

Executive Cotton Update

U.S. Macroeconomic Indicators &
the Cotton Supply Chain



May 2024

www.cottoninc.com

Macroeconomic Overview: After a string of positive surprises, the number of jobs added in April (+175,000) was below expectations and represented the smallest gain since October (+165,000). Wage growth also slowed, but it remained stronger than readings for inflation.

The Federal Reserve's Open Market Committee met in early May and decided to hold interest rates at the level it has maintained since July 2023. The decision to hold rates steady was not a surprise after a string of officials highlighted a cautious approach after inflation readings ticked a little higher early in the year. Specifically, the inflation rate that the Federal Reserve tracks most closely climbed from +2.5% to +2.7% between January and March. The Fed's official target for inflation is two percent.

The uptick in inflation is a factor that shifted the outlook for interest rates away from one suggesting a series of decreases this year and towards another where rates are expected to be "higher-for-longer." Higher interest rates are associated with slower economic growth, and in the first estimate released by the government, the U.S. economy expanded only +1.6% in the first quarter. This is the slowest pace of U.S. GDP growth since the -0.6% contraction in the second quarter of 2022.

The International Monetary Fund (IMF) recently released a set of updated projections for GDP growth around the world. In 2024, the IMF predicts the U.S. economy will expand +2.7%. If realized, this would be a slight acceleration from 2023, when growth was +2.5%. The IMF projects collective growth for Advanced Economies to be marginally higher than in 2023 (+1.7% in 2024 versus +1.6% in 2023). Growth rates in Emerging and Developing Economies are forecast to be marginally weaker (+4.2% in 2024 versus +4.3% in 2023).

The IMF estimates that global GDP increased by +3.2% in 2023 and predicts it will expand by the same rate in 2024 and 2025. An encouraging trend is that those figures have been rising over time. The current projection for 2024 is +0.1 points higher than the number released in January and is +0.3 points higher than the IMF release in October. Nonetheless, the current forecasts for growth in 2024 and beyond suggest sluggish rates of expansion relative to what has been experienced in recent decades. Factors impeding growth include higher borrowing costs, the withdrawal of stimulus, and geopolitical tensions.

Employment: The U.S. economy is estimated to have added +175,000 new jobs in April. Revisions to previous months were mixed, with the figure for February dropping -34,000 to +236,000 and the figure for March rising +12,000 to +315,000. The current twelve-month average is +233,000.

The unemployment rate increased marginally from 3.8% to 3.9% month-over-month in April. With the latest figure, the unemployment rate has been below four percent for 28 consecutive months.

Wages increased +3.9% year-over-year in April. This is the lowest value since the post-stimulus peak of +5.9% (March 2022). Nonetheless, wage growth remains higher than the latest inflation readings. The overall CPI published by the Bureau of Labor Statistics indicated prices rose +3.5% year-over-year in March. The price deflator published by the Bureau of Economic Analysis, which the Federal Reserve uses to guide monetary policy, rose +2.7% in March.

Consumer Confidence & Spending: The Conference Board's Index of Consumer Confidence decreased for the third consecutive month in April (-6.1 points). The current value of 97.0 is the lowest since July 2022 (95.3). Since July 2022, values have ranged between 95 and 115. The long-term average for the index is near 93.0.

In inflation-adjusted terms, overall consumer spending increased +0.5% month-over-month in March. This followed a -0.3% month-over-month decrease in January and a +0.5% increase in February. Year-over-year, overall spending was +3.1% higher in March.

After substantial month-over-month increases between November and January (+1.1% in November, +1.3% in December, and +0.6% in January), there were pullbacks in consumer spending on apparel in February (-0.7%) and March (-0.4%). March was a weak month for consumer spending on clothing last year, and the weakness in March 2023 contributed to the +3.6% year-over-year increase in March of this year.

Consumer Prices & Import Data: The CPI for garments increased +0.7% in March. This was the largest monthly increase since the end of 2021. Year-over-year, average prices for apparel at retail were +0.2% higher. Relative to the average in 2019 (pre-COVID), prices were +4.8% higher.

Average import costs, represented by the price per square meter equivalent (SME) of cotton-dominant apparel, decreased -0.6% month-over-month in March. Year-over-year import prices were down -7.8%. Relative to the average in 2019, sourcing costs for cotton-dominant apparel in March were +6.2% higher.

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	

Executive Cotton Update

U.S. Macroeconomic Indicators & Cotton Prices
May 2024



Macroeconomic Data

Quarterly Data	Recent Averages				Values in Recent Quarters			Unit	Source
	5-year	1-year	6-month	3-month	Q3 : 2023	Q4 : 2023	Q1 : 2024		
Growth in US Real GDP	2.8%	3.1%	4.2%	3.4%	4.9%	3.4%	1.6%	% 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 Manufacturing Activity	52.6	47.7	48.4	49.1	47.8	50.3	49.2	Index	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	55.9	52.2	51.6	51.1	52.6	51.4	49.4	Index	Institute for Supply Management
Consumer Confidence	108.9	105.3	104.1	101.6	104.8	103.1	97.0	Index	The Conference Board
Change in Non-Farm Payrolls	128.1	233.5	242.3	242.0	236	315	175	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	4.9%	3.7%	3.8%	3.9%	3.9%	3.8%	3.9%	Rate	Bureau of Labor Statistics
US Interest Rates									
Federal Funds	2.1%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	Interest rate	Federal Reserve
10-year Treasury Bill	2.4%	4.2%	4.3%	4.3%	4.2%	4.2%	4.5%	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	110.5	104.1	102.8	102.6	102.7	102.7	102.4	Index	The Conference Board
Housing Starts	1.5	1.4	1.4	1.4	1.4	1.5	1.3	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.2	4.1	4.0	4.2	4.0	4.4	4.2	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	102.7	102.5	102.2	102.6	101.8	102.7	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	130.4	149.6	149.4	148.9	149.3	149.5	148.0	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	2.0	1.9	1.9	1.7	1.9	2.1	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	1.55	1.71	1.71	1.72	1.72	1.72	1.71	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	2.6%	2.3%	2.6%	2.4%	1.9%	2.3%	3.1%	% Chg. Year/Year	Department of Commerce
Clothing	6.0%	0.2%	1.6%	2.2%	1.3%	1.6%	3.6%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	4.1%	3.5%	3.2%	3.2%	3.1%	3.2%	3.5%	% Chg Year/Year	Bureau of Labor Statistics
Clothing	0.8%	2.5%	0.9%	0.0%	0.1%	-0.2%	0.2%	% 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	2.6	2.4	2.3	2.3	2.3	2.3	2.3	Ratio	Department of Commerce
Department Stores	2.0	2.0	2.0	2.0	2.0	2.0	2.0	Ratio	Department of Commerce

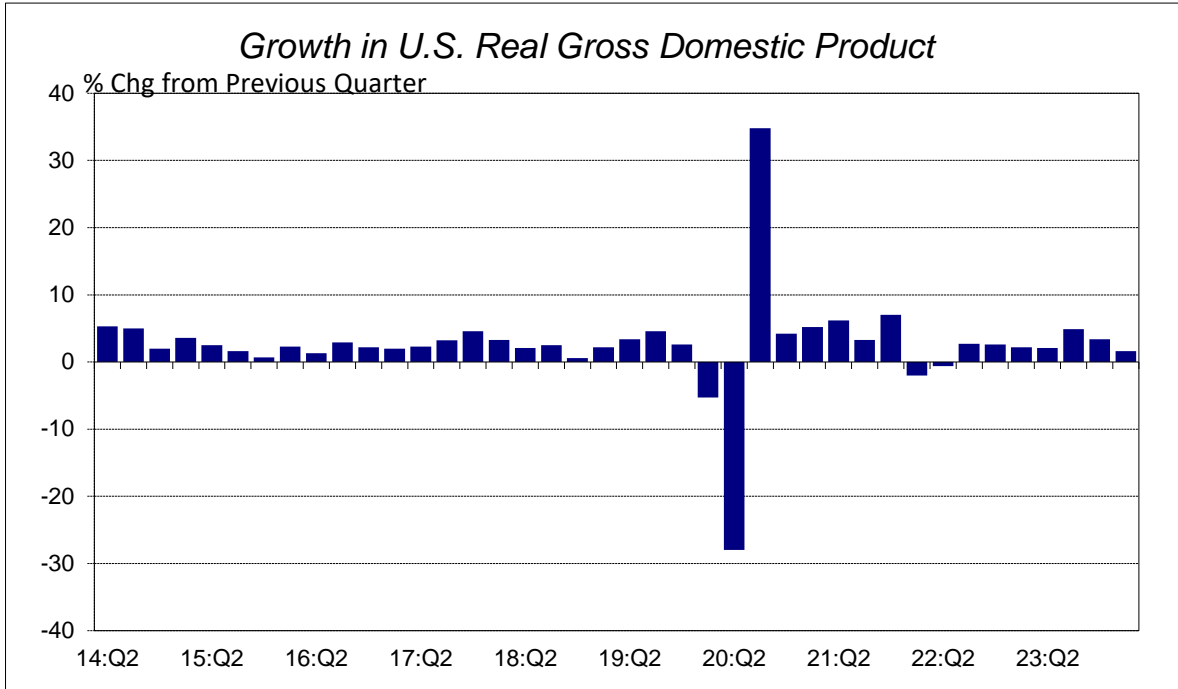
Executive Cotton Update

Daily Cotton Price and Currency Data
May 2024

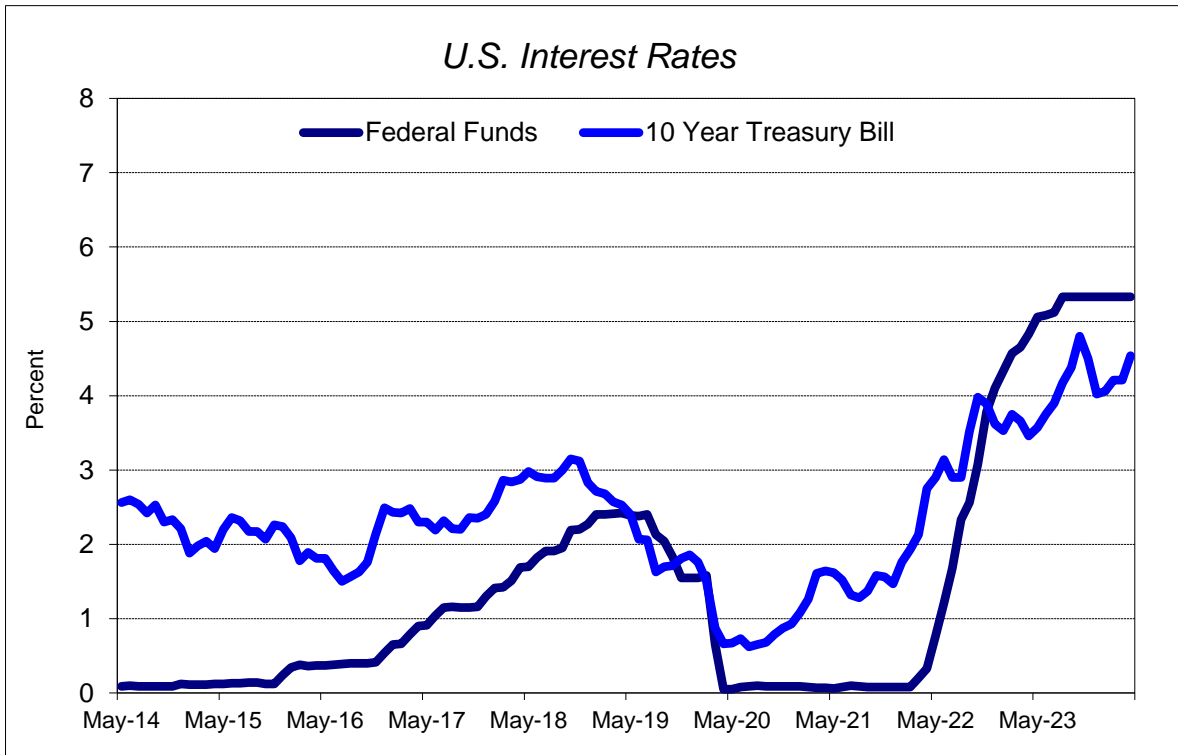


Daily Cotton Price Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	February	March	April		
NY Nearby	85.0	84.7	84.9	89.4	92.9	93.8	83.1	cents/pound	ICE
A Index	95.5	94.2	93.6	96.1	99.6	99.7	90.2	cents/pound	Cotlook

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	118.1	119.1	121.1	121.3	121.2	121.4	121.4	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.85	6.82	7.20	7.20	7.18	7.20	7.24	Chinese Renminbi/US dollar	Reuters
Indian Rupee	76.62	79.30	83.19	83.09	82.93	82.91	83.44	Indian Rupee/US dollar	Reuters
Japanese Yen	121.72	131.45	148.47	150.07	148.27	150.13	151.81	Japanese Yen/US dollar	Reuters
Pakistani Rupee	200.28	228.30	281.23	278.93	279.50	279.25	278.03	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	4.99	5.13	4.95	5.00	4.97	4.95	5.08	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.32	1.31	1.35	1.35	1.35	1.36	1.35	Canadian dollar/US dollar	Reuters
Mexican Peso	19.67	19.05	17.07	16.91	17.14	17.01	16.58	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.78	0.79	0.79	0.79	0.79	0.79	0.79	British Pound/US dollar	Reuters
Euro	0.90	0.92	0.92	0.92	0.93	0.92	0.92	Euro/US dollar	Reuters
Swiss Franc	0.93	0.92	0.88	0.89	0.87	0.89	0.91	Swiss Franc/US dollar	Reuters
Turkish Lira	13.90	18.73	30.14	31.26	30.46	31.37	31.94	Turkish Lira/US dollar	Reuters



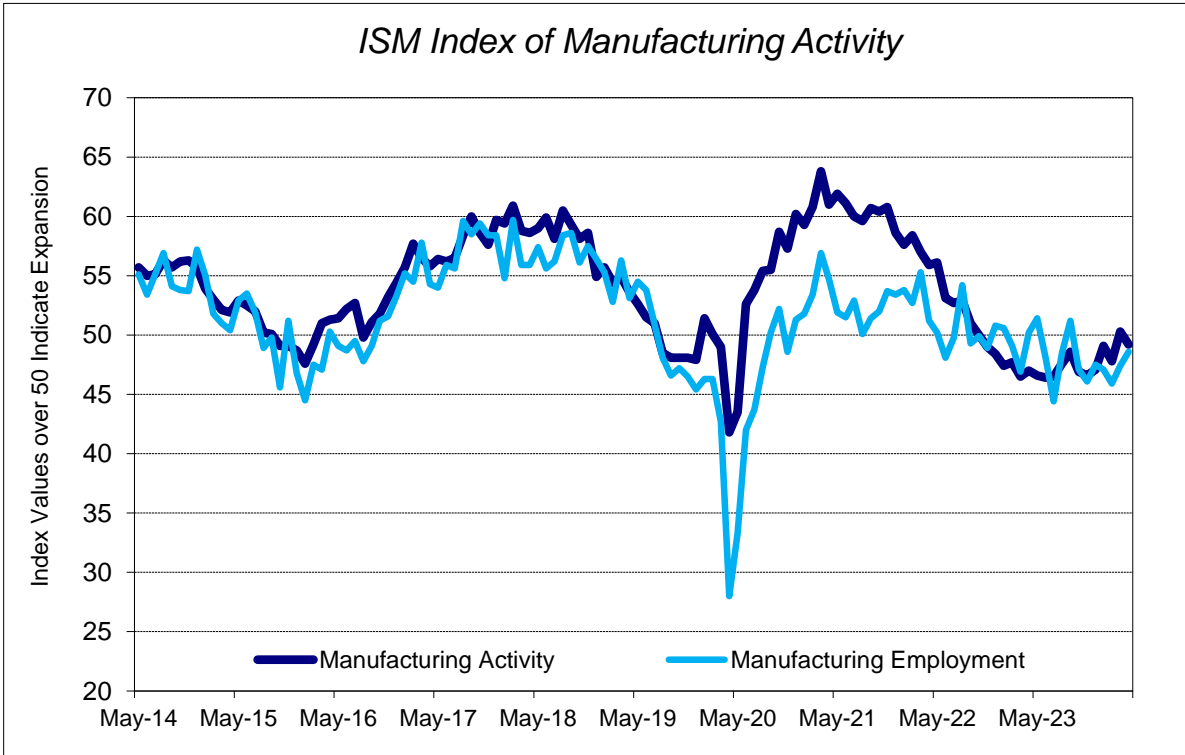
Seasonally Adjusted Annual Rate; Source: Department of Commerce
 *Based on chained 2005\$.



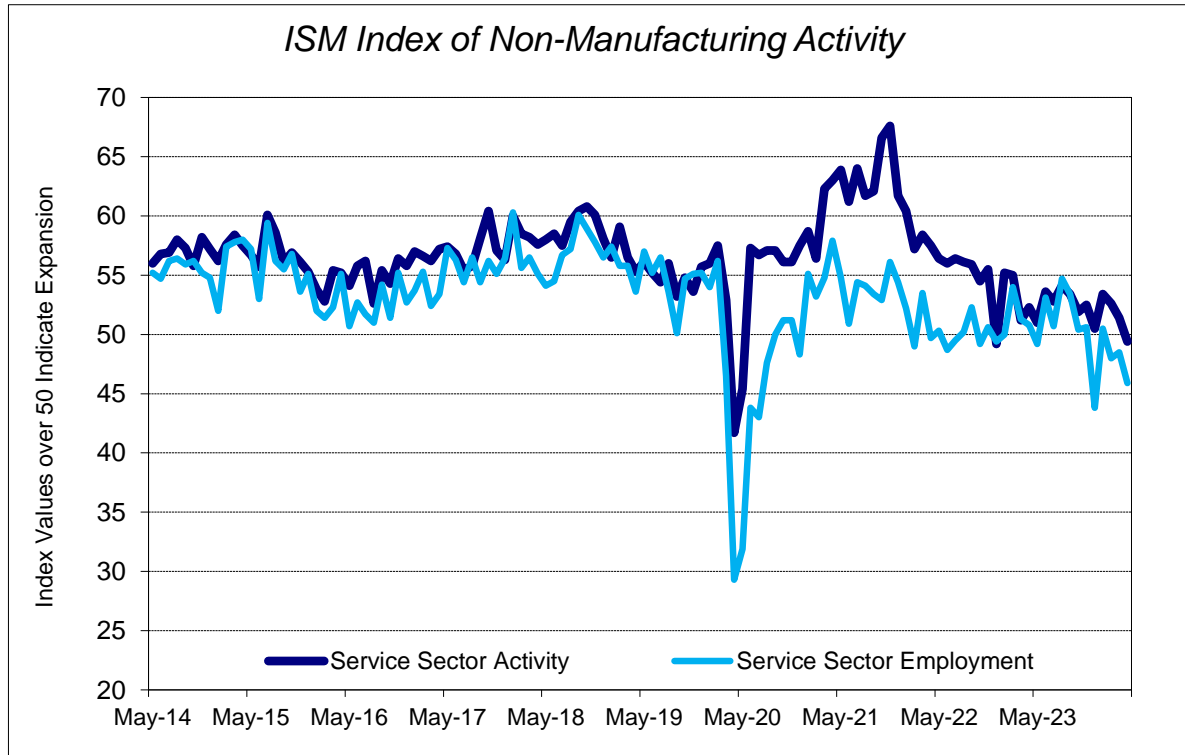
Source: Federal Reserve

[return to text](#)





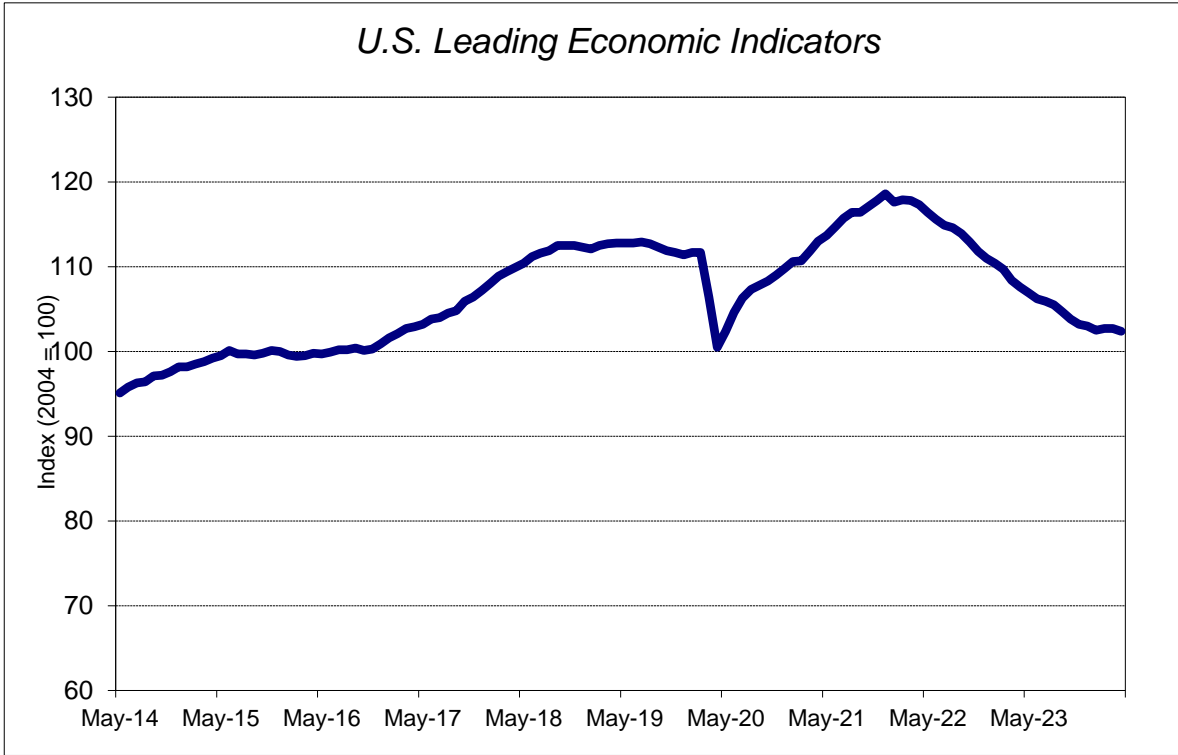
Source: Institute for Supply Chain Management



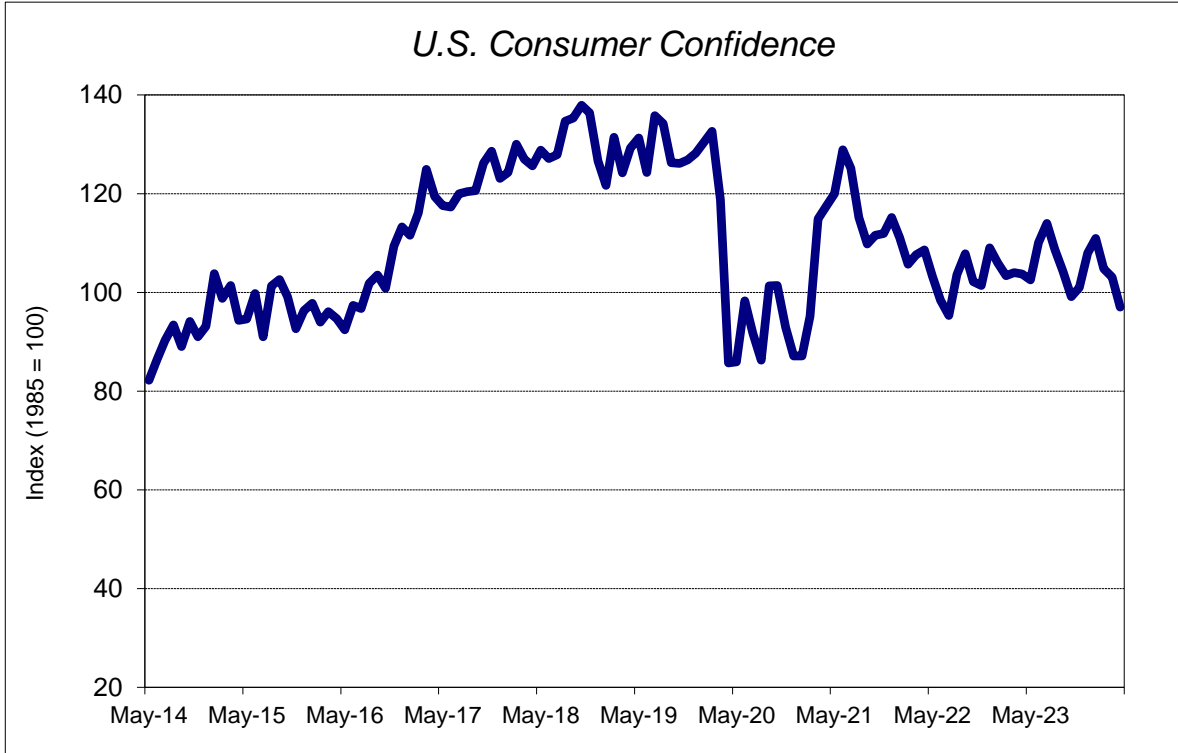
Source: Institute for Supply Chain Management

[return to text](#)





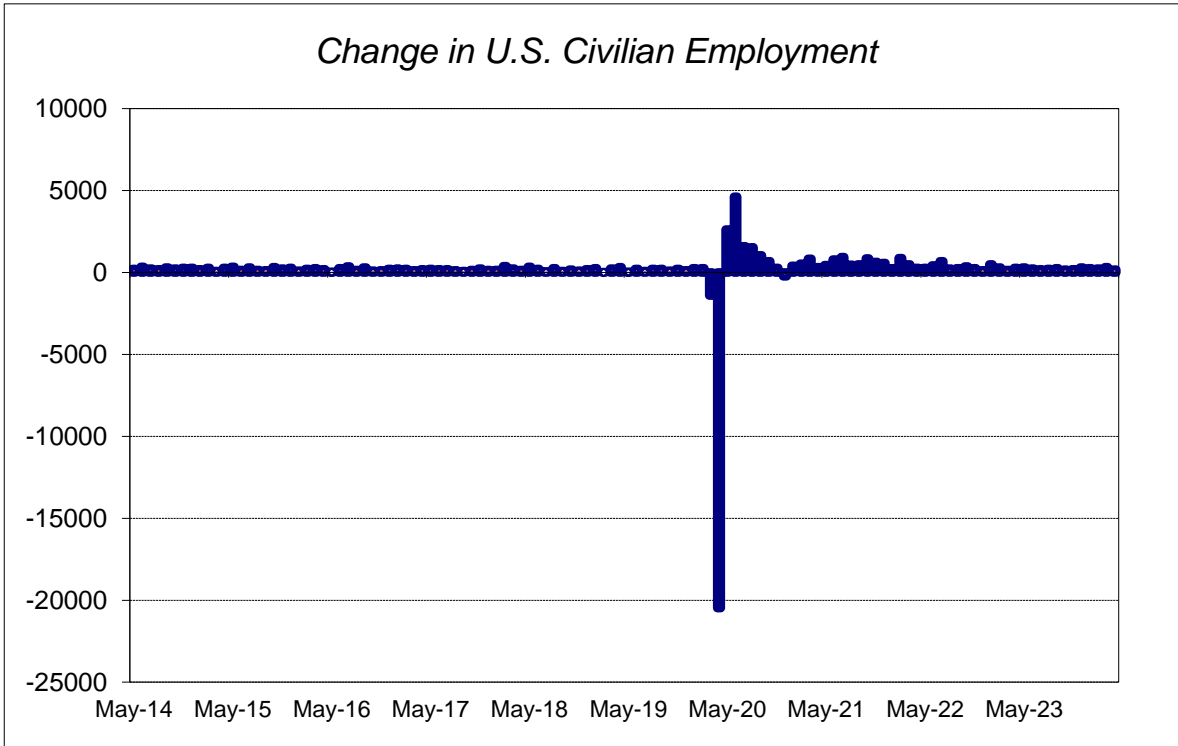
Source: The Conference Board



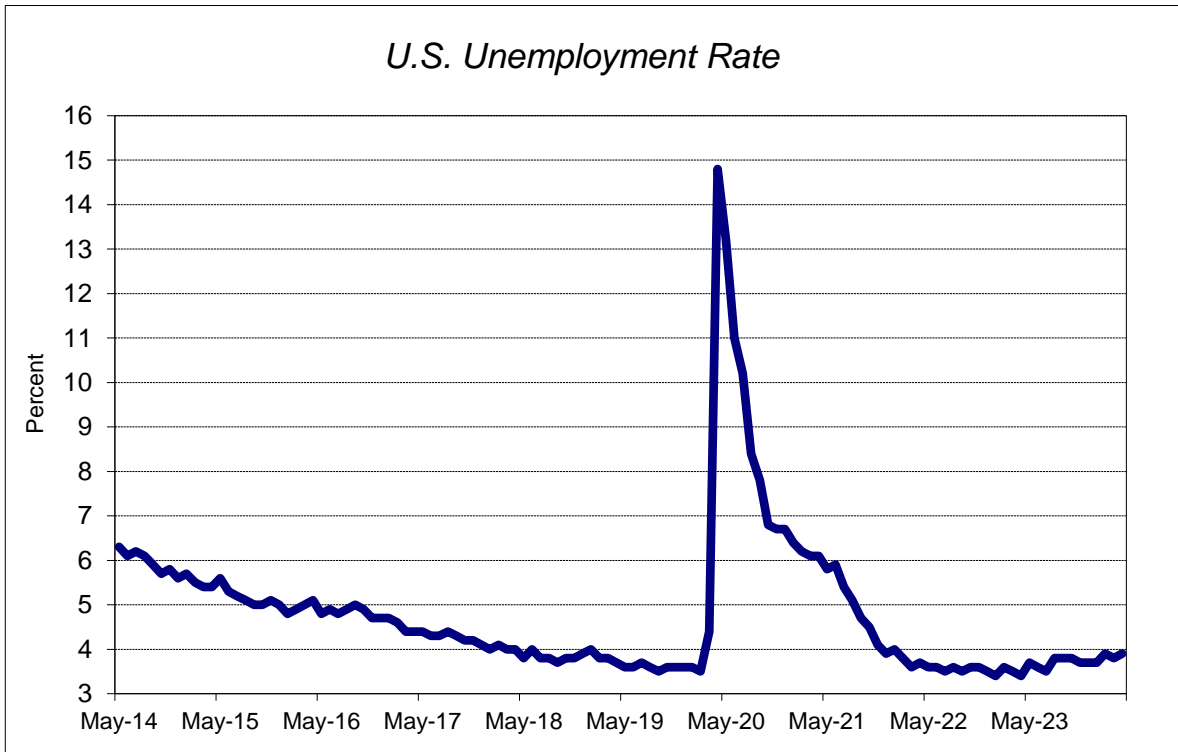
Source: The Conference Board

[return to text](#)





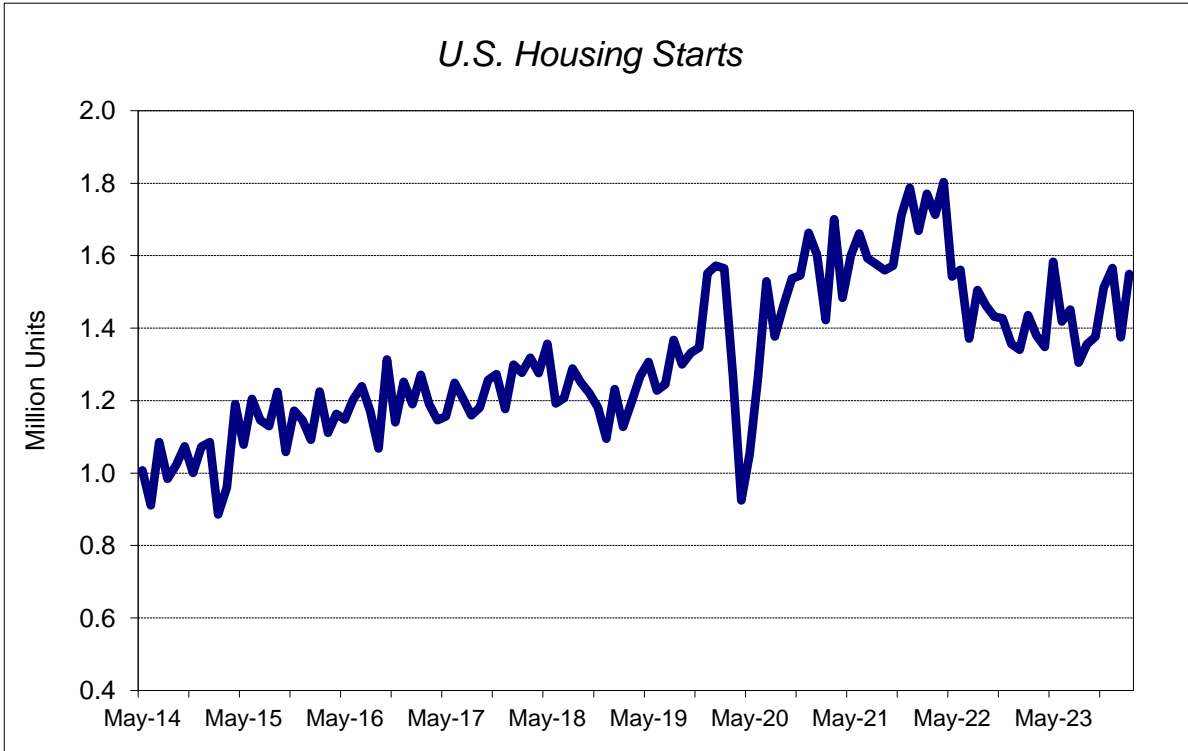
Source: Bureau of Labor Statistics



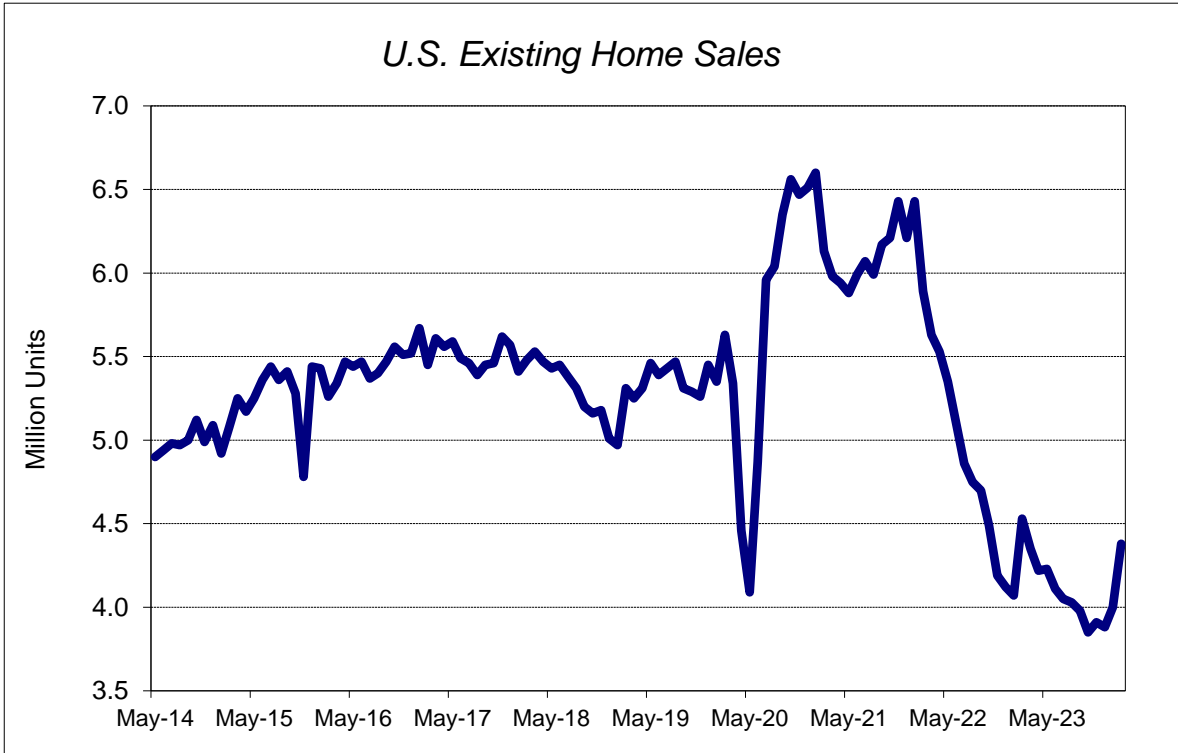
Source: Bureau of Labor Statistics

[return to text](#)





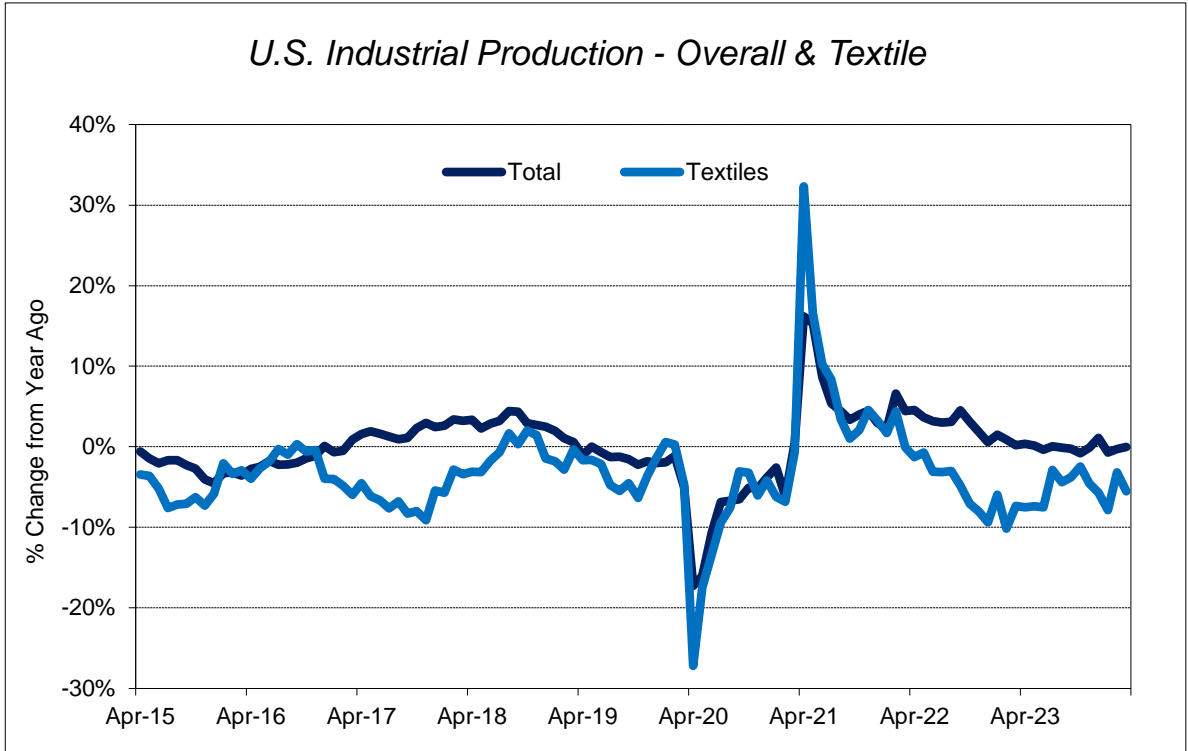
Seasonally Adjusted Annual Rate; Source: Department of Commerce



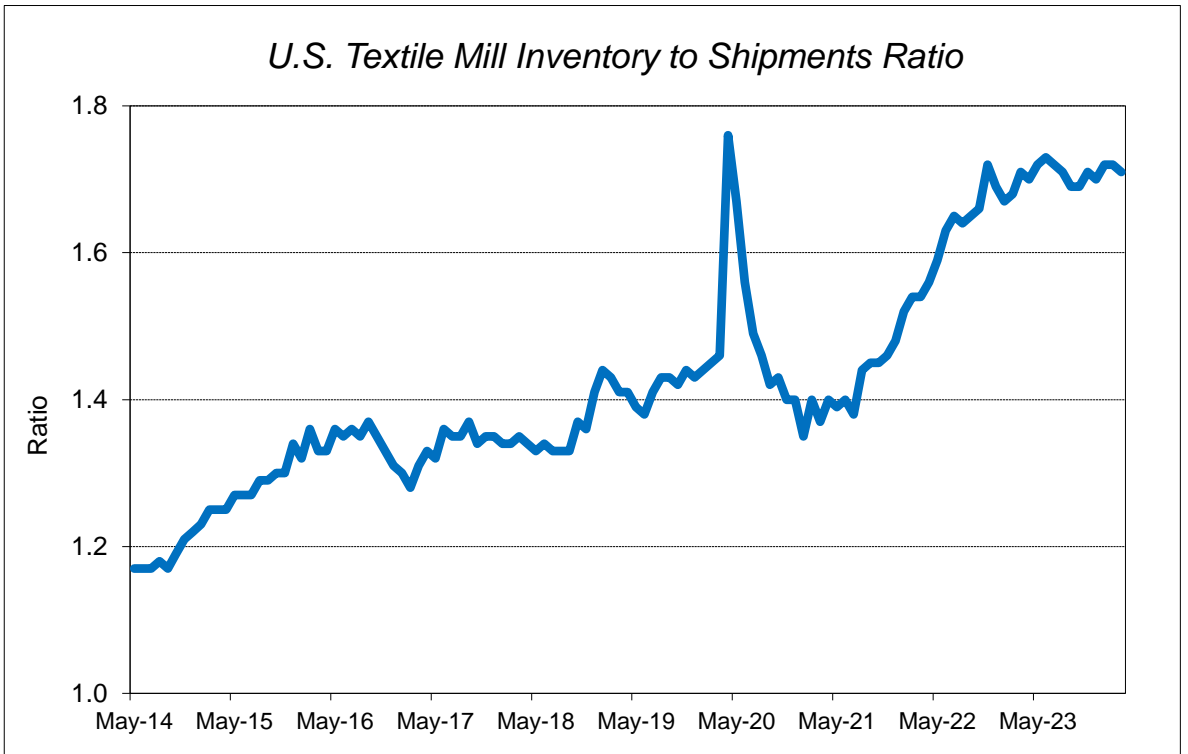
Seasonally Adjusted Annual Rate; Source: National Association of Realtors

[return to text](#)





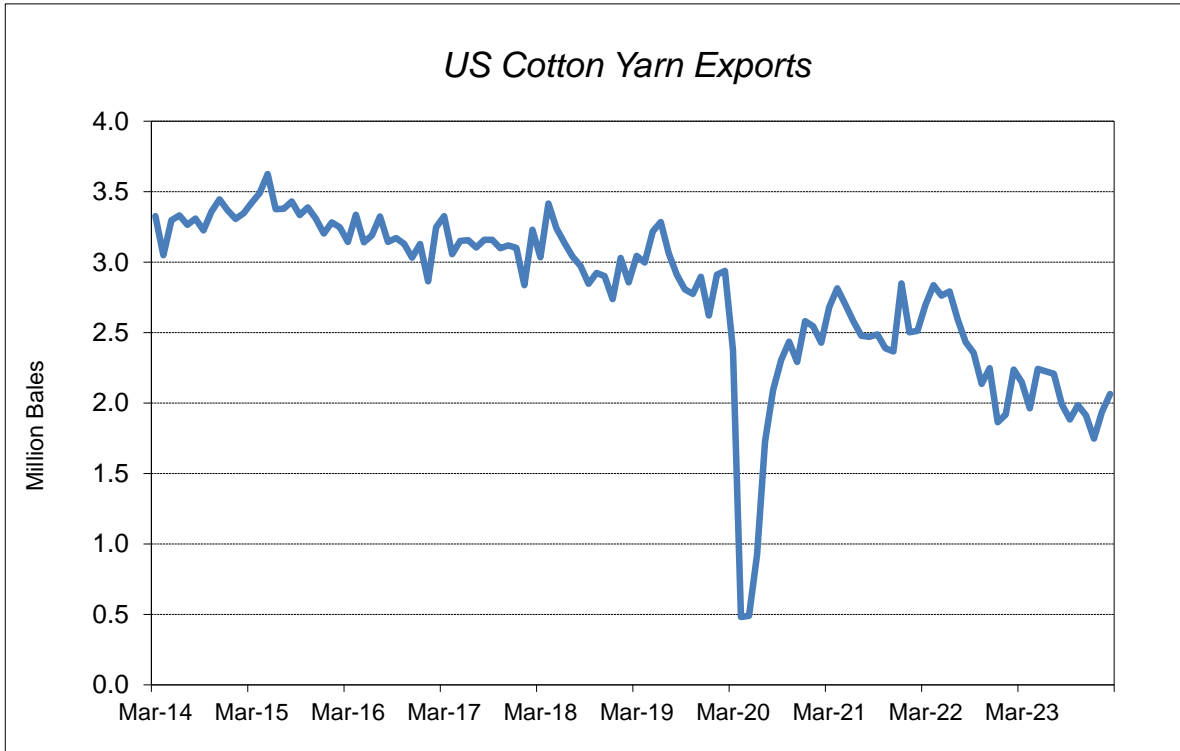
Source: Federal Reserve. Historical data revised to 1997 baseline.



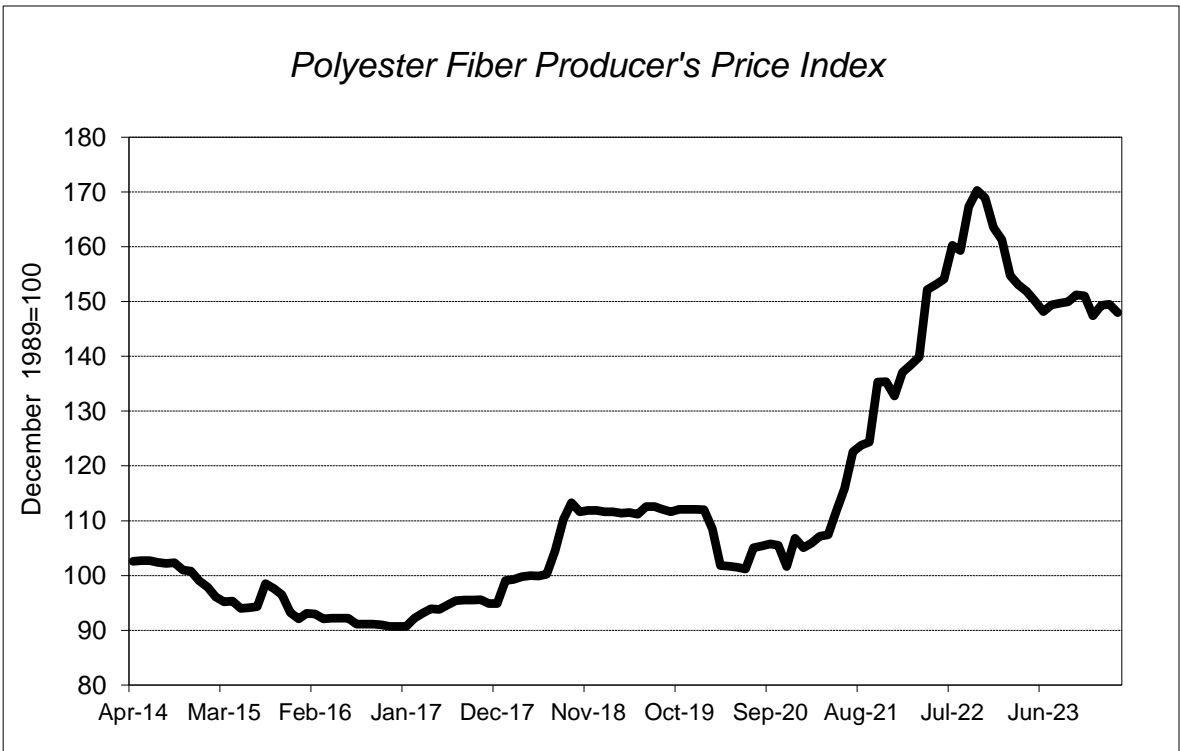
Seasonally Adjusted; Source: Department of Commerce

[return to text](#)





Seasonally Adjusted Annual Rate
 Source: USDA ERS

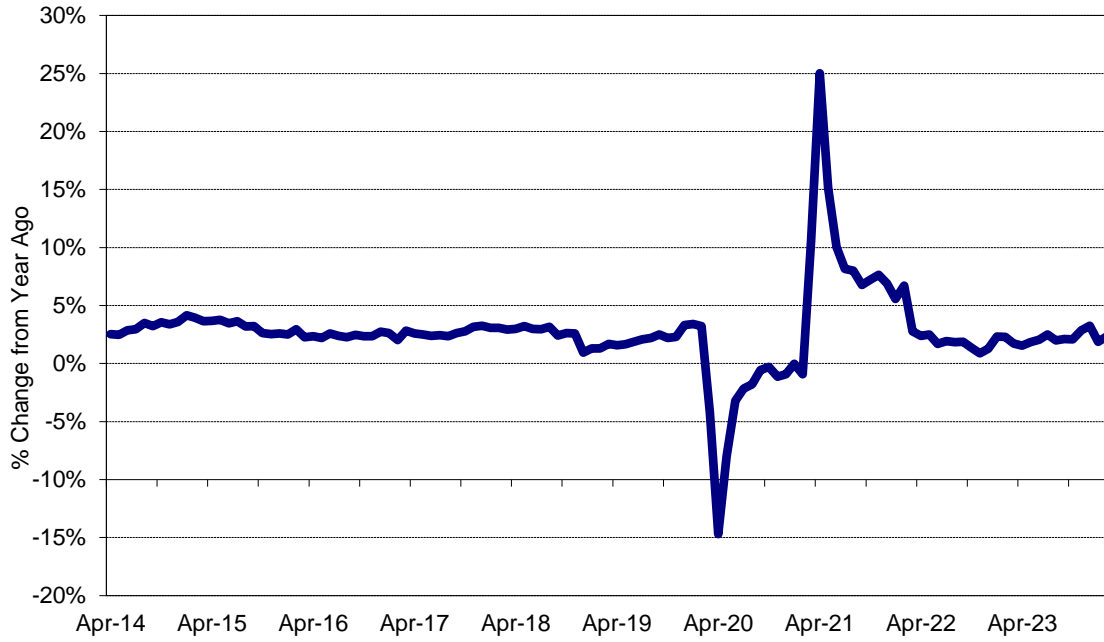


Source: Bureau of Labor Statistics

[return to text](#)

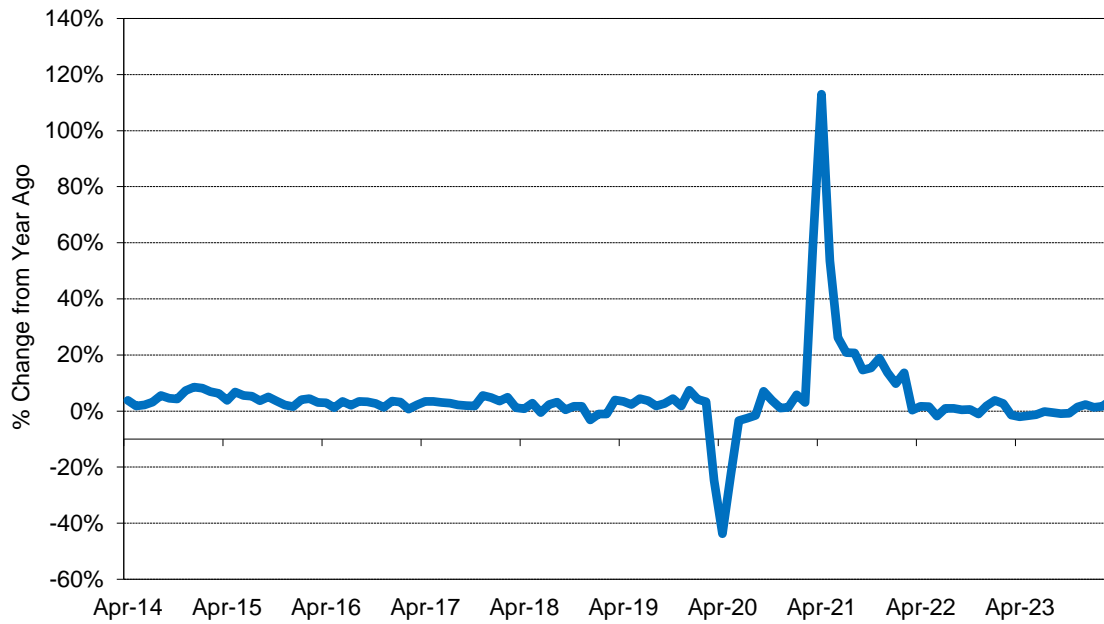


U.S. Real Consumer Spending - All Goods & Services



*Based on chained 2005\$.

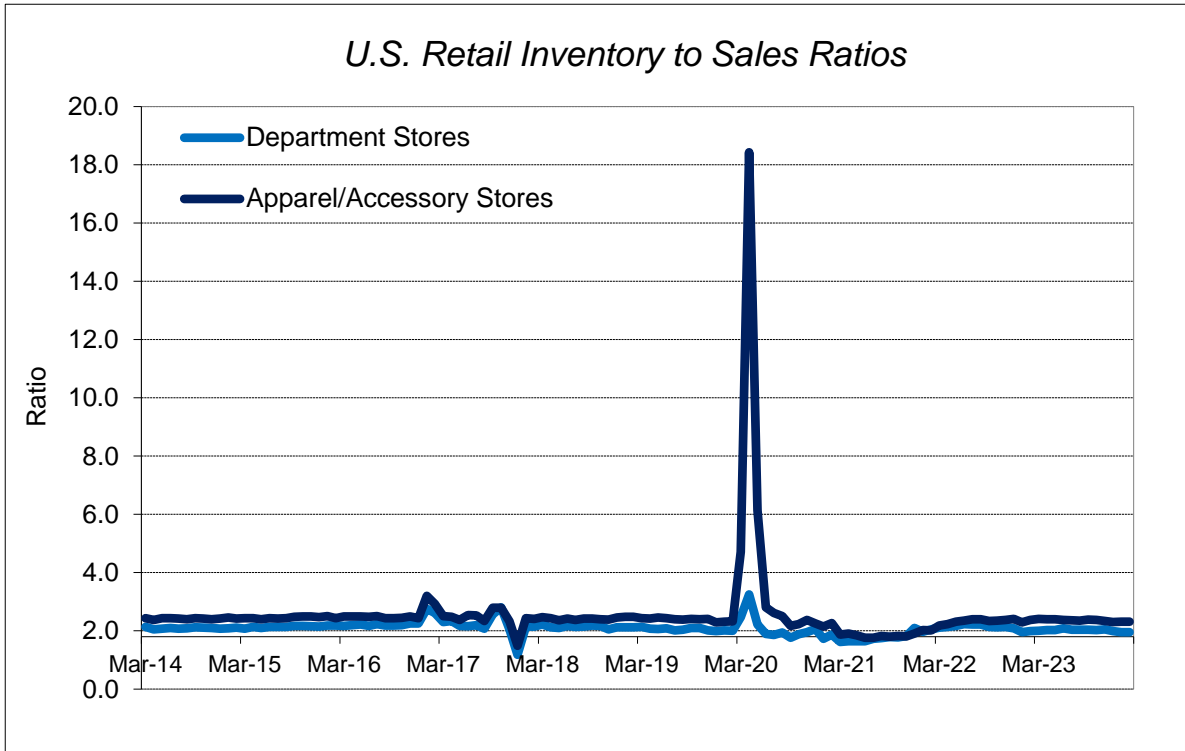
U.S. Real Consumer Spending on Clothing



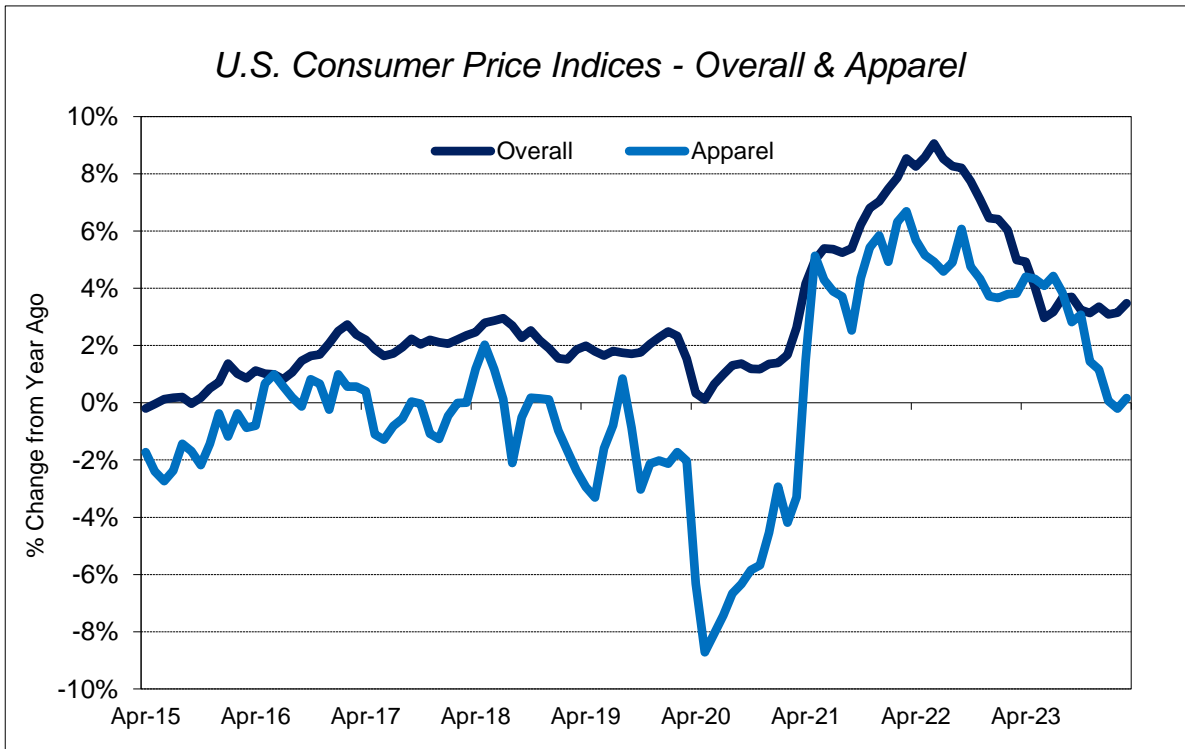
*Based on chained 2005\$.

[return to text](#)





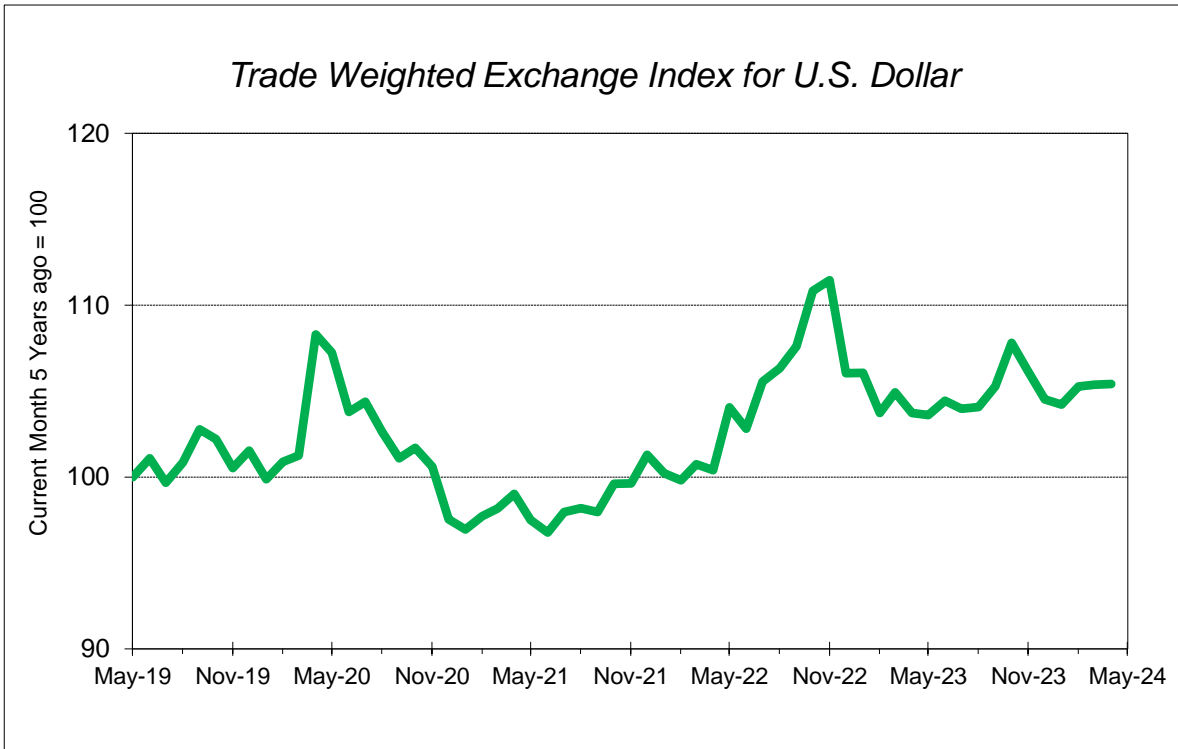
Source: Department of Commerce



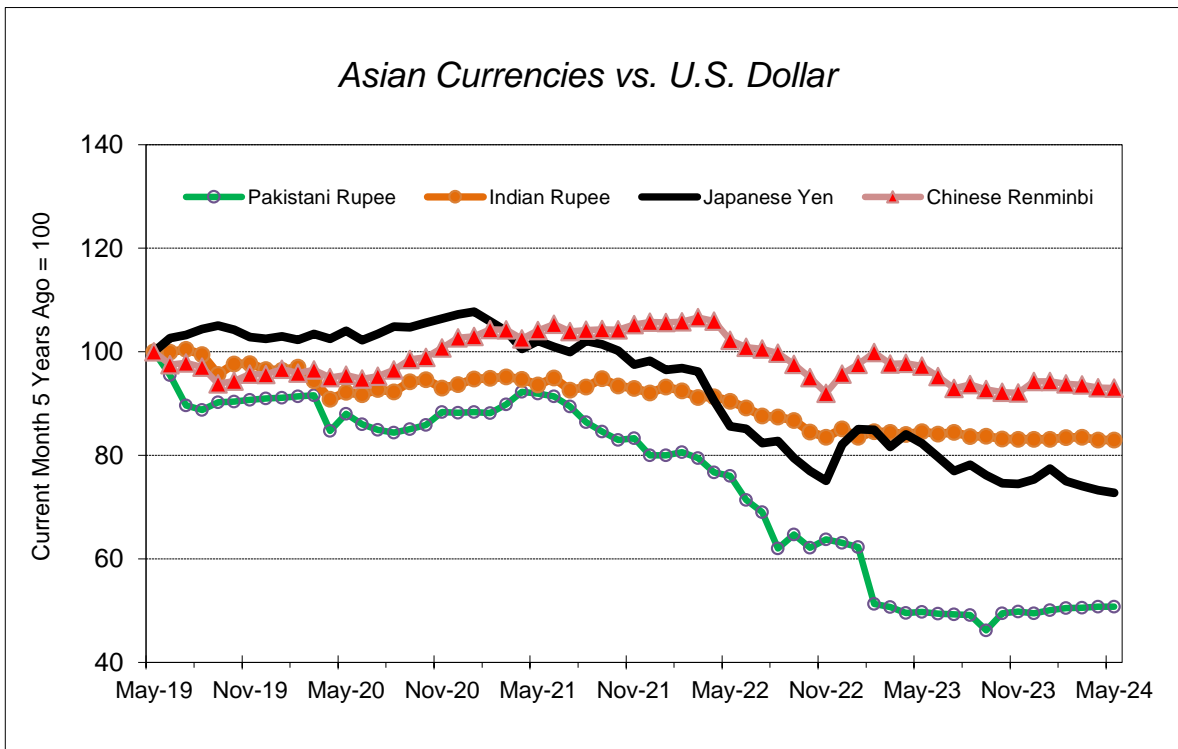
Source: Bureau of Labor Statistics

[return to text](#)





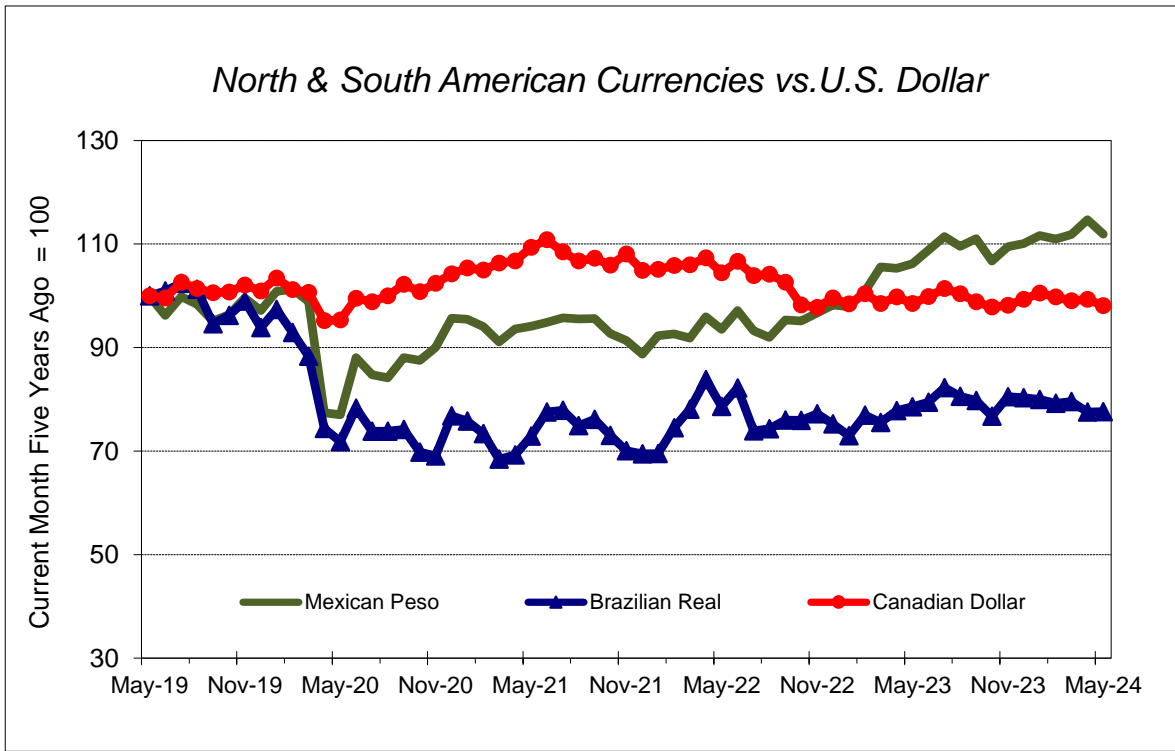
Source: Federal Reserve



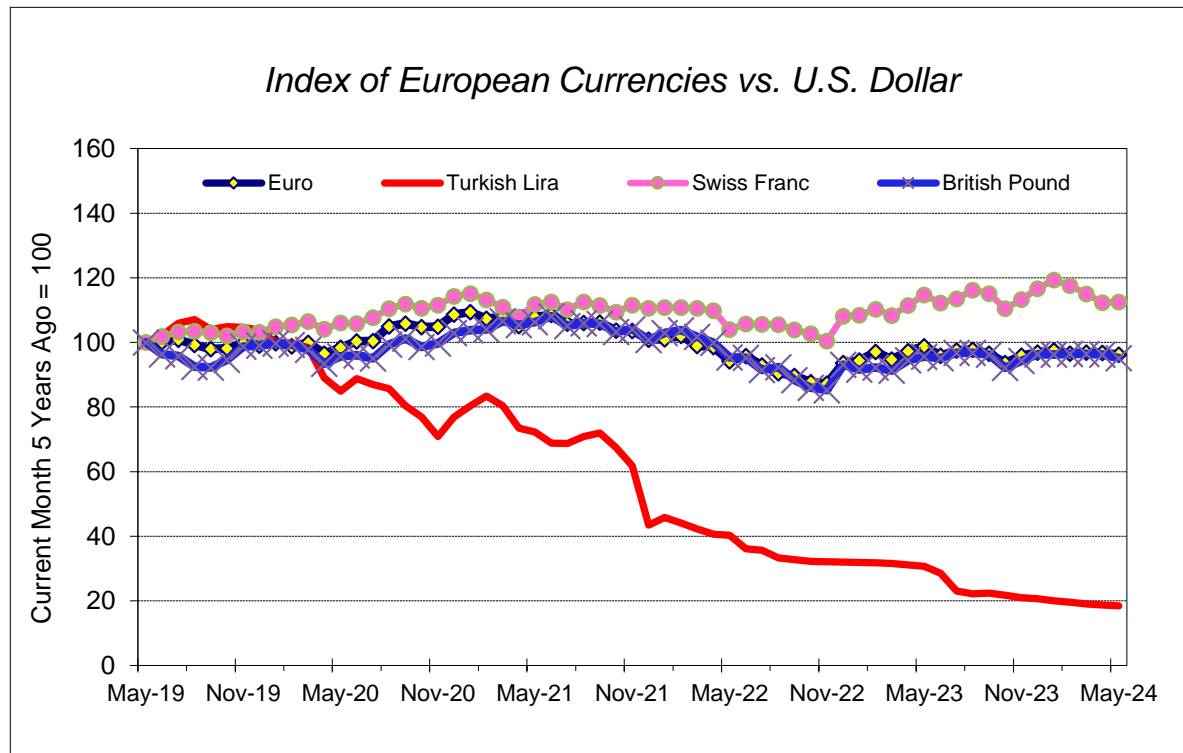
Source: Reuters

[return to text](#)





Source: Reuters



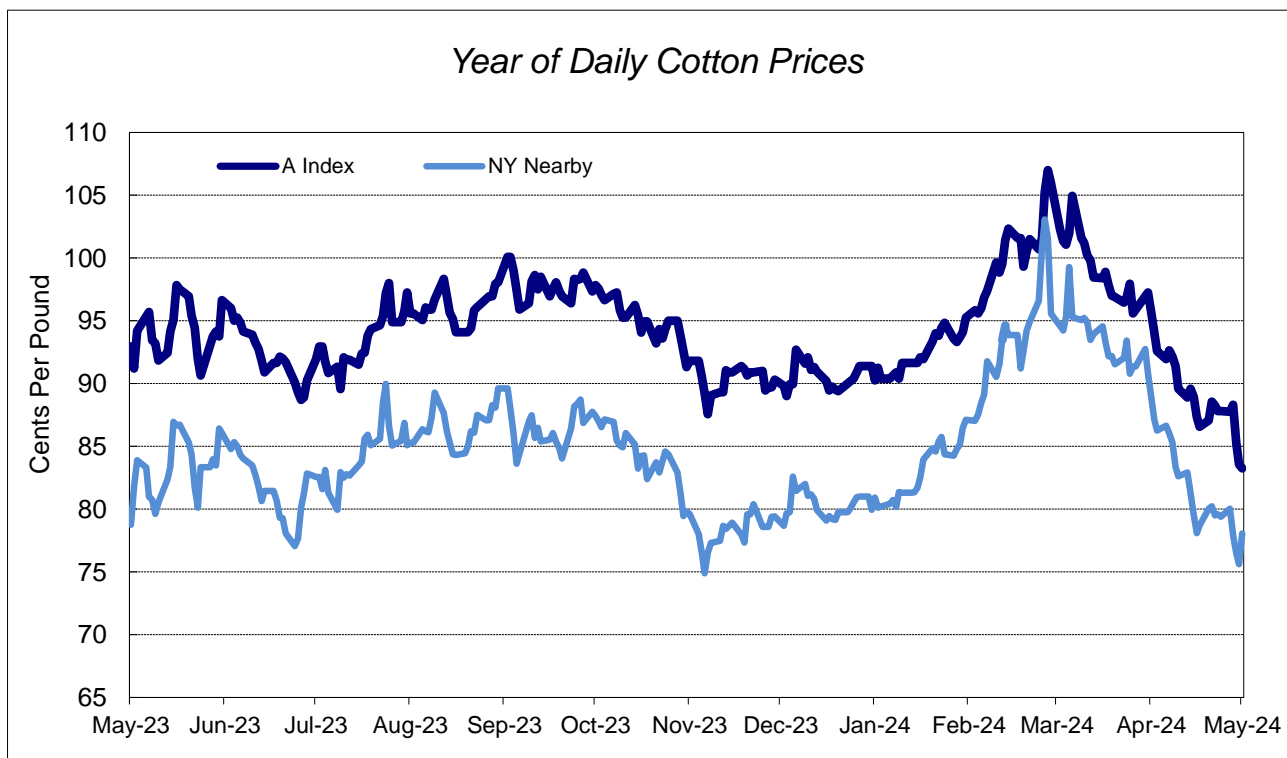
Source: Reuters

[return to text](#)



U.S. Balance Sheet

million 480 lb. bales	2019/20	2020/21	2021/22	2022/23	2023/24	2023/24
					March	April
Beginning Stocks	4.9	7.3	3.2	4.1	4.3	4.3
Production	19.9	14.6	17.5	14.5	12.1	12.1
Imports	0.0	0.0	0.0	0.0	0.0	0.0
Supply	24.8	21.9	20.7	18.5	16.4	16.4
Mill-Use	2.2	2.4	2.6	2.1	1.8	1.8
Exports	15.5	16.4	14.5	12.8	12.3	12.3
Demand	17.7	18.8	17.0	14.8	14.1	14.1
Ending Stocks	7.3	3.2	4.1	4.3	2.5	2.5
Stocks/Use Ratio	41.0%	16.8%	23.8%	28.7%	17.8%	17.8%



Sources: ICE Futures U.S. & Cotton Outlook

[return to text](#)

