

# Executive Cotton Update

U.S. Macroeconomic Indicators &  
the Cotton Supply Chain



June 2024

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

**Macroeconomic Overview:** The latest International Monetary Fund's (IMF) World Economic Outlook report highlighted divergence in economic growth and policy. While GDP growth and inflation rates in major economies followed different trajectories in 2023, recent decisions by central banks demonstrate a separation in interest rate policy. In early June, the European Central Bank (ECB) made its first rate cut since the fight against inflation began in early 2022. The move by the ECB followed rate cuts in Canada and a couple of other European countries outside the Euro Zone. ECB officials have not outlined a clear path for European interest rates. Economic growth in Europe has been sluggish, but the latest inflation figures remain above the target of two percent.

The decisions by central banks to cut rates in Europe and a few other locations contrast with the evolved outlook for Federal Reserve policy. A series of rate cuts were widely expected to occur in 2024, but those projections have been revised due to a combination of stronger-than-expected economic growth and stronger-than-expected inflation. The core inflation measure targeted by the Fed remains above the target of two percent (the latest reading for April was 2.7%).

Meanwhile, economic growth has expanded at an average annual rate of 3.1% over the past four quarters (the average annual growth rate in the five years before COVID was 2.7%). In addition, the labor market continues to be solid. The unemployment rate ticked up to four percent in May, but it held below that historically low level for 27 months, which is the longest stretch in at least 50 years. Control over inflation is just one of the Federal Reserve's mandates. The other is to maintain employment at its maximum sustainable level. Persistent strength in the labor market has supported consumer spending and overall economic growth and has given the Federal Reserve room to hold rates higher-for-longer in pursuit of price stability.

This differs from other markets, such as those in Europe, where other central banks are facing slower economic growth. The emerging divergence in interest rate policies may cause instability in exchange rates. Shifts in exchange rates can influence trade flows and can also influence inflation.

**Employment:** The U.S. economy is estimated to have added +272,000 new jobs in May. This was significantly stronger than the +165,000 positions added in April (current figure is -10,000 relative to the estimate released last month) but below the +310,000 jobs added in March (current figure is -5,000 relative to the estimate released last month). The current twelve-month average is +230,000.

The unemployment rate increased marginally from 3.9% to 4.0% month-over-month in May. This is the highest rate in more than two years, but four percent is a low level by historical standards. Since the Federal Reserve began increasing interest rates in March 2022, the unemployment rate has shifted about 0.4 percentage points higher.

Wages increased +4.1% year-over-year in May. This is higher than the +4.0% growth registered in April, but it may just represent an upward bump in the longer-term downward trend in wage growth that has been in place since the Fed began increasing interest rates. When rates started to rise in March 2022, wages were up +6.0% year-over-year. During that time, inflation was surging and the rate of increases in salaries was lower than the rate of increases in consumer prices. Since then, price increases have slowed faster than wage growth, and a result has been that wages have been rising at a faster rate than inflation since May 2022.

**Consumer Confidence & Spending:** After three months of decreases, the Conference Board's Index of Consumer Confidence increased in May (+4.5 points). The current value of 102.0 is a little lower than the mid-point of the range between 95 and 115 that has contained values since the second half of 2021. The long-term average for the index is near 93.0.

In inflation-adjusted terms, overall consumer spending was essentially flat month-over-month in April (-0.1%). Year-over-year, overall spending was +2.6% higher. The average annual growth rate over the past twelve months is +2.4%.

Consumer spending on apparel decreased -1.5% month-over-month in April but was +1.5% higher year-over-year.

**Consumer Prices & Import Data:** The CPI for garments rose +1.5% month-over-month in April. This followed a +0.7% month-over-month rise in March. These represent the strongest rates of price increases since late 2021, when inflation was surging. Year-over-year, average retail prices for apparel were +1.4% higher. Relative to the average in 2019 (pre-COVID), prices for clothing were +6.4% higher in April.

Average import costs, represented by the price per square meter equivalent (SME) of cotton-dominant apparel, increased +1.9% month-over-month in April (seasonally-adjusted). Year-over-year import prices were down -5.1%. 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	

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U.S. Macroeconomic Indicators & Cotton Prices  
June 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%	1.3%	% Chg. Quarter/Quarter	Department of Commerce

### Macroeconomic Series with Latest Data for May

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	March	April	May		
ISM Index of Manufacturing Activity	52.5	47.9	48.7	49.4	50.3	49.2	48.7	Index	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	55.9	52.5	51.9	51.5	51.4	49.4	53.8	Index	Institute for Supply Management
Consumer Confidence	108.4	105.3	104.4	100.9	103.1	97.5	102.0	Index	The Conference Board
Change in Non-Farm Payrolls	131.7	229.7	254.8	249.0	310	165	272	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	4.9%	3.8%	3.8%	3.9%	3.8%	3.9%	4.0%	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%	4.3%	4.3%	4.4%	4.2%	4.5%	4.5%	Interest rate	Federal Reserve

### 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		
Index of Leading Economic Indicators	110.3	103.7	102.5	102.2	102.4	102.4	101.8	Index	The Conference Board
Housing Starts	1.5	1.4	1.4	1.4	1.5	1.3	1.4	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.2	4.1	4.1	4.2	4.4	4.2	4.1	Annual pace, millions of units	National Association of Realtors

## Industrial & Textile Data

### Industrial & Textile 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		
US Industrial Production	100.4	102.7	102.6	102.7	101.8	102.6	102.8	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	131.0	149.4	149.1	148.9	149.3	148.7	148.7	Index, December 2003=100	Bureau of Labor Statistics

### 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		
Bale Equivalence of US Cotton Yarn & Fabric Exports	3.2	2.0	1.9	2.0	1.9	2.1	2.0	million 480lb bales	USDA ERS

### Industrial & Textile 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		
US Textile Mill Inventory/Shipments Ratio	1.55	1.71	1.71	1.71	1.71	1.71	1.70	Ratio	Department of Commerce

## Retail Data

### Retail 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		
US Real Consumer Spending									
All Goods and Services	2.7%	2.4%	2.6%	2.5%	2.2%	2.8%	2.6%	% Chg. Year/Year	Department of Commerce
Clothing	5.9%	0.4%	1.8%	1.9%	1.1%	3.1%	1.5%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	4.1%	3.4%	3.3%	3.3%	3.2%	3.5%	3.4%	% Chg Year/Year	Bureau of Labor Statistics
Clothing	0.9%	2.2%	0.7%	0.4%	-0.2%	0.2%	1.4%	% Chg. Year/Year	Bureau of Labor Statistics

### 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		
Retail Inventory/Sales Ratio									
Clothing and Clothing Accessory Stores	2.6	2.4	2.3	2.3	2.4	2.3	2.3	Ratio	Department of Commerce
Department Stores	2.0	2.0	2.0	1.9	2.0	1.9	1.9	Ratio	Department of Commerce

# Executive Cotton Update

Daily Cotton Price and Currency Data

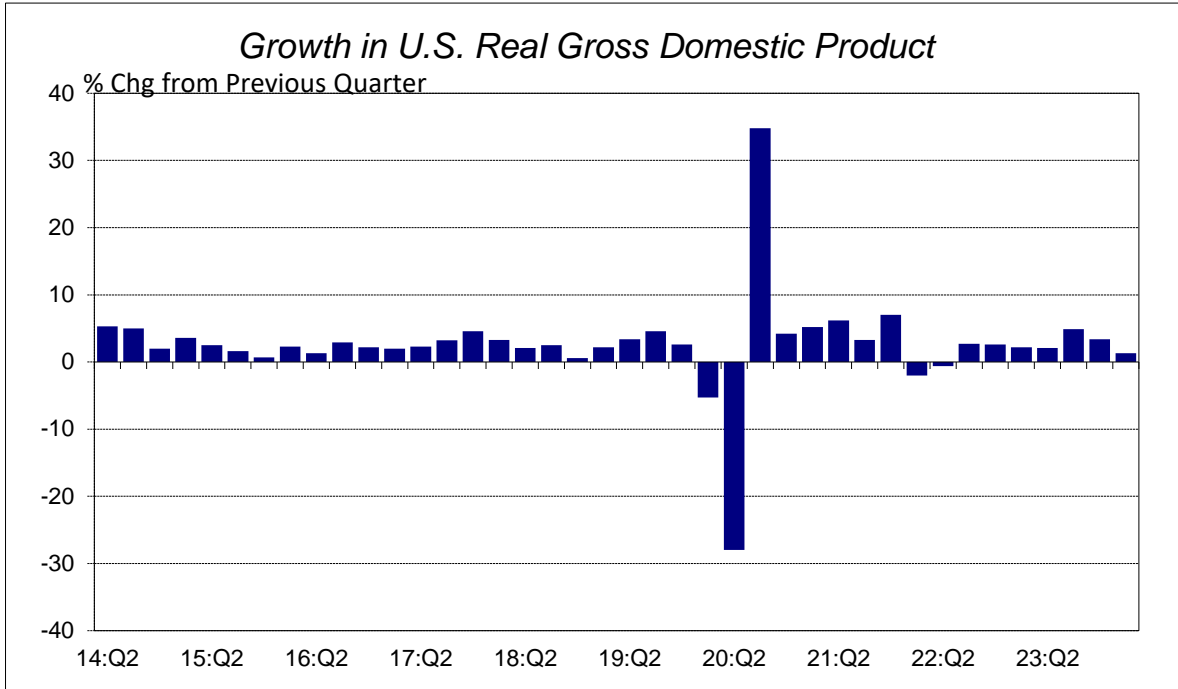
June 2024



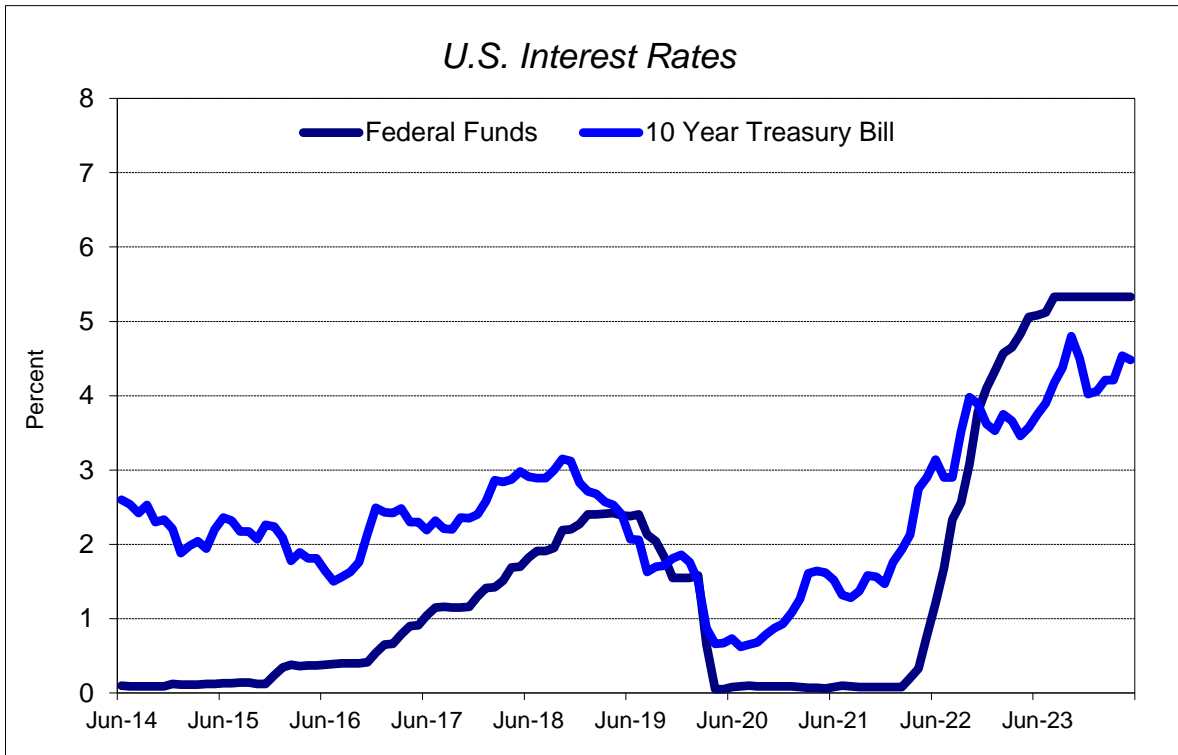
Daily Cotton Price Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	March	April	May		
NY Nearby	85.1	84.1	84.4	83.8	93.8	83.1	77.9	cents/pound	ICE
A Index	95.6	93.5	92.7	91.3	99.7	90.2	86.5	cents/pound	Cotlook

Daily Currency Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	March	April	May		
Dollar Trade Weighted Exchange Index	118.1	119.4	121.2	121.6	120.4	122.0	122.4	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.85	6.85	7.20	7.22	7.19	7.23	7.22	Chinese Renminbi/US dollar	Reuters
Indian Rupee	76.96	79.68	83.16	83.16	82.79	83.20	83.50	Indian Rupee/US dollar	Reuters
Japanese Yen	122.58	132.91	149.19	151.90	147.05	152.77	155.88	Japanese Yen/US dollar	Reuters
Pakistani Rupee	202.75	232.02	280.05	278.39	279.19	277.94	278.05	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	5.01	5.13	4.99	5.06	4.97	5.07	5.15	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.31	1.31	1.35	1.36	1.35	1.37	1.37	Canadian dollar/US dollar	Reuters
Mexican Peso	19.56	18.93	16.91	16.68	16.80	16.49	16.75	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.78	0.79	0.79	0.79	0.78	0.80	0.80	British Pound/US dollar	Reuters
Euro	0.90	0.92	0.92	0.92	0.91	0.93	0.93	Euro/US dollar	Reuters
Swiss Franc	0.93	0.92	0.88	0.90	0.88	0.91	0.91	Swiss Franc/US dollar	Reuters
Turkish Lira	14.48	19.62	31.02	32.16	31.97	32.30	32.21	Turkish Lira/US dollar	Reuters



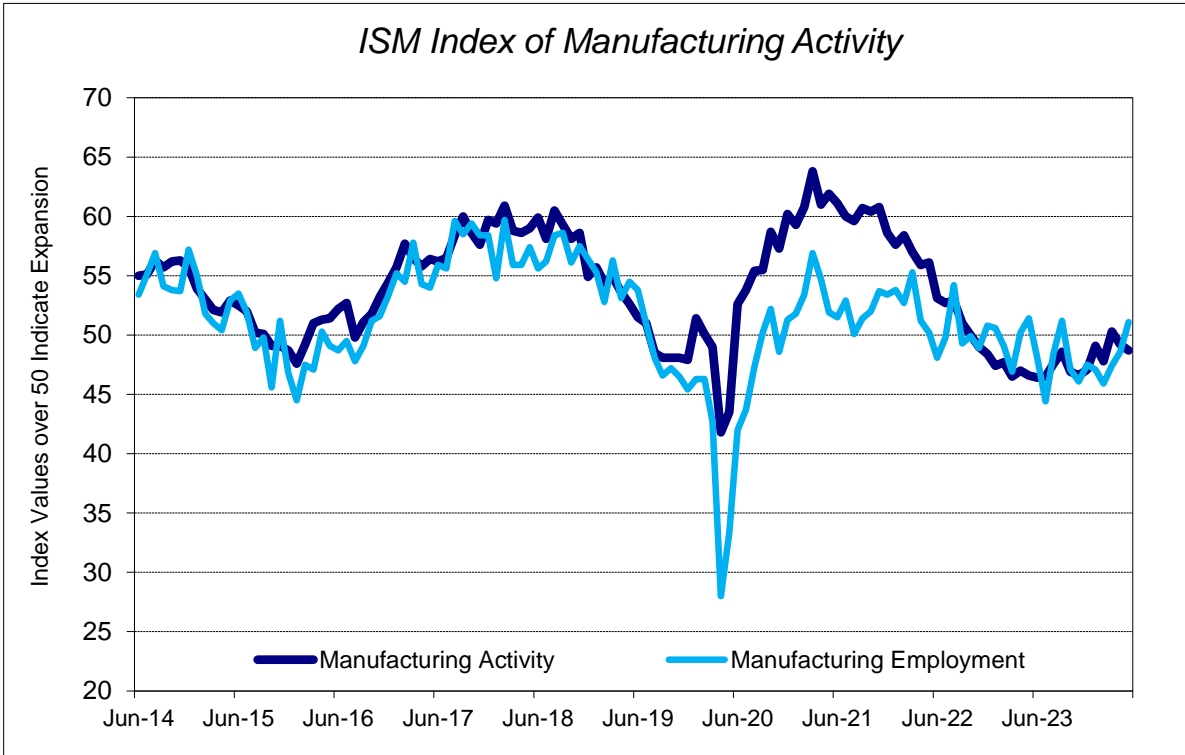
Seasonally Adjusted Annual Rate; Source: Department of Commerce  
 \*Based on chained 2005\$.



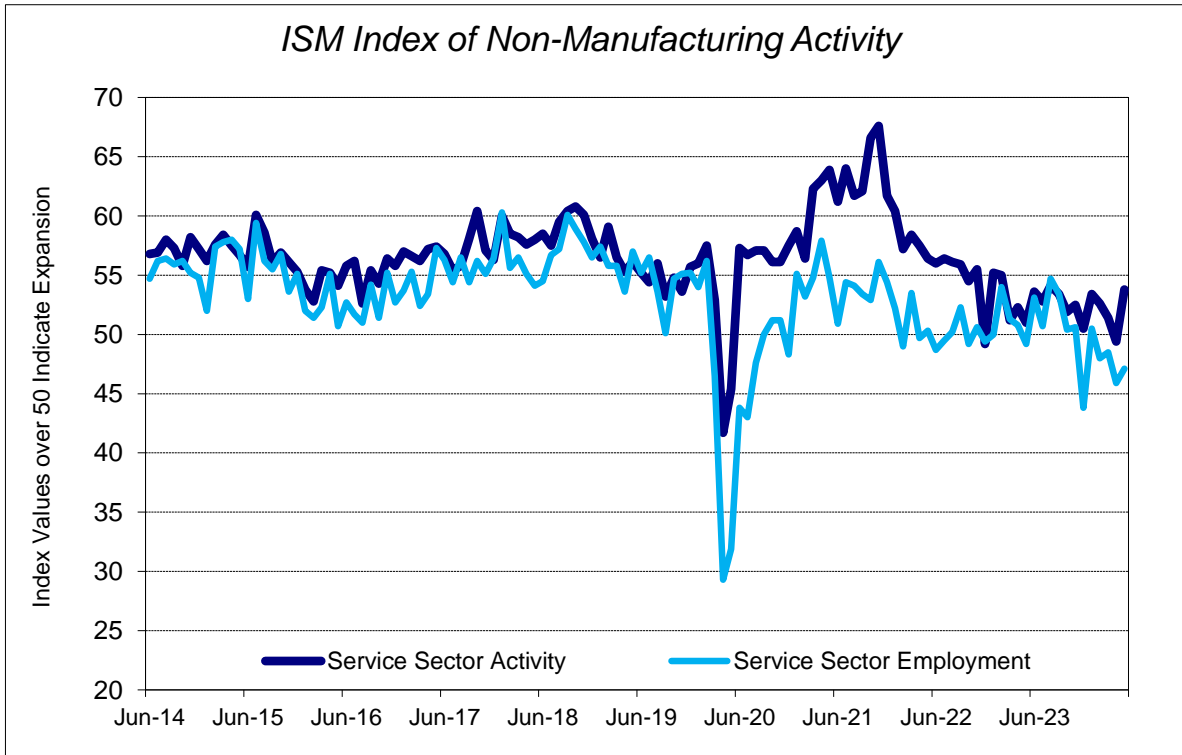
Source: Federal Reserve

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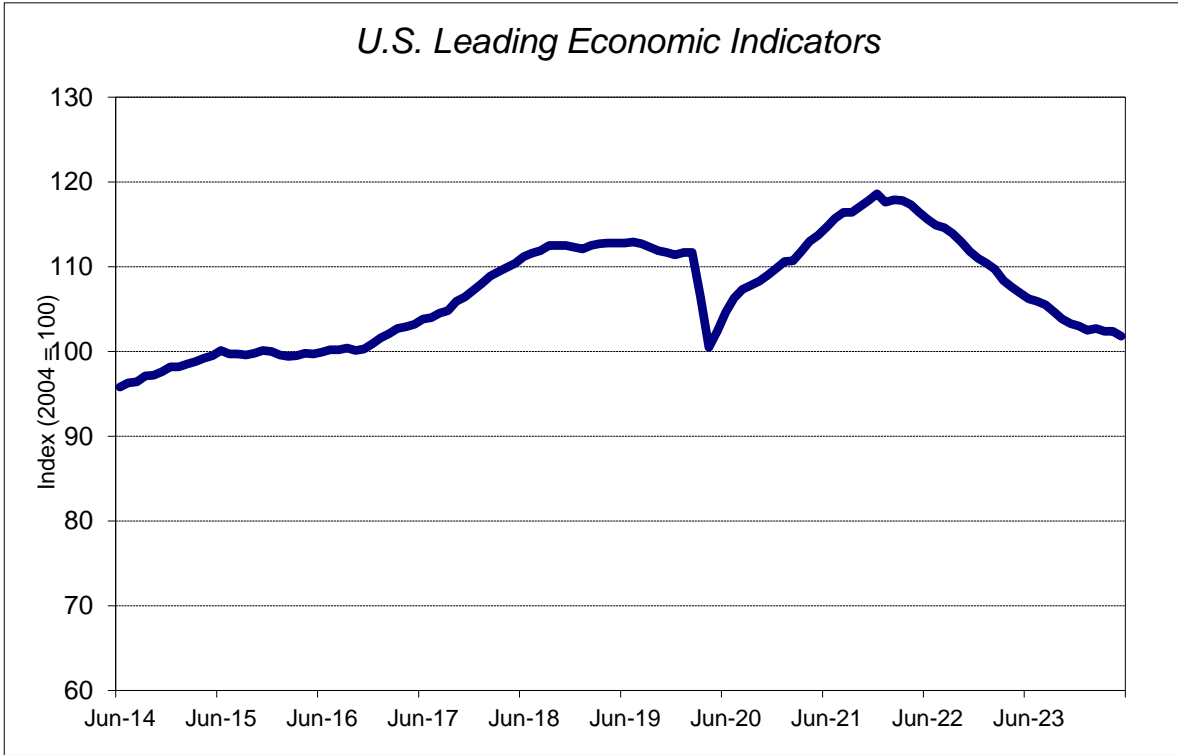
Source: Institute for Supply Chain Management



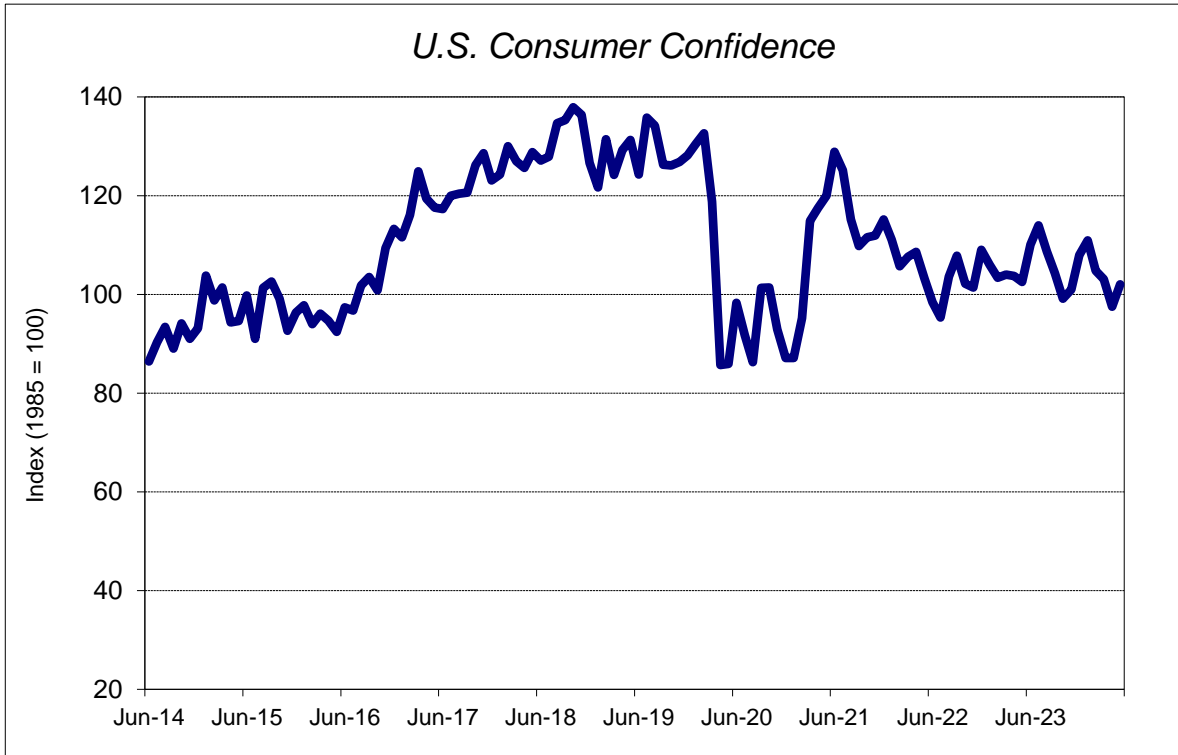
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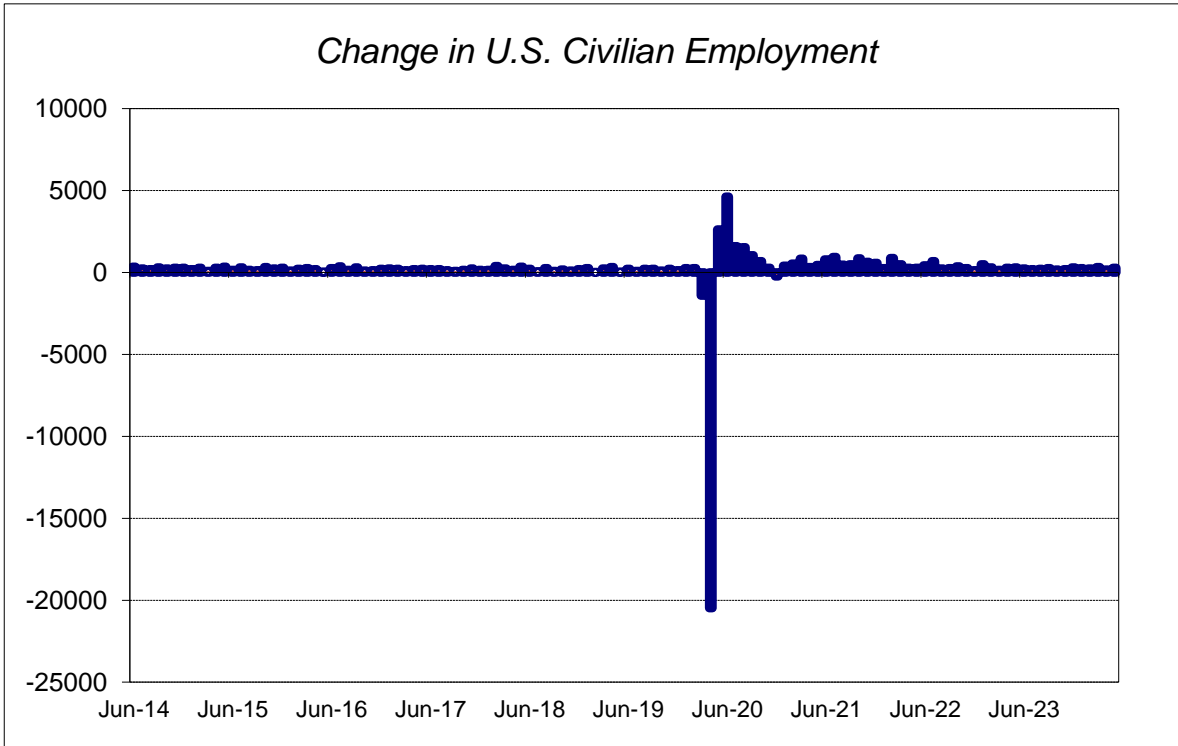
Source: The Conference Board



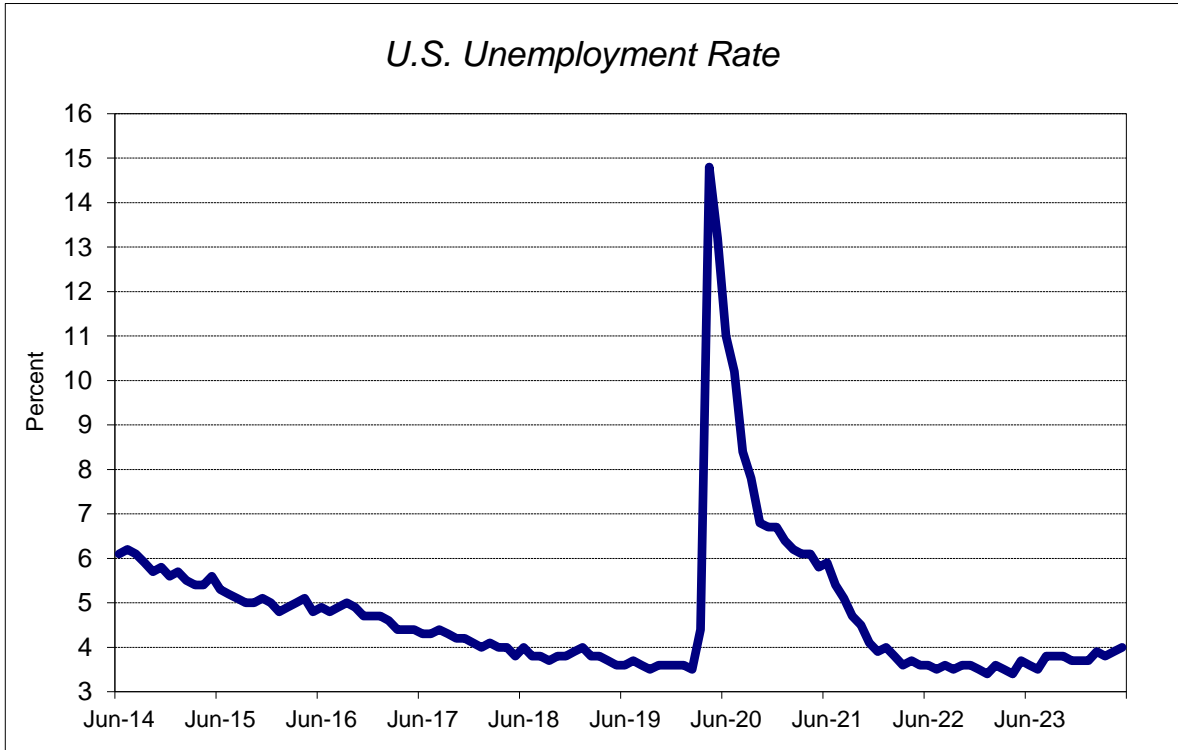
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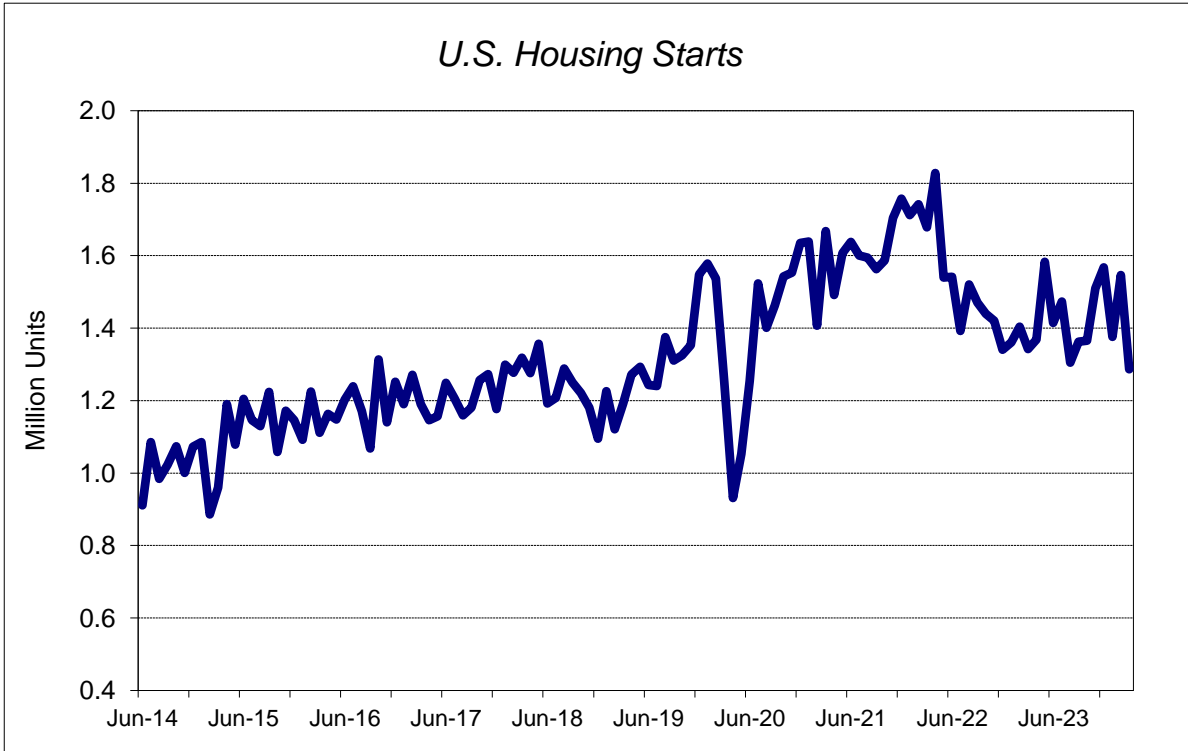
Source: Bureau of Labor Statistics



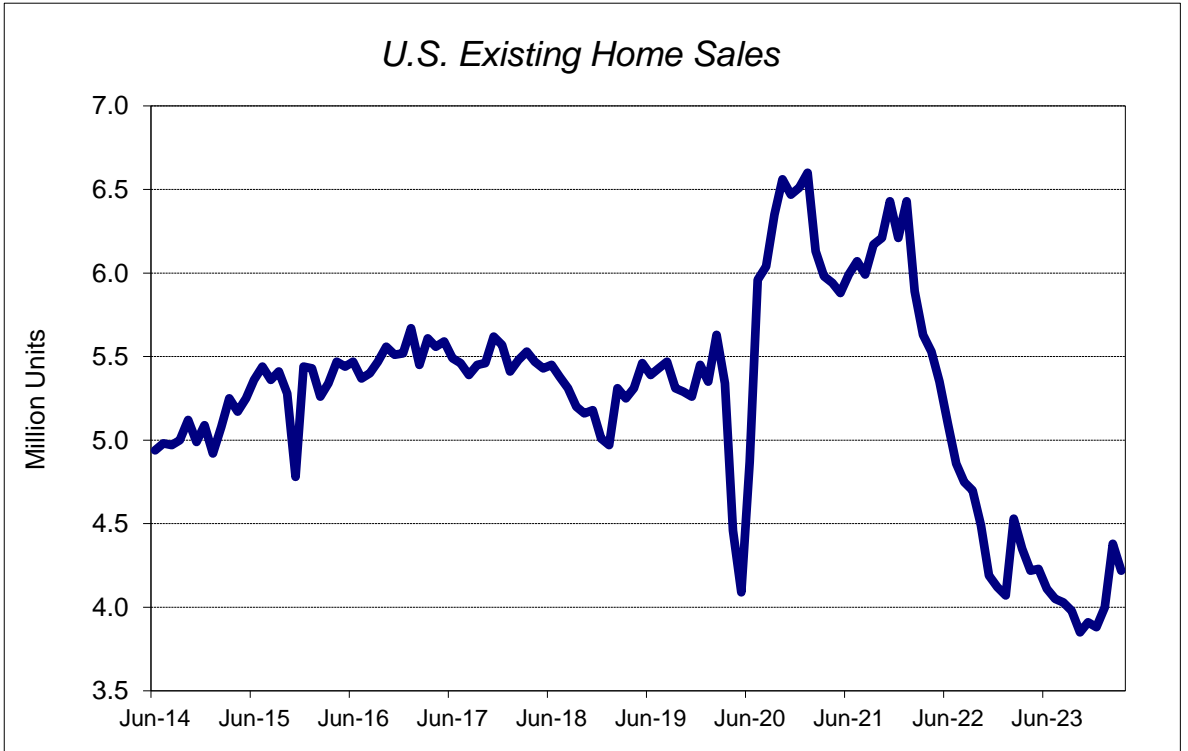
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Seasonally Adjusted Annual Rate; Source: Department of Commerce

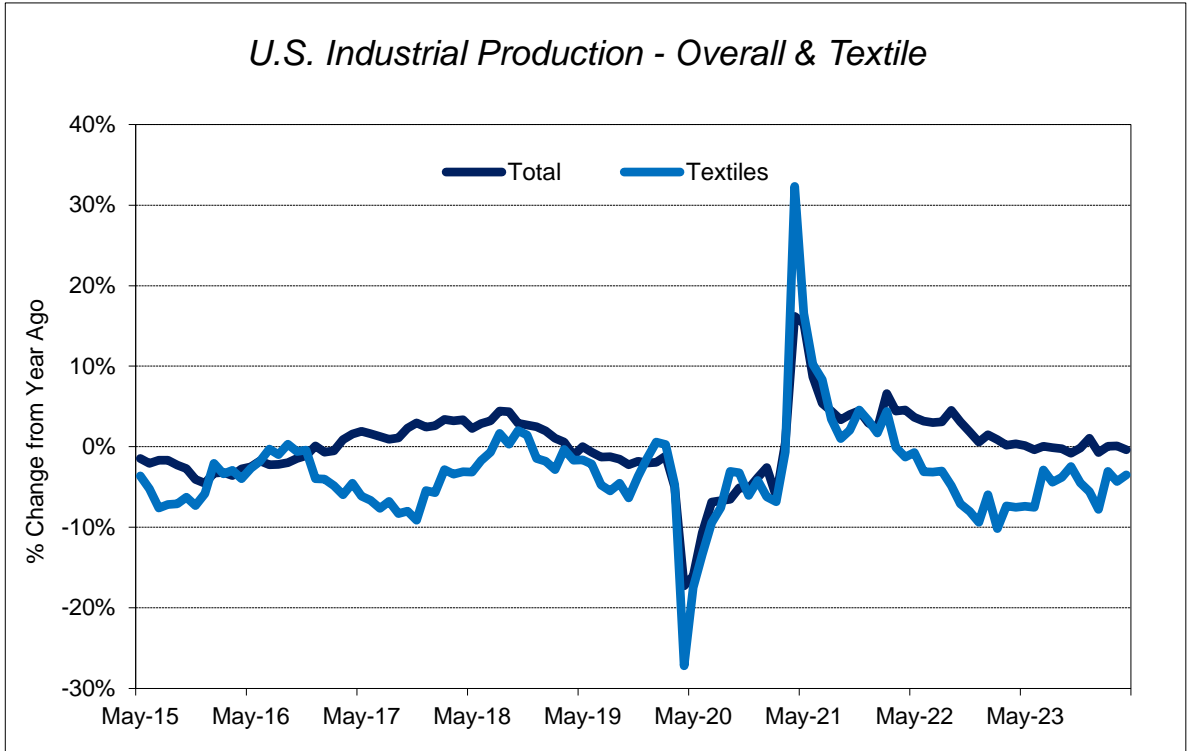


Seasonally Adjusted Annual Rate; Source: National Association of Realtors

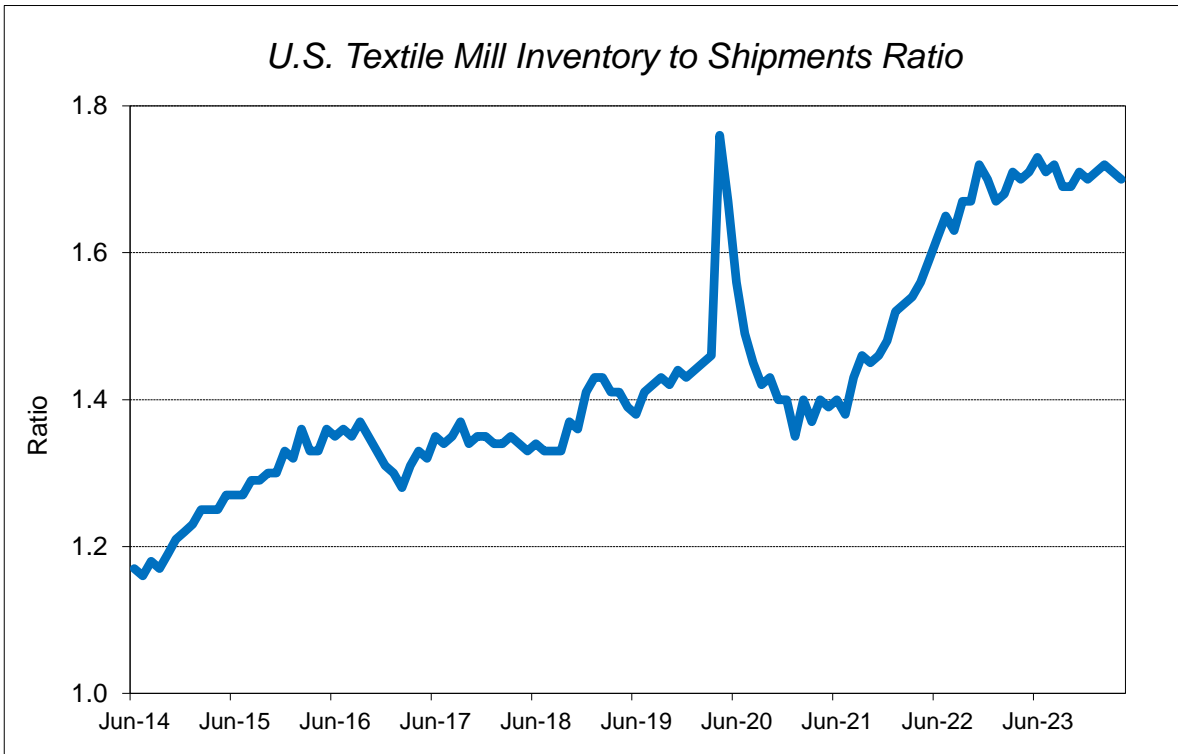
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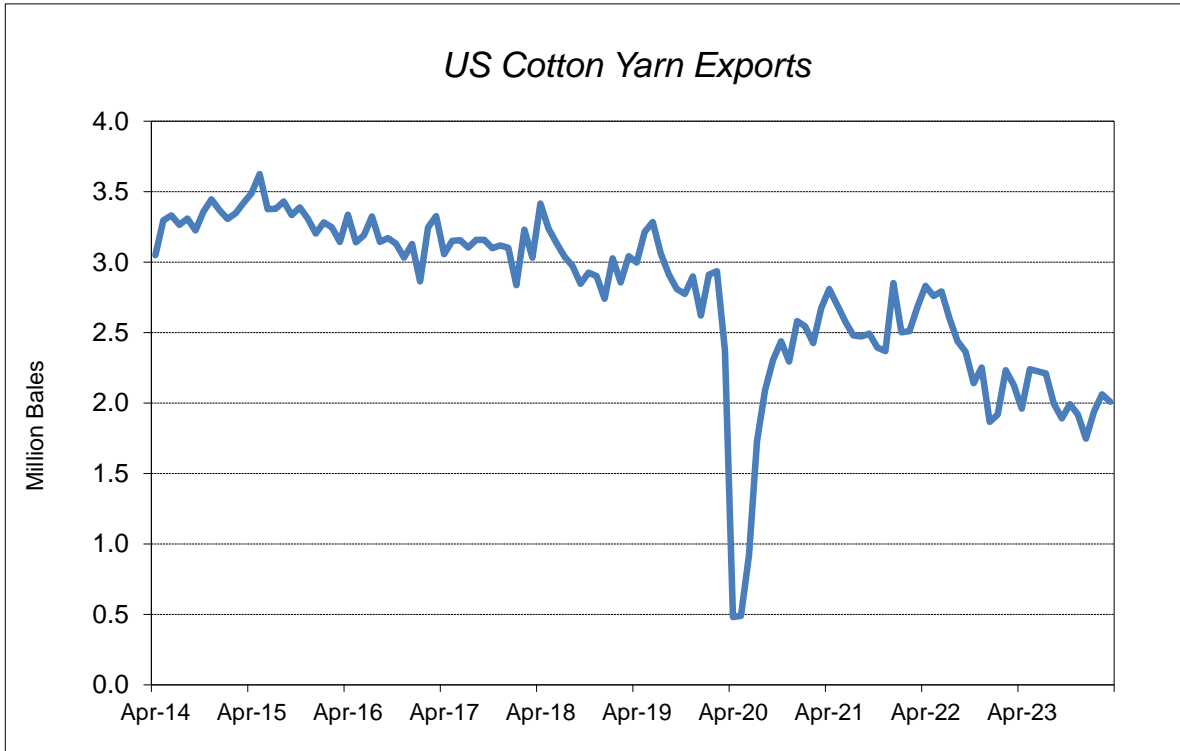
Source: Federal Reserve. Historical data revised to 1997 baseline.



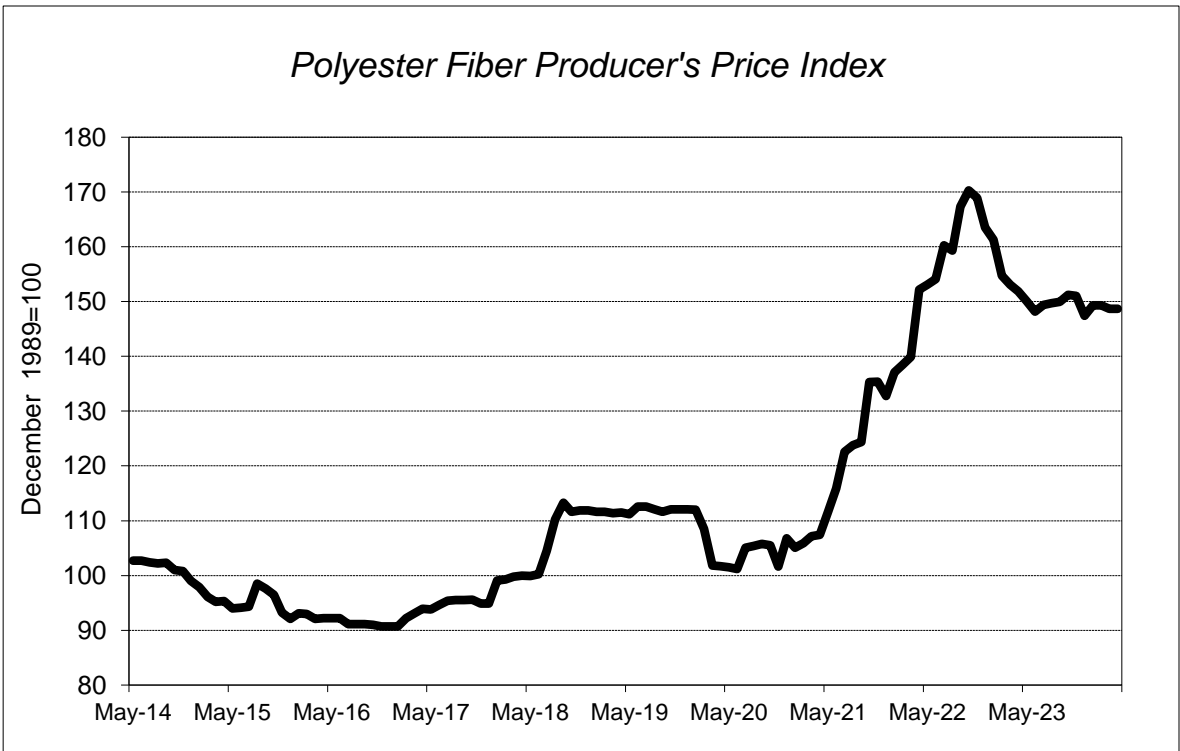
Seasonally Adjusted; Source: Department of Commerce

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Seasonally Adjusted Annual Rate  
Source: USDA ERS



Source: Bureau of Labor Statistics

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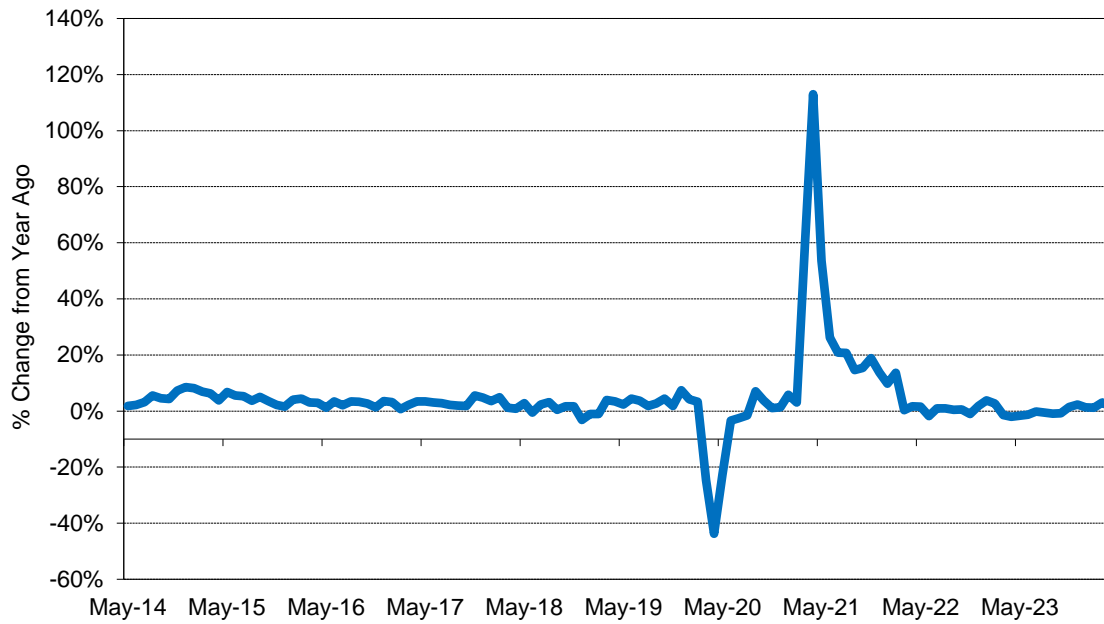


### U.S. Real Consumer Spending - All Goods & Services



\*Based on chained 2005\$.

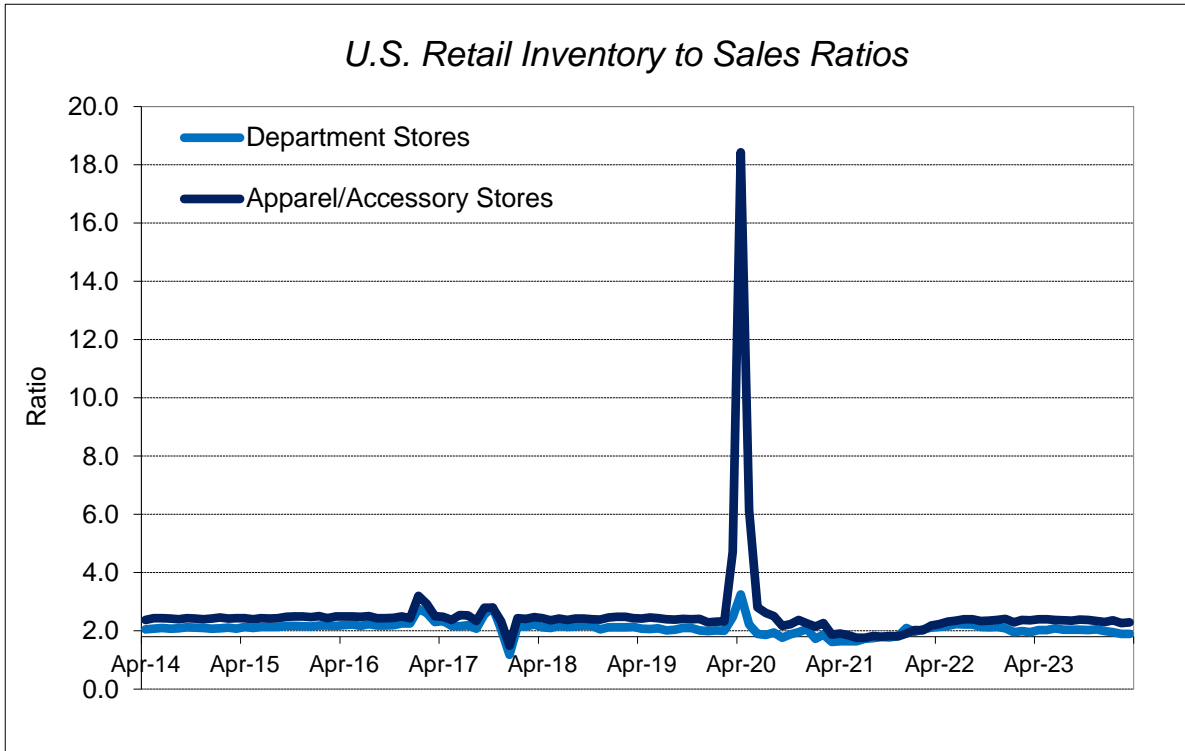
### U.S. Real Consumer Spending on Clothing



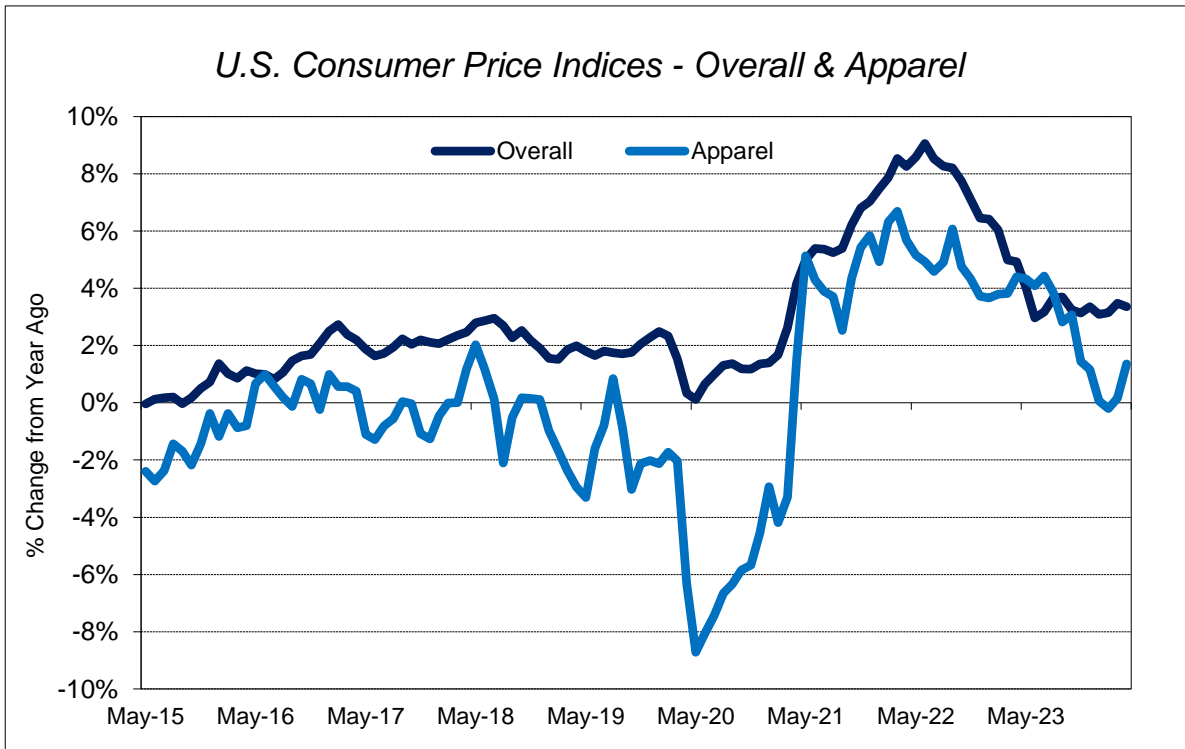
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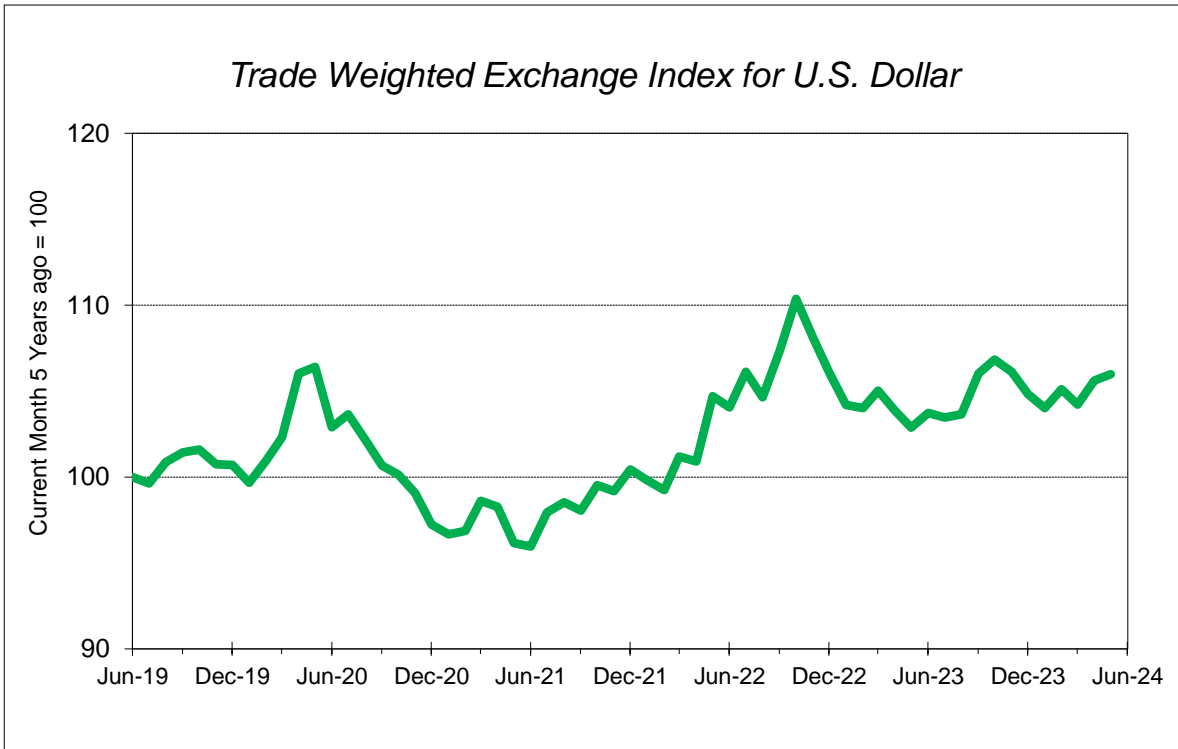
Source: Department of Commerce



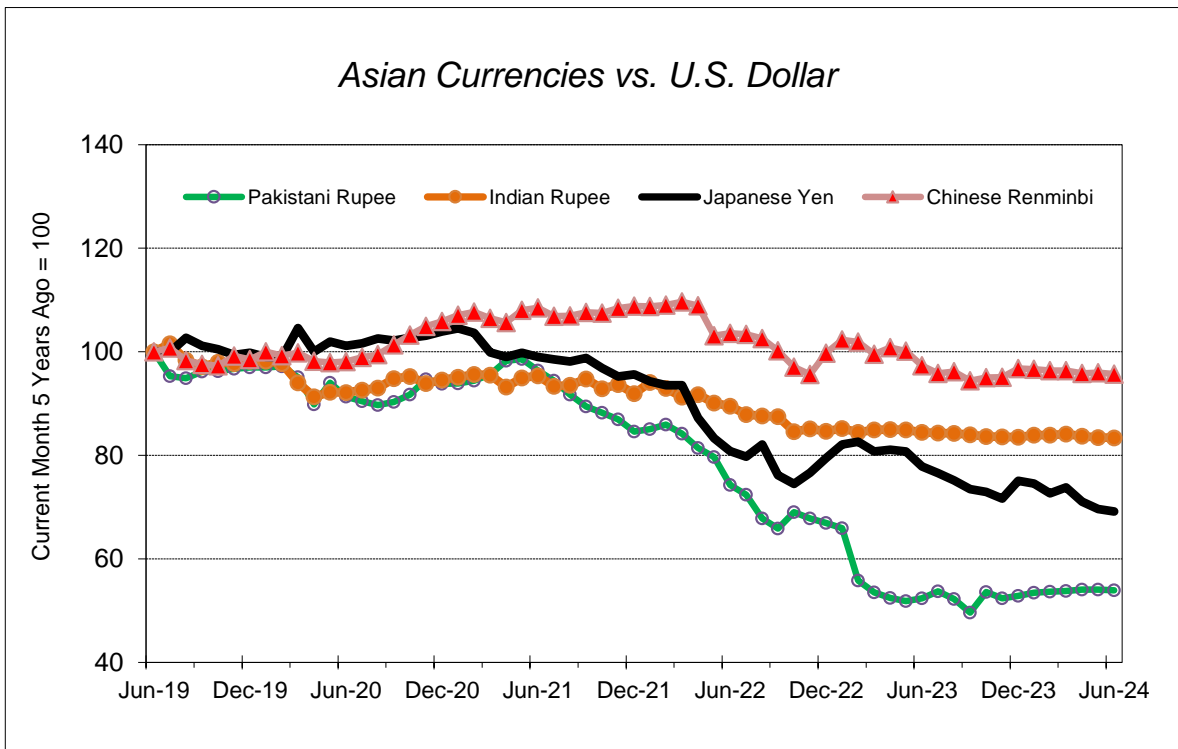
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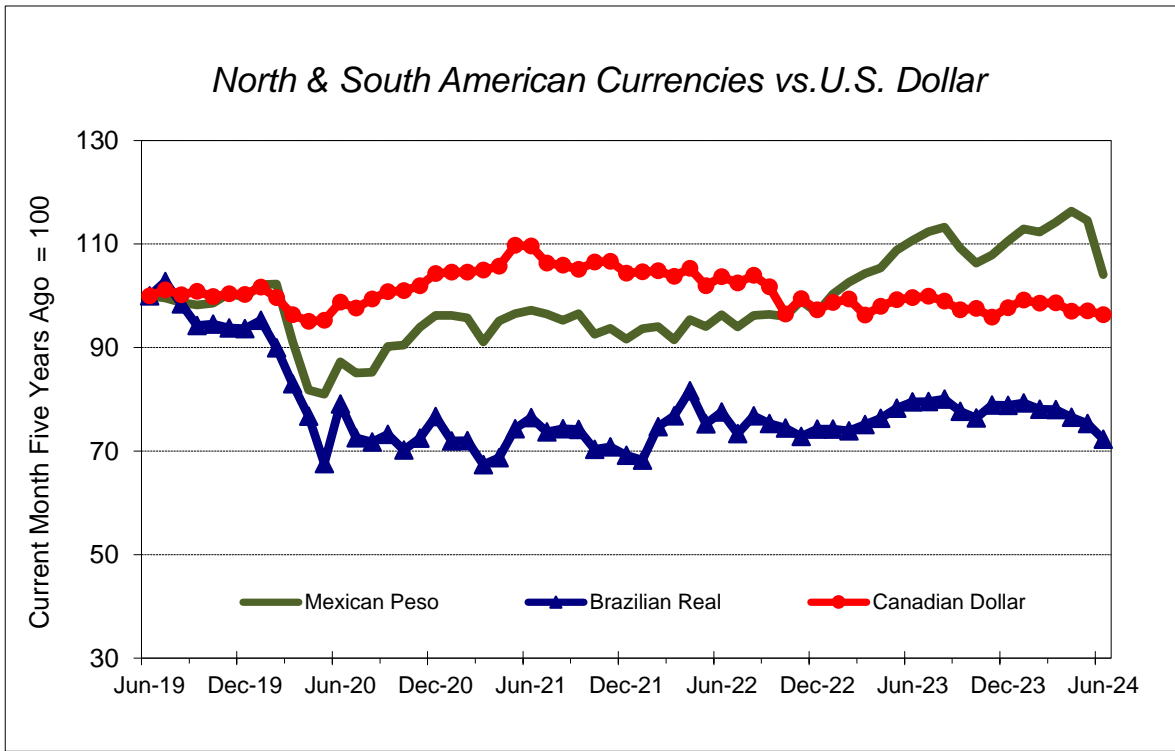
Source: Federal Reserve



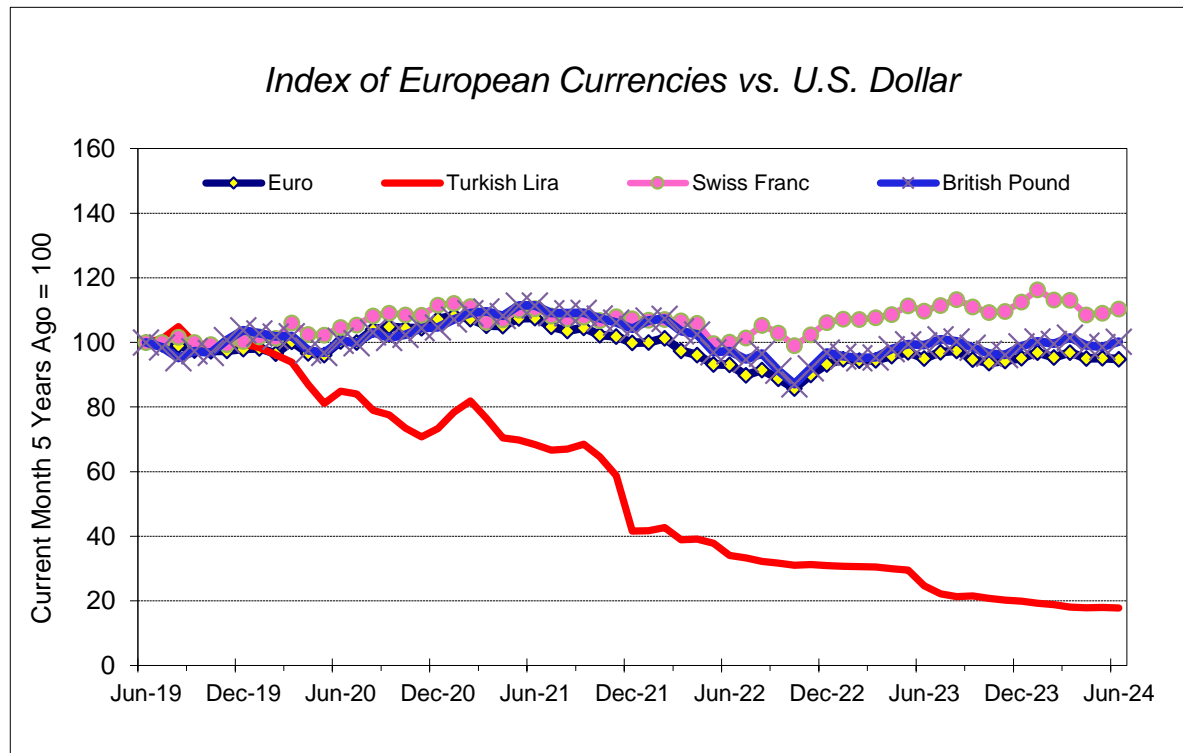
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Source: Reuters



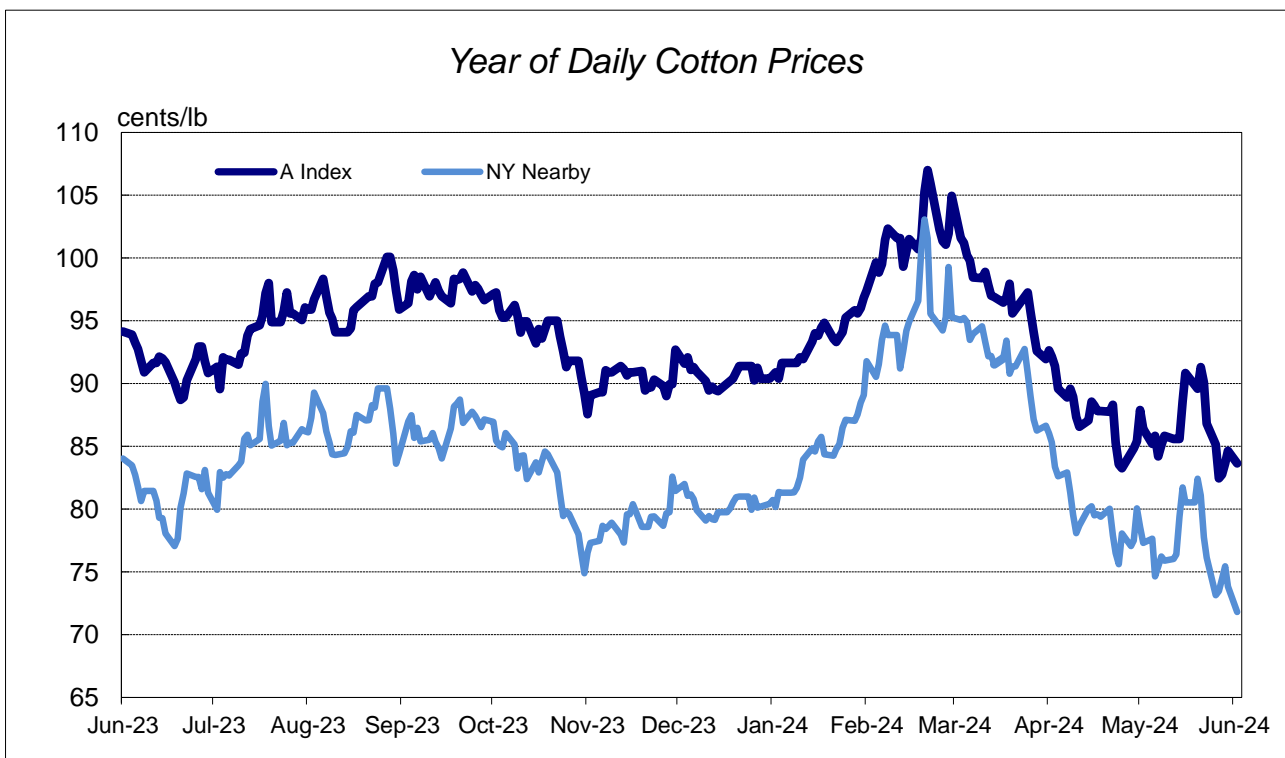
Source: Reuters

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## U.S. Balance Sheet

million 480 lb. bales	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
					May	May
Beginning Stocks	4.9	7.3	3.2	4.1	4.3	2.4
Production	19.9	14.6	17.5	14.5	12.1	16.0
Imports	0.0	0.0	0.0	0.0	0.0	0.0
Supply	24.8	21.9	20.7	18.5	16.3	18.4
Mill-Use	2.2	2.4	2.6	2.1	1.8	1.9
Exports	15.5	16.4	14.5	12.8	12.3	13.0
Demand	17.7	18.8	17.0	14.8	14.1	14.9
Ending Stocks	7.3	3.2	4.1	4.3	2.4	3.7
Stocks/Use Ratio	41.0%	16.8%	23.8%	28.7%	17.0%	24.8%



Sources: ICE Futures U.S. & Cotton Outlook

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