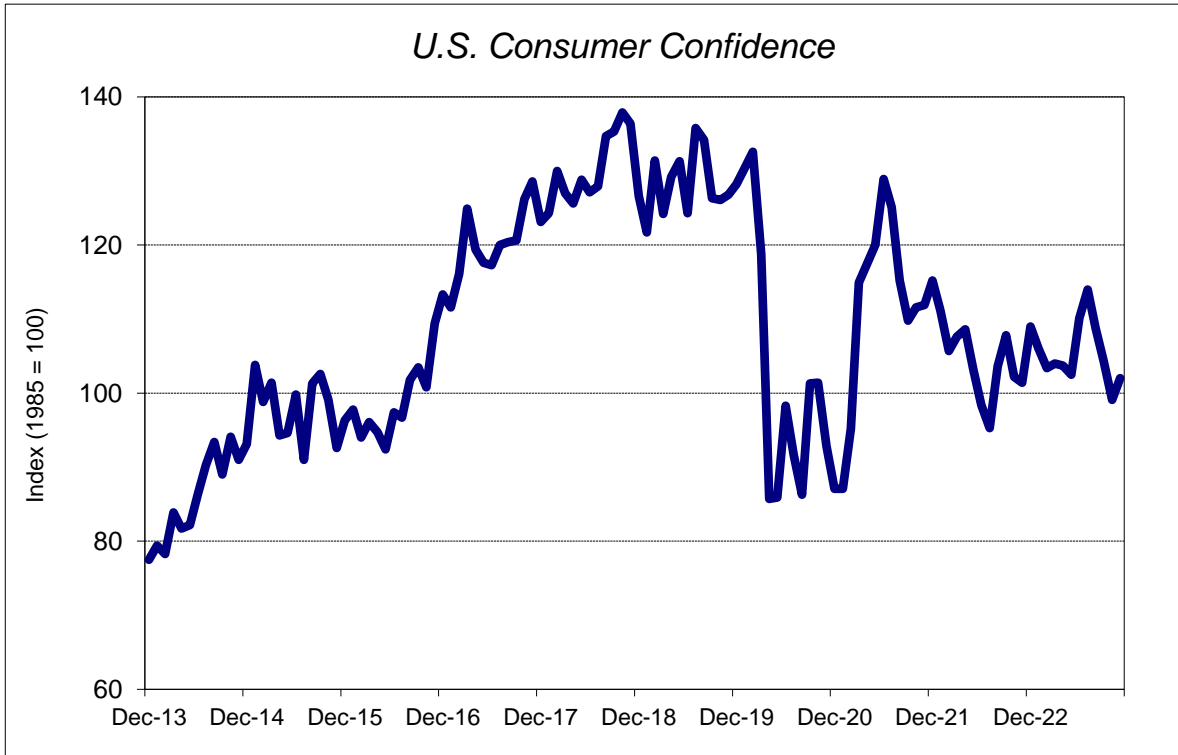
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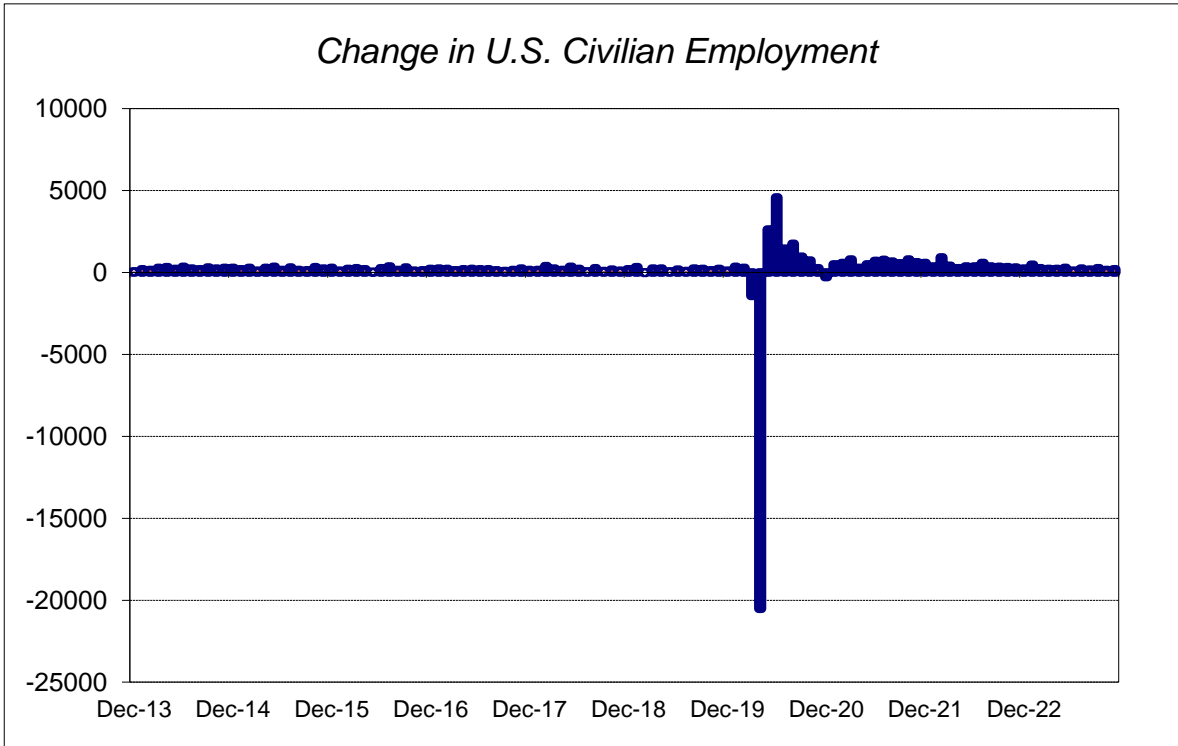
Source: The Conference Board



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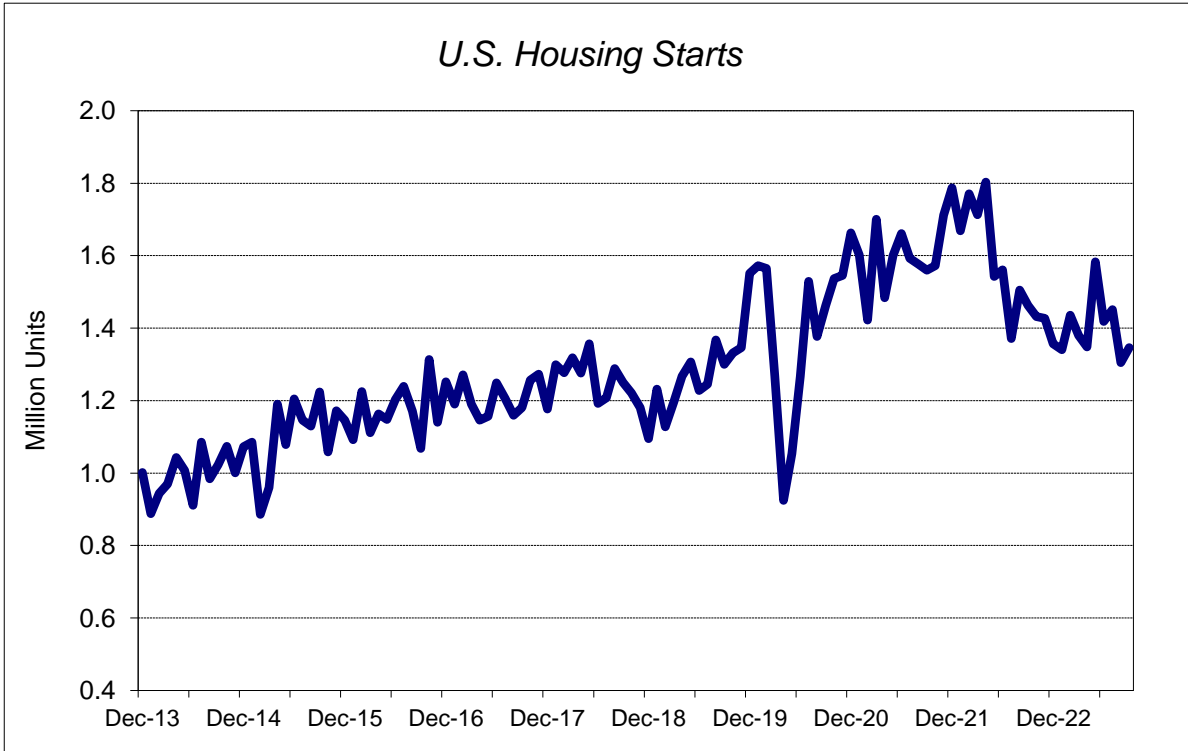
Source: Bureau of Labor Statistics



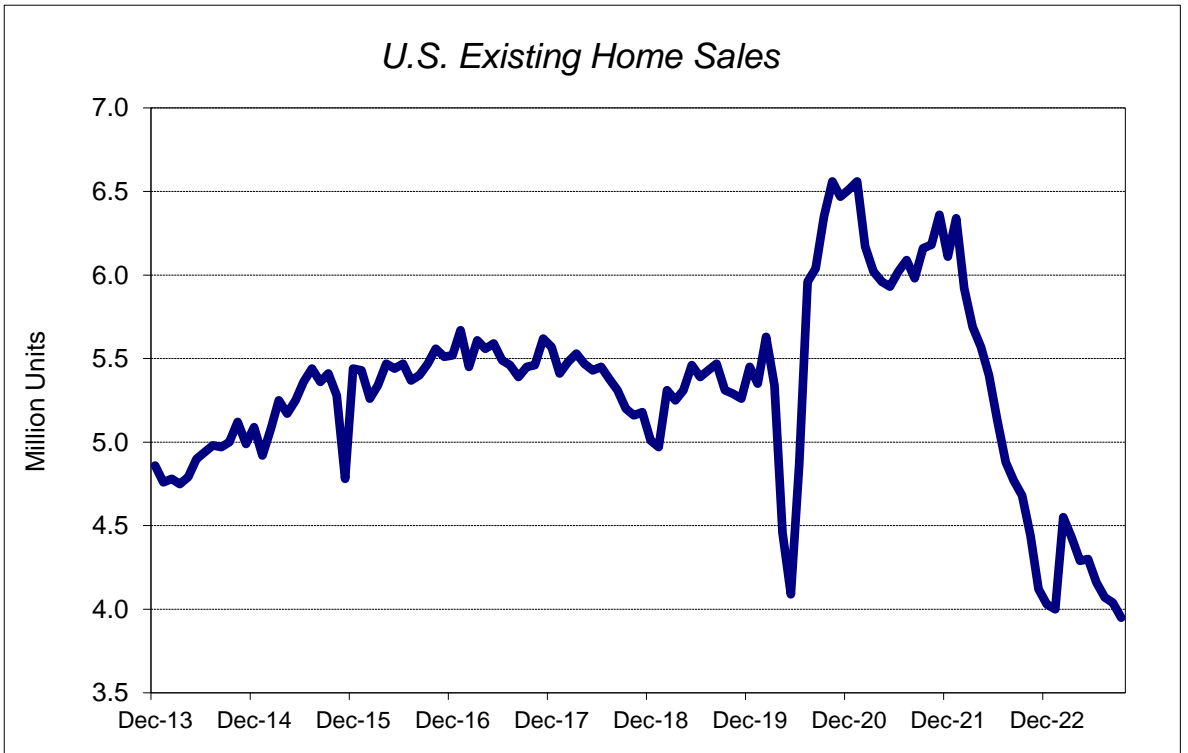
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Seasonally Adjusted Annual Rate; Source: Department of Commerce

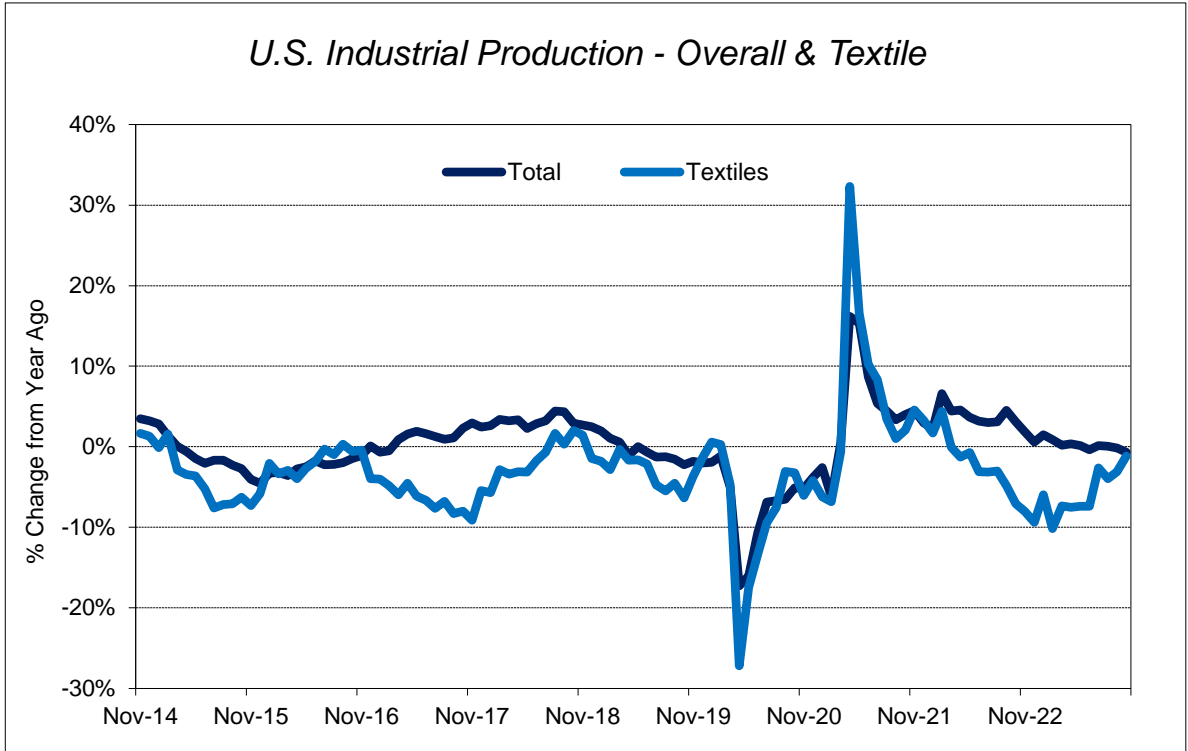


Seasonally Adjusted Annual Rate; Source: National Association of Realtors

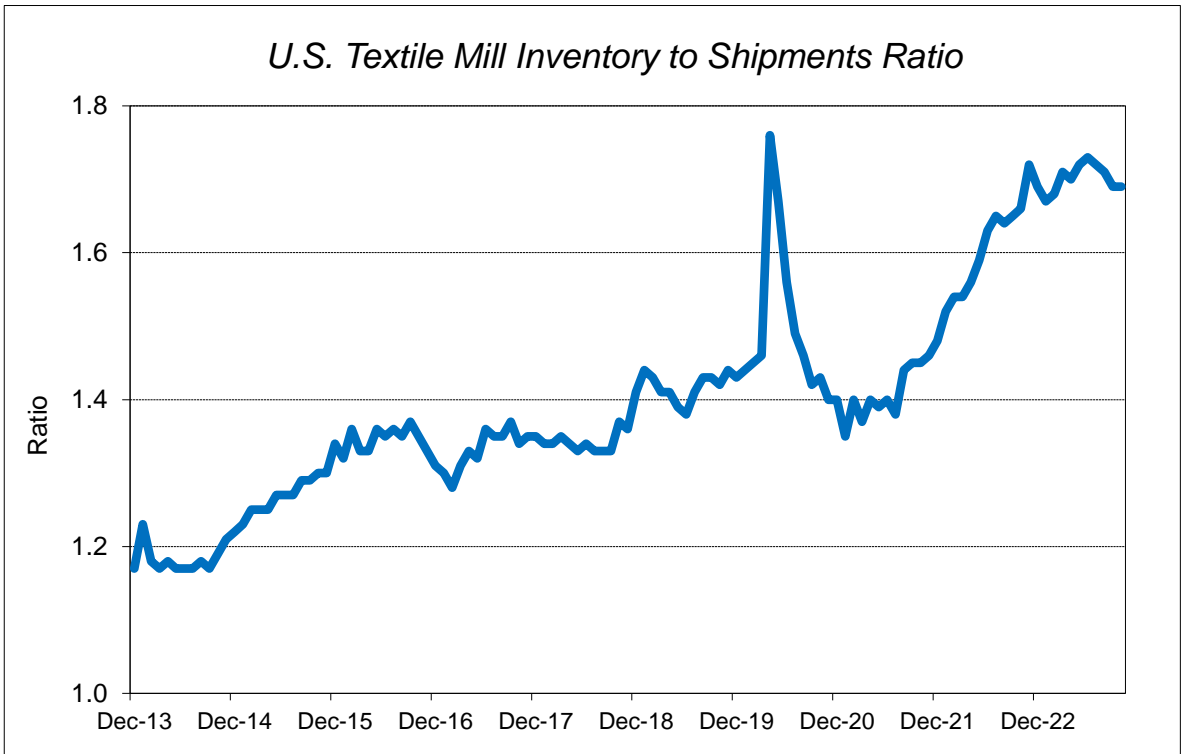
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Source: Federal Reserve. Historical data revised to 1997 baseline.



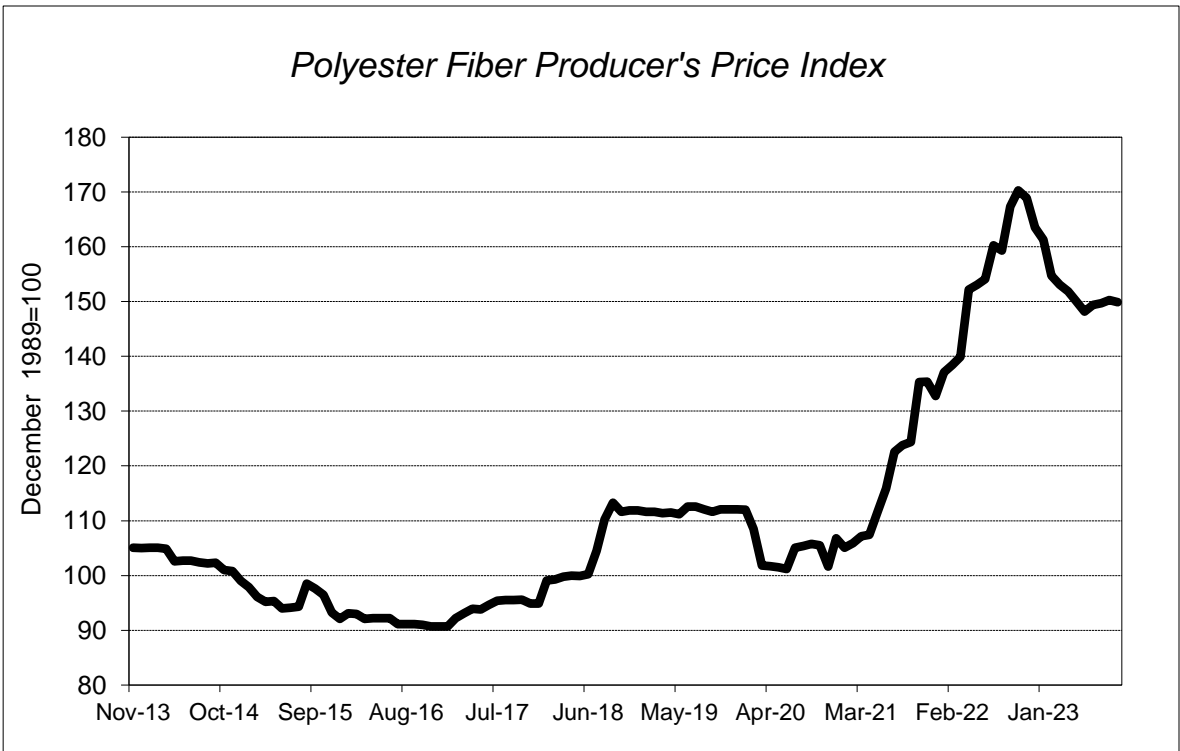
Seasonally Adjusted; Source: Department of Commerce

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Seasonally Adjusted Annual Rate  
Source: USDA ERS



Source: Bureau of Labor Statistics

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### U.S. Real Consumer Spending - All Goods & Services



\*Based on chained 2005\$.

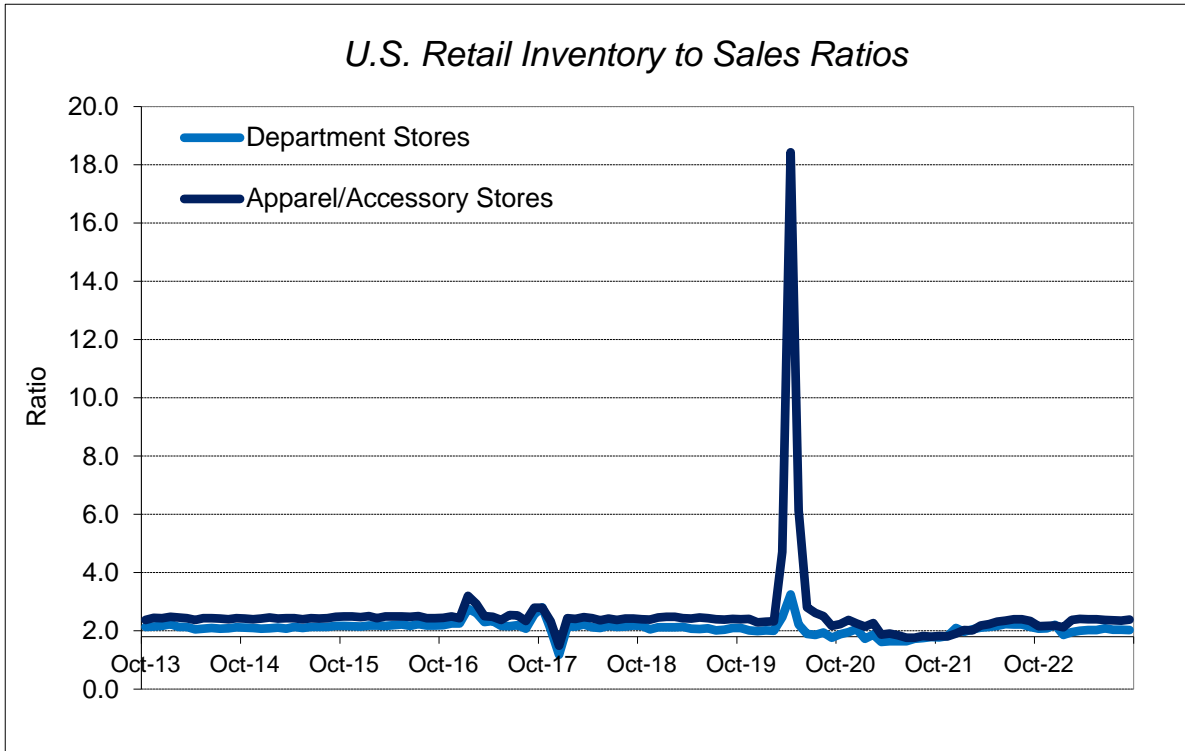
### U.S. Real Consumer Spending on Clothing



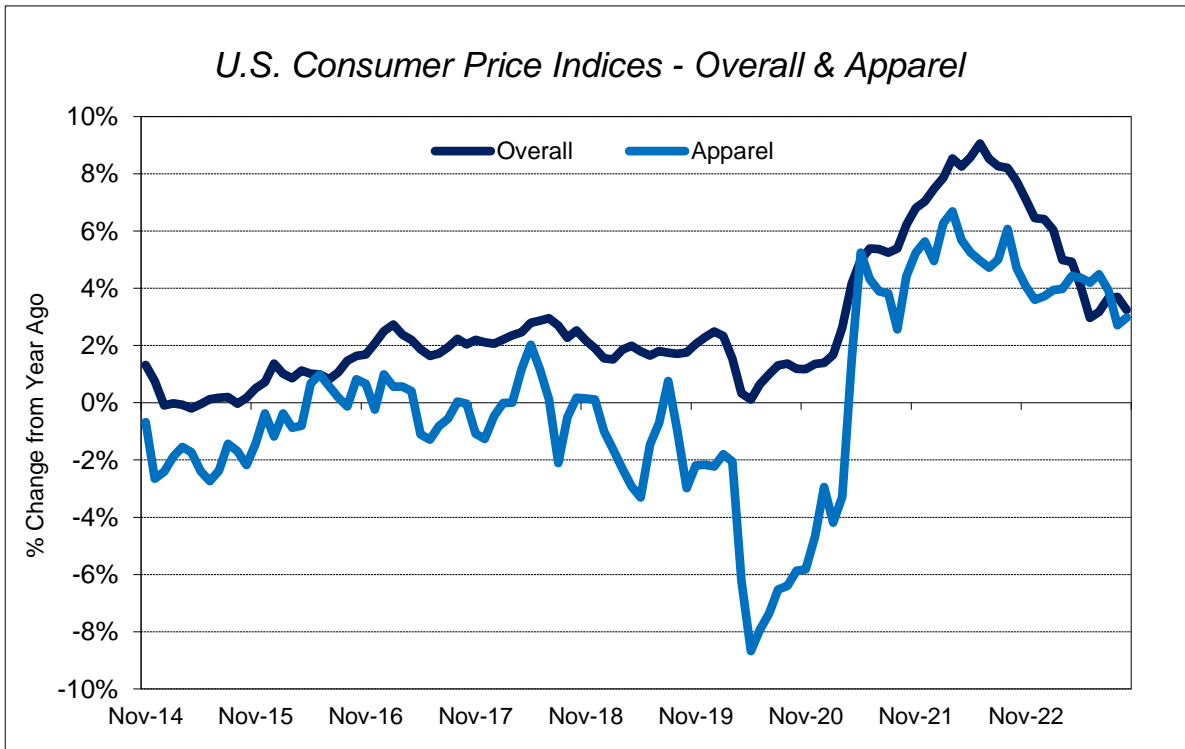
\*Based on chained 2005\$.

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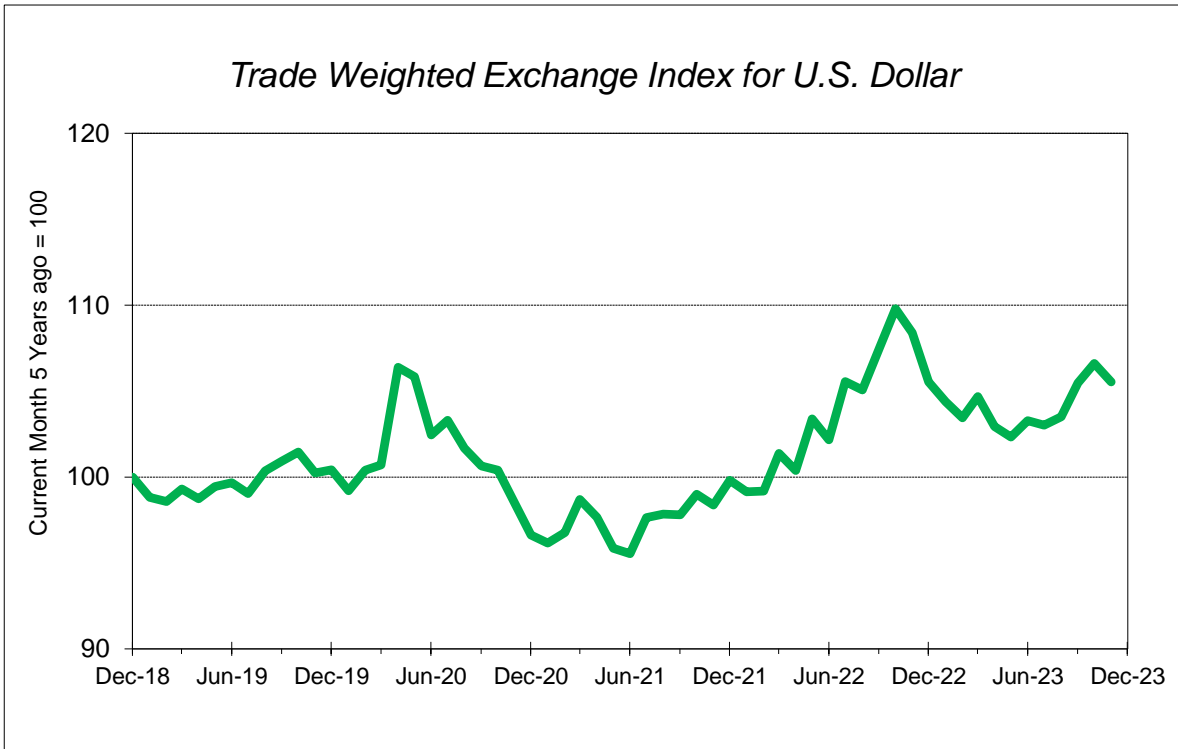
Source: Department of Commerce



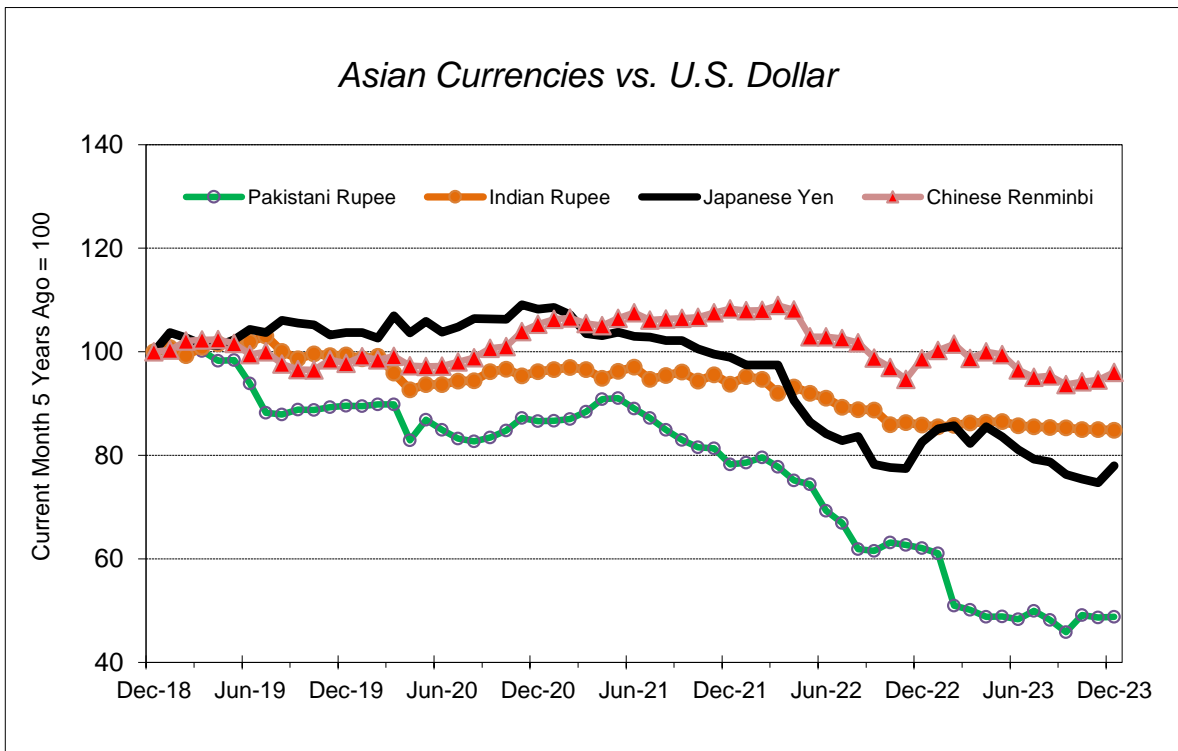
Source: Bureau of Labor Statistics

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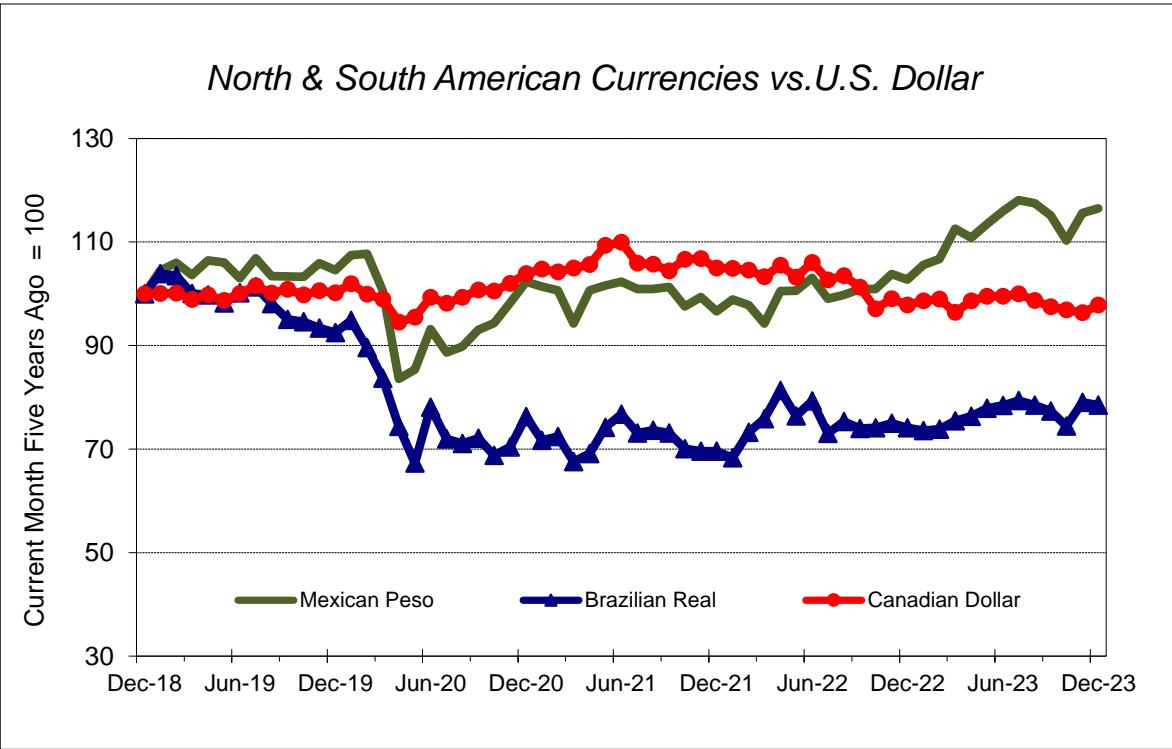
Source: Federal Reserve



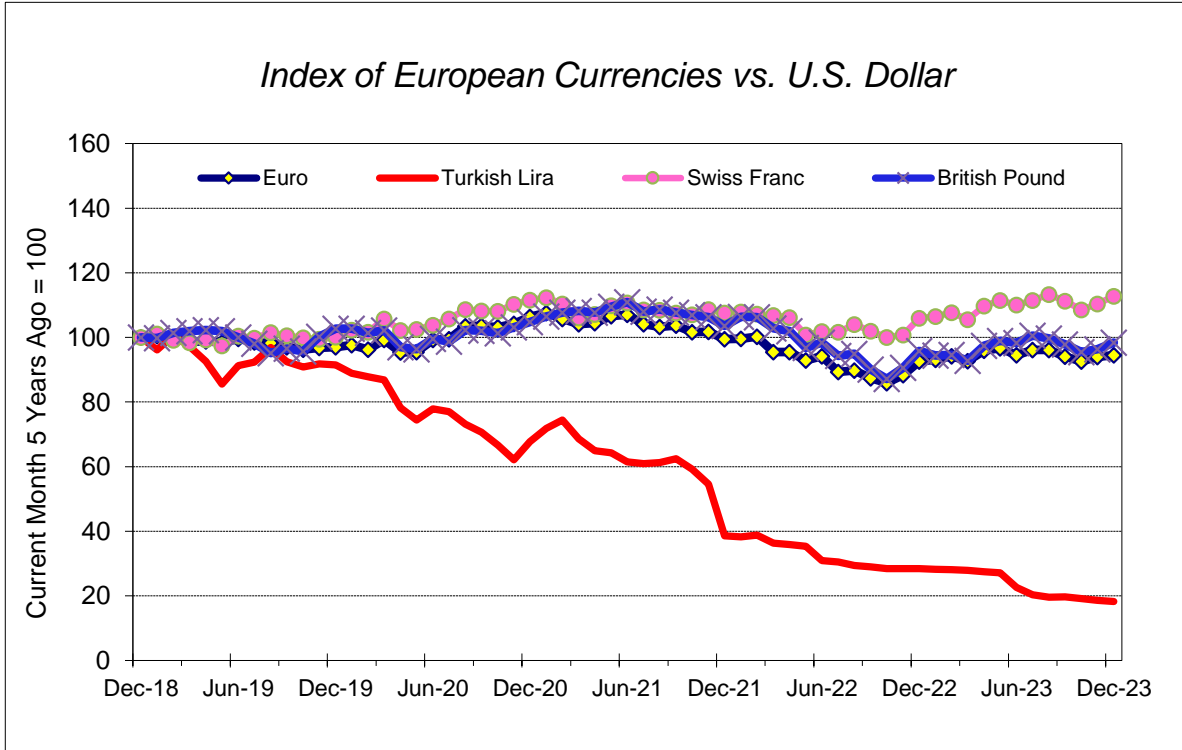
Source: Reuters

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Source: Reuters



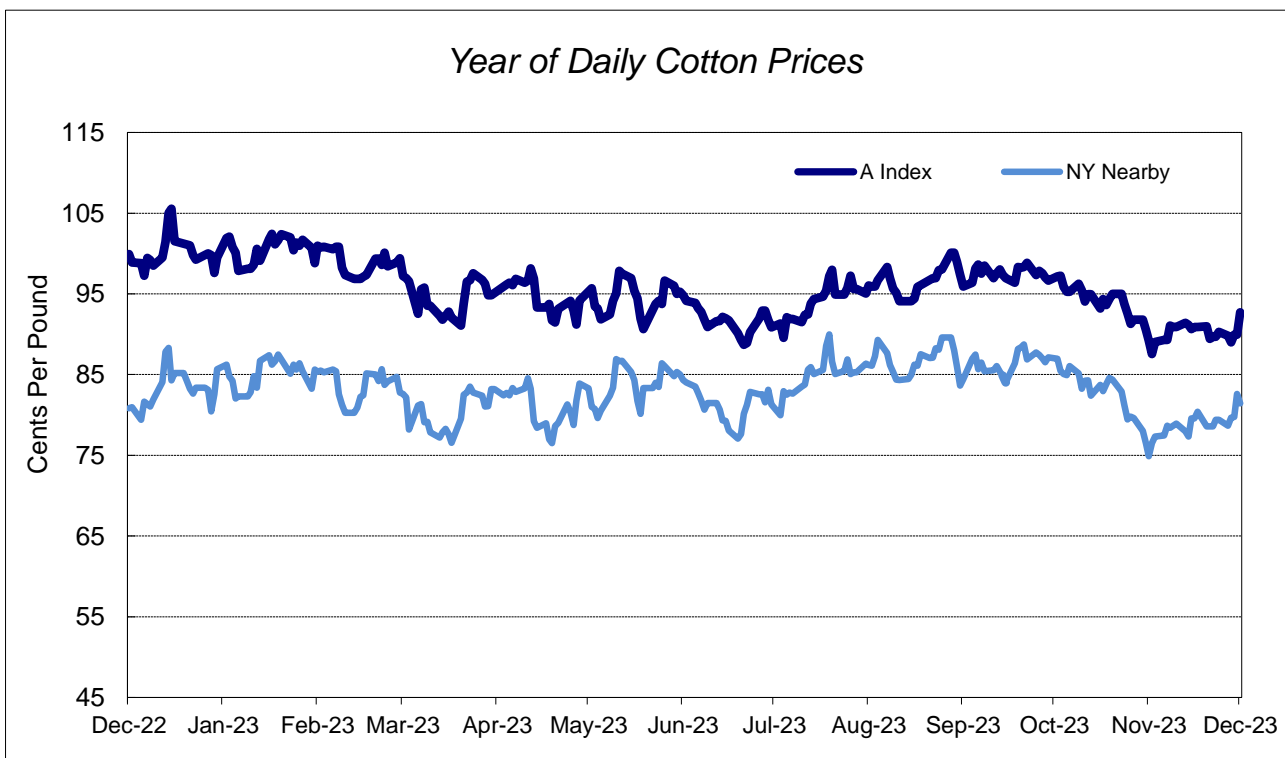
Source: Reuters

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## U.S. Balance Sheet

million 480 lb. bales	2019/20	2020/21	2021/22	2022/23	2023/24 November	2023/24 December
Beginning Stocks	4.9	7.3	3.2	4.1	4.3	4.3
Production	19.9	14.6	17.5	14.5	13.1	12.8
Imports	0.0	0.0	0.0	0.0	0.0	0.0
Supply	24.8	21.9	20.7	18.5	17.3	17.0
Mill-Use	2.2	2.4	2.6	2.1	2.1	1.9
Exports	15.5	16.4	14.5	12.8	12.2	12.2
Demand	17.7	18.8	17.0	14.8	14.3	14.1
Ending Stocks	7.3	3.2	4.1	4.3	3.2	3.1
Stocks/Use Ratio	41.0%	16.8%	23.8%	28.7%	22.5%	22.0%



Sources: ICE Futures U.S. & Cotton Outlook

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