

Executive Cotton Update

U.S. Macroeconomic Indicators &
the Cotton Supply Chain



Cotton
Incorporated

January 2026

www.cottoninc.com

Macroeconomic Overview: Government data on consumer spending are still being delayed due to the government shutdown. The latest available figures are for September. Estimates for October and November are scheduled for release on January 22nd, meaning that official data covering the important holiday sales period are not yet available.

Several publicly available private reports have been released. Those estimates suggest consumers spent more during the holiday season, contradicting the more pessimistic forecasts released in the fall which called for year-over-year contraction.

Visa (the credit card company) reported that retail spending (excluding autos, gas, and food) was up +4.2% year-over-year (not adjusted for inflation). Their reporting indicated that while the bulk of spending continues to occur in physical locations (73% brick and mortar versus 27% online), most of the year-over-year growth stemmed from online sales. Adobe Analytics reports that online spending rose nearly seven percent year-over-year and set a record this holiday season.

The latest government data covering the labor market suggests further weakening. Since May, there has been only one month when the month-over-month change in payrolls exceeded +100,000 jobs and there have been three months when the net change in jobs was negative.

Concern about the labor market may prompt more changes in monetary policy. The Federal Reserve lowered interest rates a quarter of a percentage point at its latest meeting in December. In addition to its mandate to maintain employment near its maximum sustainable level, the central bank is charged with holding inflation near two percent. This official target is based on a price index tied to consumer spending data, which continues to be affected by the delays stemming from the government shutdown. The latest value for this series on inflation (September) was +2.8%. CPI data originate from another government agency, are derived from different methods, and the CPI schedule was less affected by the shutdown. The latest inflation rate according to the overall CPI was +2.7% (November).

Employment: The U.S. economy is estimated to have added +50,000 jobs in December. Revisions to figures for previous months were negative, with the values for October falling -68,000 from -105,000 to -173,000 and the figure for November falling -8,000 from +64,000 to +56,000. The current twelve-month average is +49,000 (Jan-Dec 2025). One year ago, the twelve-month average was +168,000.

The unemployment rate decreased marginally, from 4.5% to 4.4%. Wages were up +3.8% year-over-year in December. This was slightly higher than the rate in November (+3.6%), but wage growth has been trending lower. Despite the downtrend, wage growth remains higher than values experienced in the decade between the financial crisis and higher than inflation.

Consumer Confidence & Spending: The Conference Board's Index of Consumer Confidence® slipped -3.8 points month-over-month to 89.1 in December. Although most decreases have been small, this represented the fifth straight monthly decline. For much of the time since 2021, values held within a range between 95 and 115. In each of the past two months, readings have been slightly below the lower end of that range.

As mentioned above, government figures on consumer spending have been delayed. The latest available data are for September and were covered in last month's publication.

Consumer Prices & Import Data: As measured by the CPI for garments, average retail prices increased +0.7% between September and November (roughly month-over-month, no data for October due to the government shutdown). Contrary to expectations for higher retail prices after tariff increases, rates of year-over-year change in the apparel CPI have been flat to marginally lower. In August, there was no year-over-year change, but in all other months since April, prices were lower than one year ago. The magnitude of the year-over-year decreases has not been large, averaging only -0.3%, but the stability in retail prices contrasts with cost pressures from sourcing following this year's tariff increases.

In 2024, the average tariff rate paid on U.S. apparel imports was 14.6% (based on data reported by the Census Bureau for HS Chapters 61 & 62). The latest available figure (September) was 30.4%, meaning that apparel tariffs have doubled over the first nine months of 2025. In terms of total sourcing costs (cost of goods plus tariffs), the payment for the average imported apparel item in September was up +20.5% relative to the average 2024. Over the same period, the cost of goods (excluding tariffs) increased slightly (+3.2%). The combination of slightly higher cost of goods, higher tariff rates, and steady year-over-year retail prices suggests margin pressure for U.S. retailers and brands.

U.S. Macroeconomic & Cotton Supply Chain Charts

Macroeconomic Indicators		Spending & Sourcing	Textiles	Currencies & Cotton	
GDP Growth	Consumer Conf.	Consumer Prices	Apparel Imports	Weighted Index	Europe
Interest Rates	Housing	Consumer Spending	U.S. Textile Production	Asia	Fiber Prices
ISM Indices	Employment	Inventory/Sales	U.S. Textile Exports	The Americas	
Leading Indicators	Income & Savings		Polyester PPI	Europe	

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U.S. Macroeconomic Indicators & Cotton Prices
January 2026



Macroeconomic Data

Quarterly Data

	Recent Averages				Values in Recent Quarters			Unit	Source
	5-year	1-year	6-month	3-month	Q1 : 2025	Q2 : 2025	Q3 : 2025		
Growth in US Real GDP	4.7%	2.7%	3.8%	4.3%	-0.6%	3.8%	4.3%	% Chg. Quarter/Quarter	Department of Commerce

Macroeconomic Series with Latest Data for December

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	October	November	December		
ISM Index of Manufacturing Activity	51.7	48.9	48.4	48.3	48.7	48.2	47.9	Index, values over 50 indicate expansion	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	55.1	51.7	51.9	53.1	52.4	52.6	54.4	Index, values over 50 indicate expansion	Institute for Supply Management
Consumer Confidence	104.6	95.7	94.9	92.5	95.5	92.9	89.1	Index, 1985=100	The Conference Board
Change in Non-Farm Payrolls	283.0	48.7	14.5	-22.3	-173	56	50	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	4.2%	4.3%	4.4%	4.5%	n/a	4.5%	4.4%	People looking for jobs/people wanting jobs	Bureau of Labor Statistics
US Interest Rates									
Federal Funds	3.2%	4.2%	4.1%	3.9%	4.1%	3.9%	3.7%	Interest rate	Federal Reserve
10-year Treasury Bill	3.4%	4.3%	4.2%	4.1%	4.1%	4.1%	4.1%	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	July	August	October		
Index of Leading Economic Indicators	108.7	99.3	98.5	98.5	#N/A	98.6	98.3	Index, 2016=100	The Conference Board
Housing Starts	1.5	1.4	1.3	1.3	1.3	1.3	1.2	Annual pace, millions of units	Department of Commerce
Existing Home Sales	4.8	4.1	4.0	4.1	4.0	4.1	4.1	Annual pace, millions of units	National Association of Realtors

Industrial & Textile Data

Industrial & Textile 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		
US Industrial Production	100.4	101.2	101.7	101.7	100.4	99.8	101.8	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	144.6	156.2	156.6	156.7	156.3	156.9	156.9	Index, December 2003=100	Bureau of Labor Statistics

Industrial & Textile Series with Latest Data for July

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	May	June	July		
Bale Equivalence of US Cotton Yarn & Fabric Exports	2.8	1.8	1.9	1.9	1.9	1.9	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/Shipment Ratio	1.60	1.68	1.68	1.71	1.71	1.69	1.72	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	3.9%	2.9%	2.7%	2.6%	2.6%	2.8%	2.4%	% Chg. Year/Year	Department of Commerce
Clothing	8.9%	5.8%	6.9%	7.8%	7.3%	8.6%	7.5%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	4.5%	2.7%	2.7%	3.0%	3.0%	n/a	2.7%	% Chg Year/Year	Bureau of Labor Statistics
Clothing	2.2%	0.2%	-0.4%	-0.2%	-0.3%	n/a	0.2%	% 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	2.3	2.3	2.3	2.2	2.2	2.1	Value of inventory over value of sales	Department of Commerce
Clothing Wholesalers	2.4	2.1	2.1	2.0	2.0	2.1	2.2	Value of inventory over value of sales	Department of Commerce

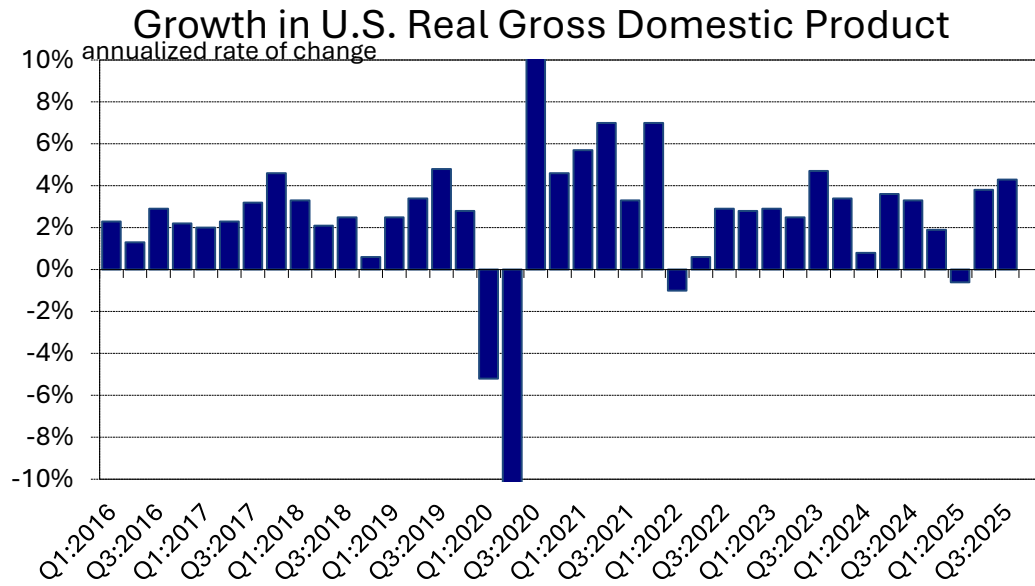
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Daily Cotton Price and Currency Data
January 2026



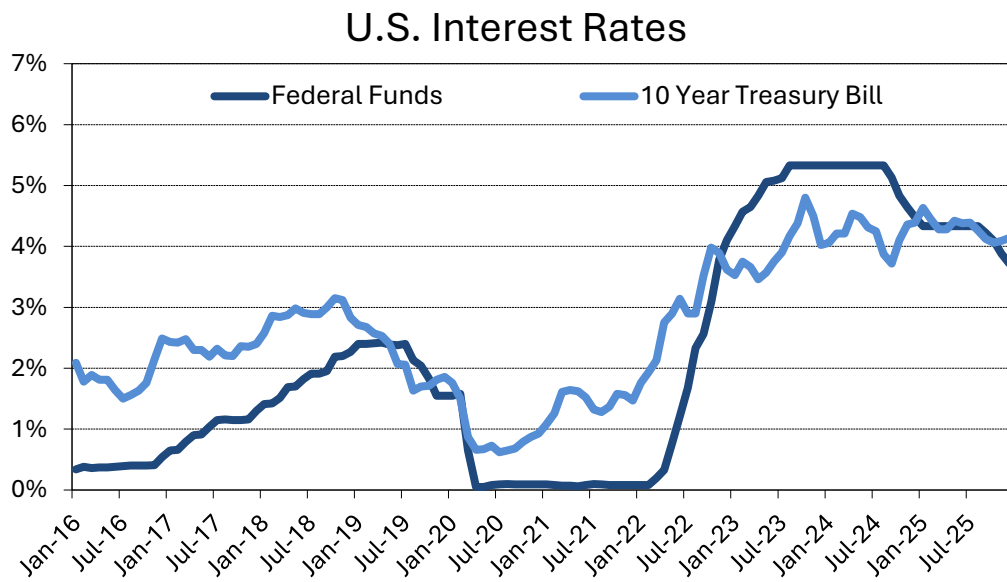
Daily Cotton Price Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	October	November	December		
NY Nearby	86.1	65.6	64.8	64.0	64.5	63.2	64.0	cents/pound	ICE
A Index	97.6	77.4	76.7	75.1	76.0	75.2	74.1	cents/pound	Cotlook

Daily Currency Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	October	November	December		
Dollar Trade Weighted Exchange Index	120.2	122.4	121.0	121.4	121.5	121.8	121.1	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.93	7.16	7.13	7.11	7.13	7.12	7.07	Chinese Renminbi/US dollar	Reuters
Indian Rupee	81.18	84.50	88.13	89.11	88.79	88.66	89.89	Indian Rupee/US dollar	Reuters
Japanese Yen	136.30	146.85	150.74	154.36	153.04	153.15	156.89	Japanese Yen/US dollar	Reuters
Pakistani Rupee	240.76	279.71	281.77	280.78	281.13	280.88	280.33	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	5.31	5.33	5.41	5.38	5.36	5.35	5.43	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.33	1.37	1.39	1.40	1.40	1.41	1.38	Canadian dollar/US dollar	Reuters
Mexican Peso	19.16	18.47	18.47	18.36	18.36	18.51	18.21	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.78	0.78	0.75	0.75	0.75	0.76	0.75	British Pound/US dollar	Reuters
Euro	0.91	0.91	0.86	0.86	0.86	0.86	0.86	Euro/US dollar	Reuters
Swiss Franc	0.90	0.87	0.80	0.81	0.80	0.80	0.81	Swiss Franc/US dollar	Reuters
Turkish Lira	24.22	31.93	41.42	42.18	41.72	42.22	42.59	Turkish Lira/US dollar	Reuters



Source: Department of Commerce

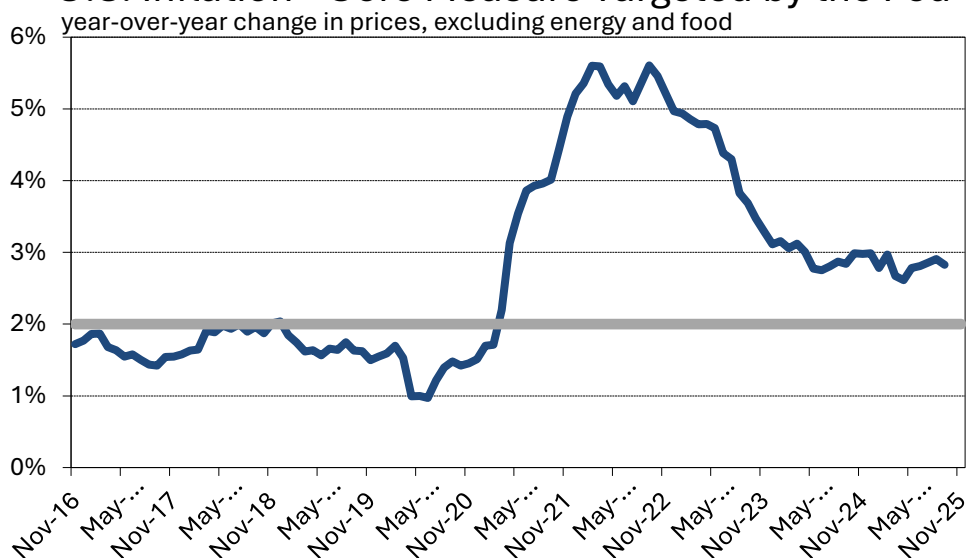
Note: Chart truncated around COVID shutdowns to highlight normal change.



Source: Department of Commerce

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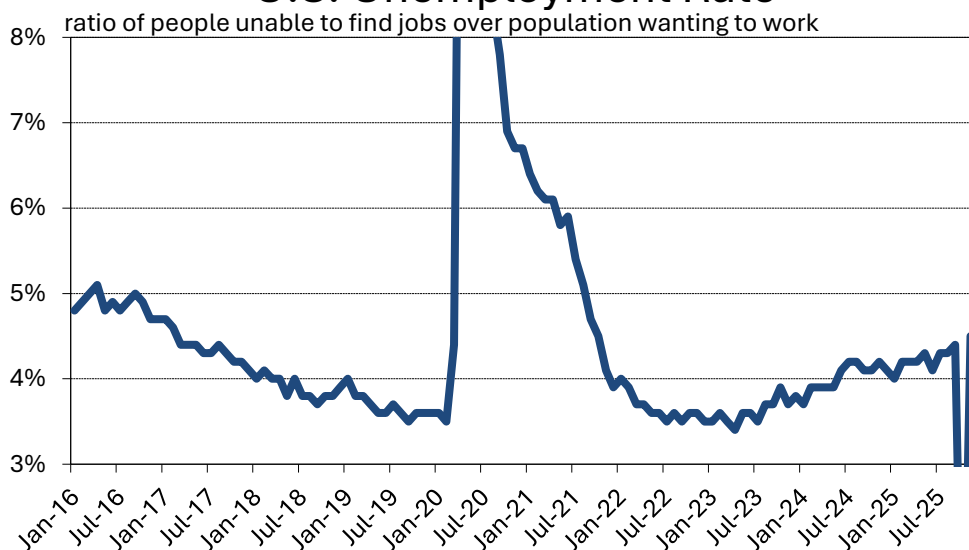
U.S. Inflation - Core Measure Targeted by the Fed



Source: Federal Reserve

Note: The Federal Reserve's official inflation target is two percent.

U.S. Unemployment Rate



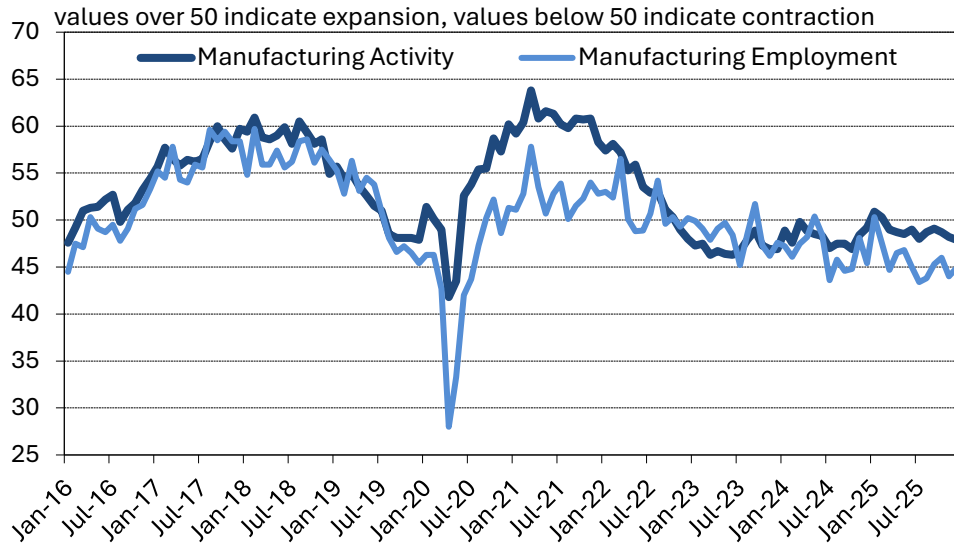
Source: Bureau of Labor Statistics

Note: In addition to price control, the Federal Reserve's mandate requires pursuit of the maximum sustainable level of employment.

Note: Chart truncated around COVID shutdowns to highlight normal change.

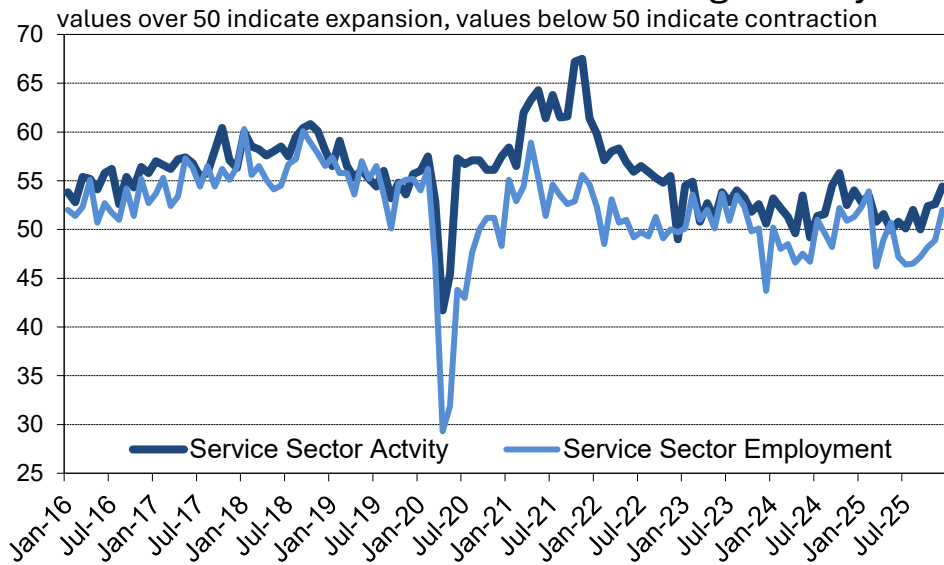
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ISM Index of Manufacturing Activity



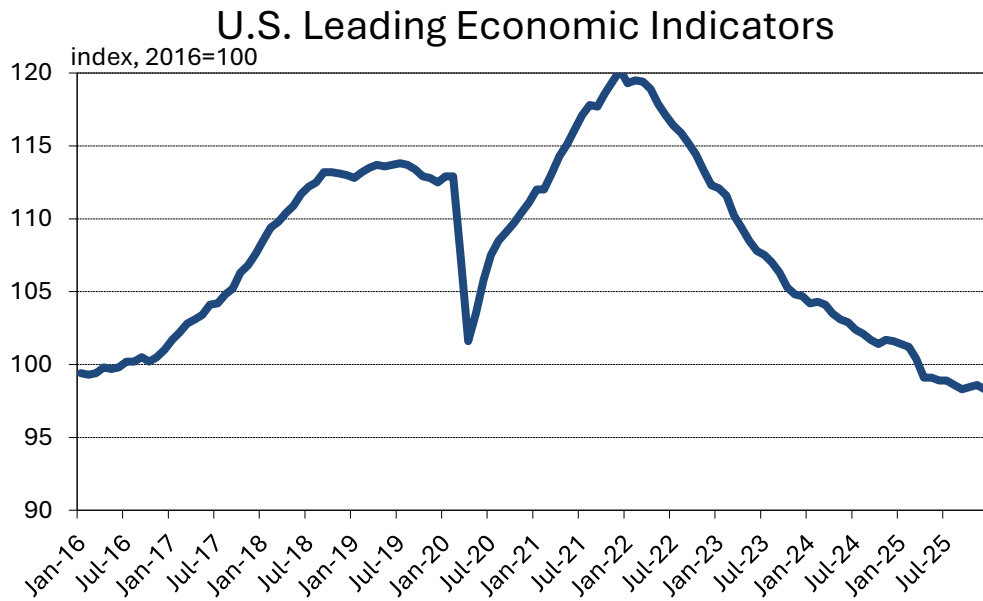
Source: Institute for Supply Chain Management

ISM Index of Non-Manufacturing Activity

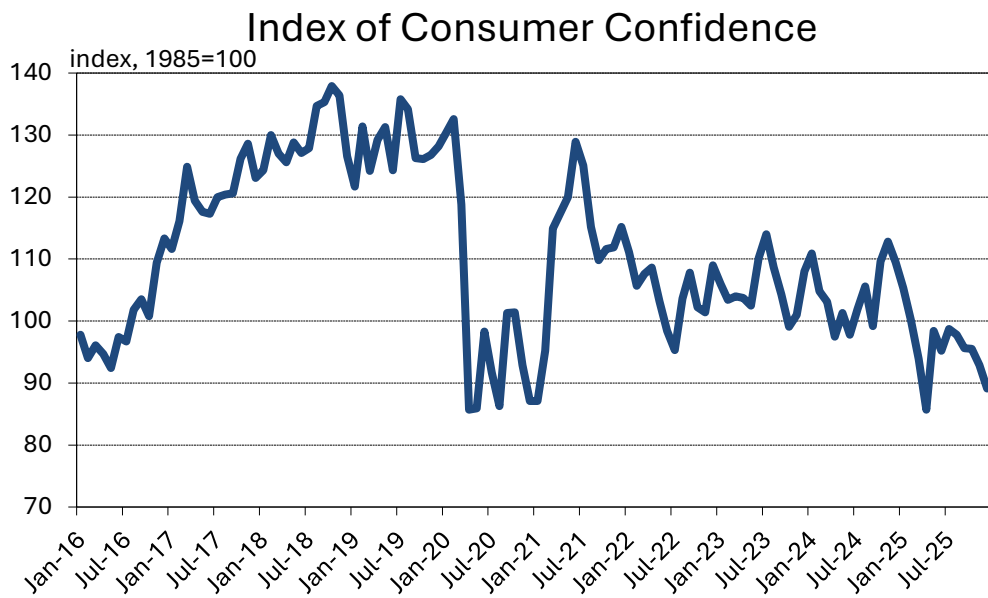


Source: Institute for Supply Chain Management

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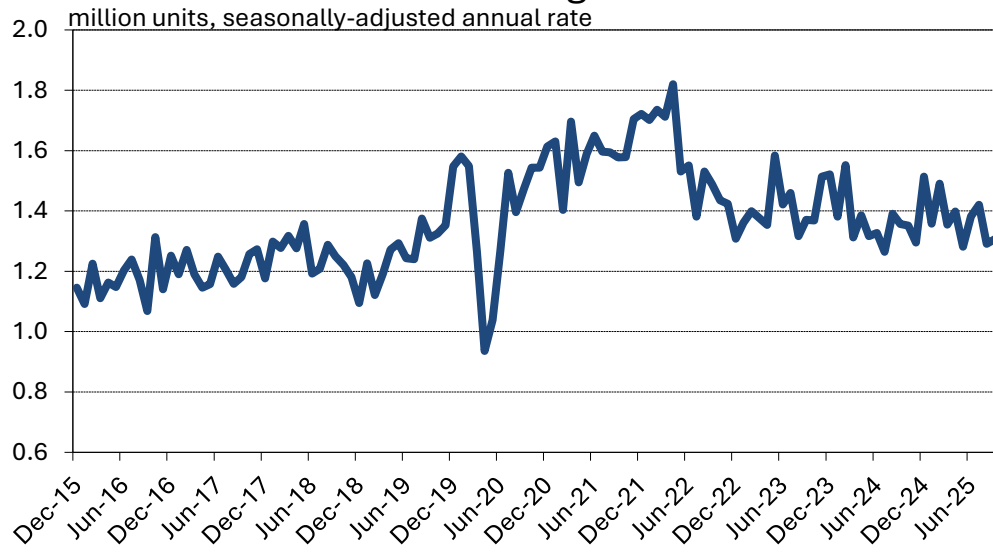
Source: The Conference Board



Source: The Conference Board

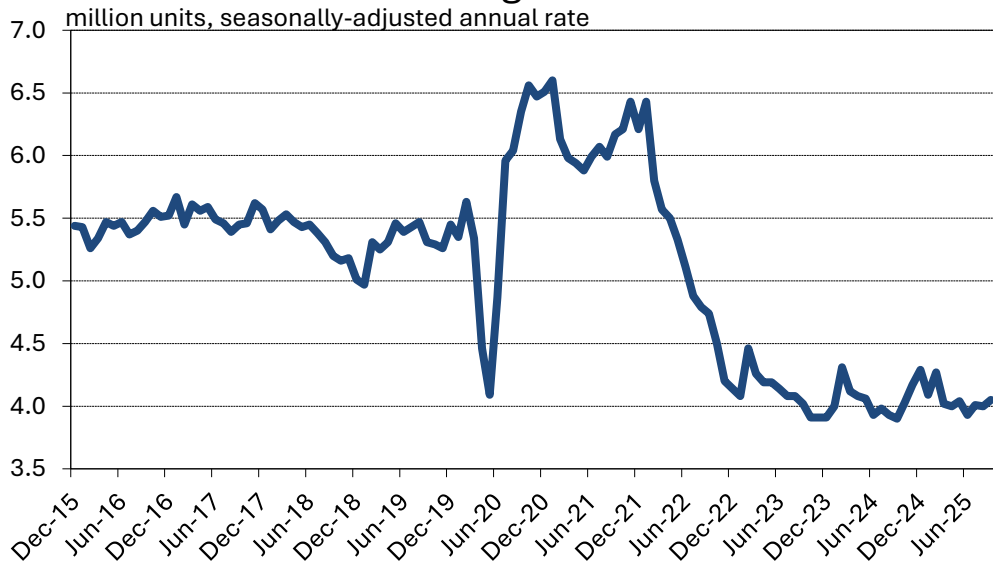
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U.S. Housing Starts



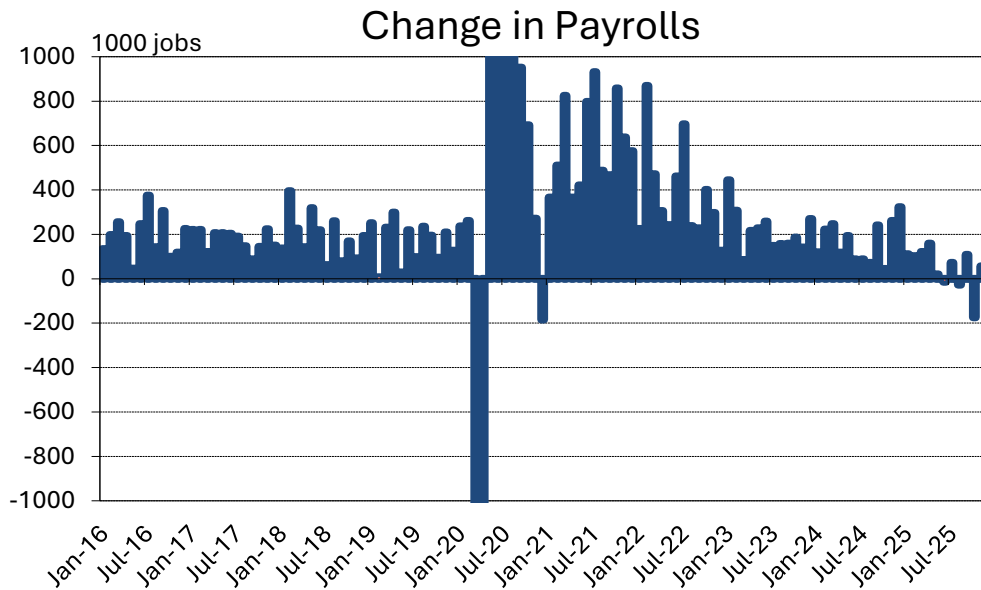
Source: Department of Commerce

U.S. Existing Home Sales



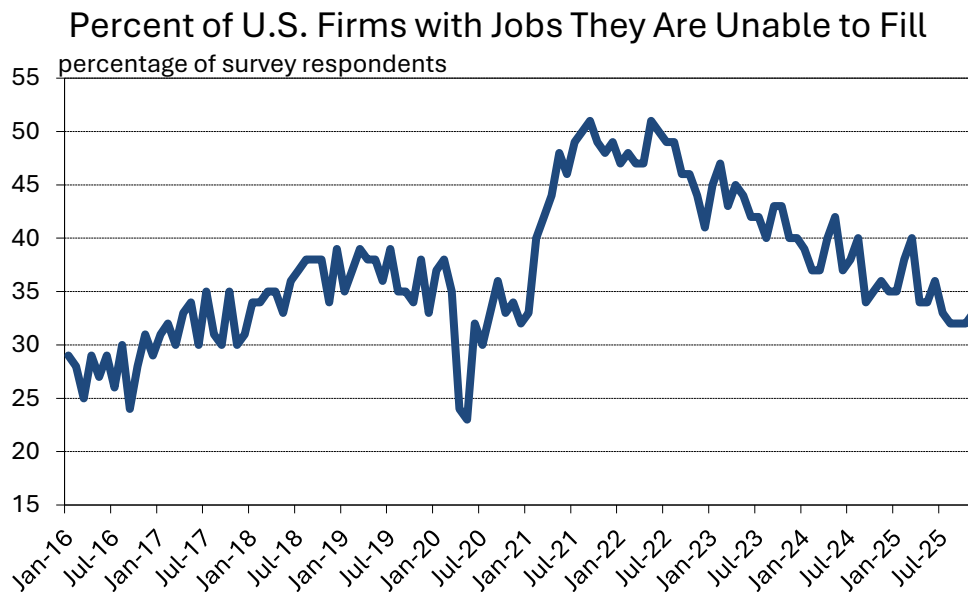
Source: Department of Commerce

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Source: Bureau of Labor Statistics

Note: Chart truncated around COVID shutdowns to highlight normal change.

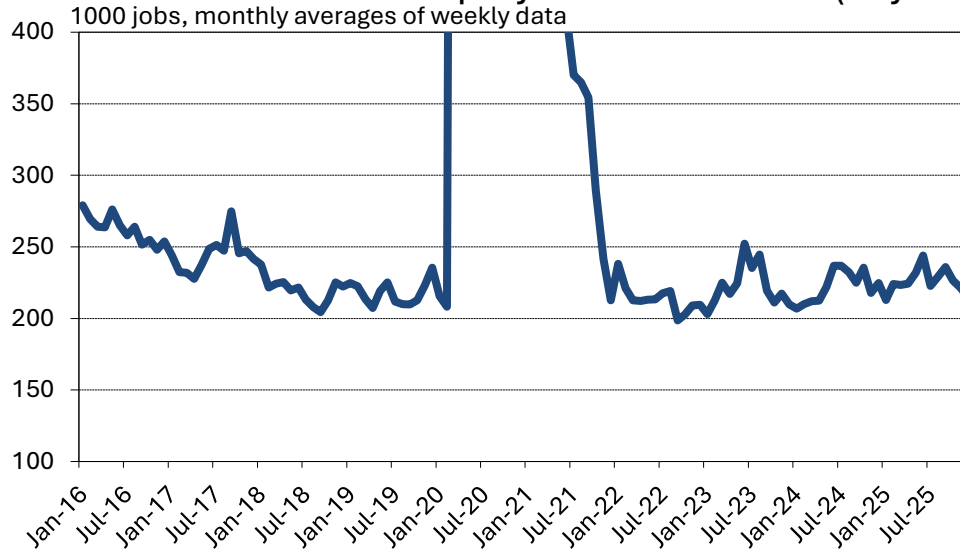


Source: National Federation of Independent Business

Note: Chart truncated around COVID shutdowns to highlight normal change.

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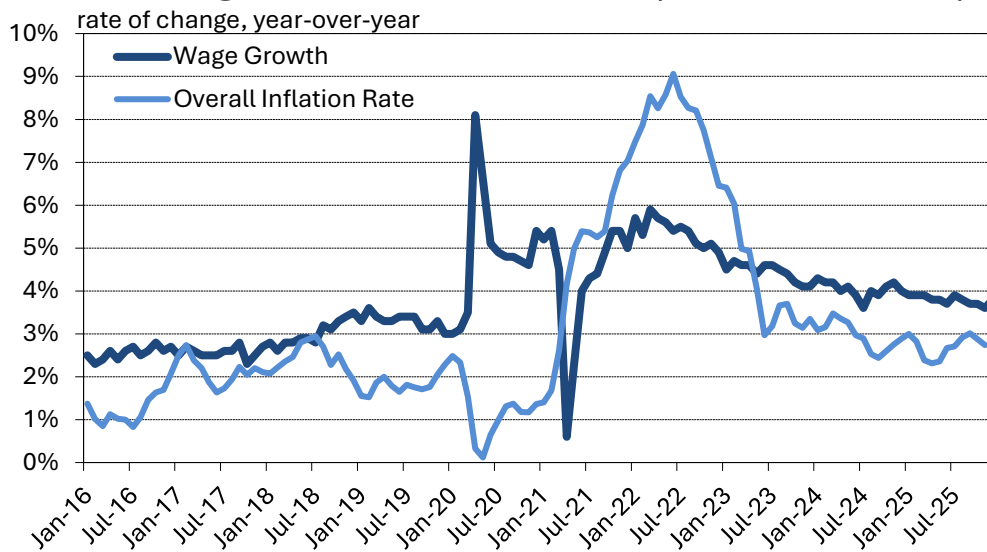
Initial Claims for Unemployment Insurance (Layoffs)



Source: Department of Labor

Note: Chart truncated around COVID shutdowns to highlight normal change.

U.S. Wage Growth and Inflation (CPI for All Items)



Source: Bureau of Labor Statistics

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Source: Bureau of Economic Analysis

Note: Chart truncated around COVID shutdowns to highlight normal change.

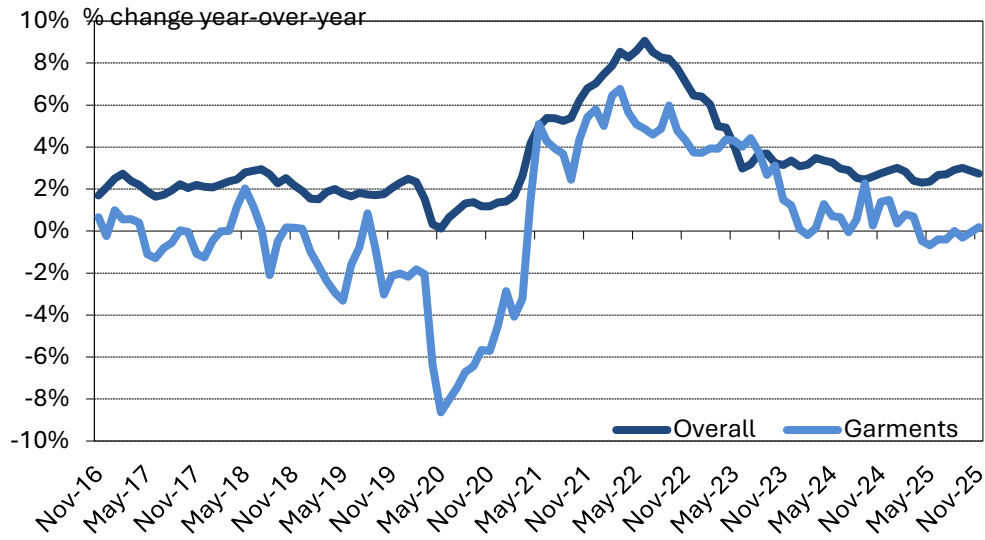


Source: Bureau of Labor Statistics

Note: Chart truncated around COVID shutdowns to highlight normal change.

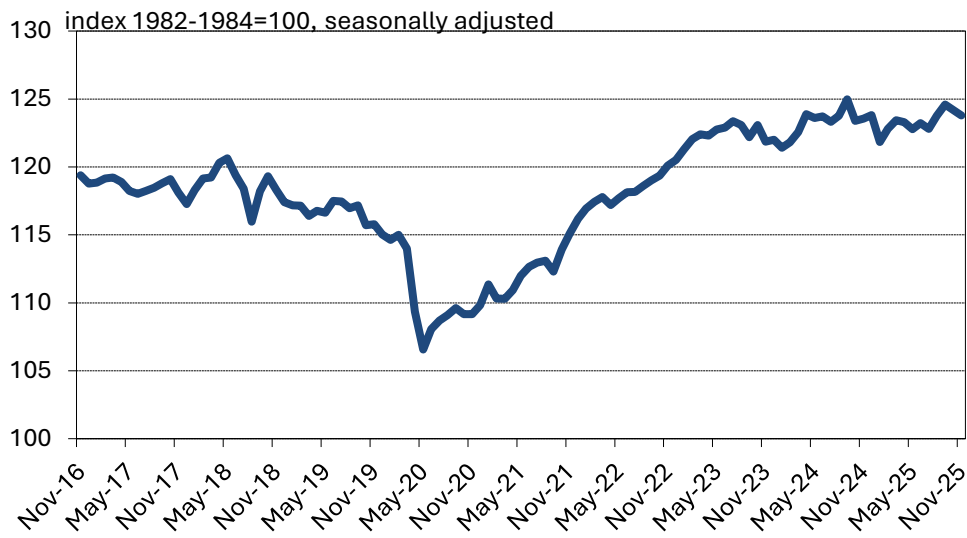
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Change in Consumer Prices - Overall & Garments



Source: Bureau of Labor Statistics

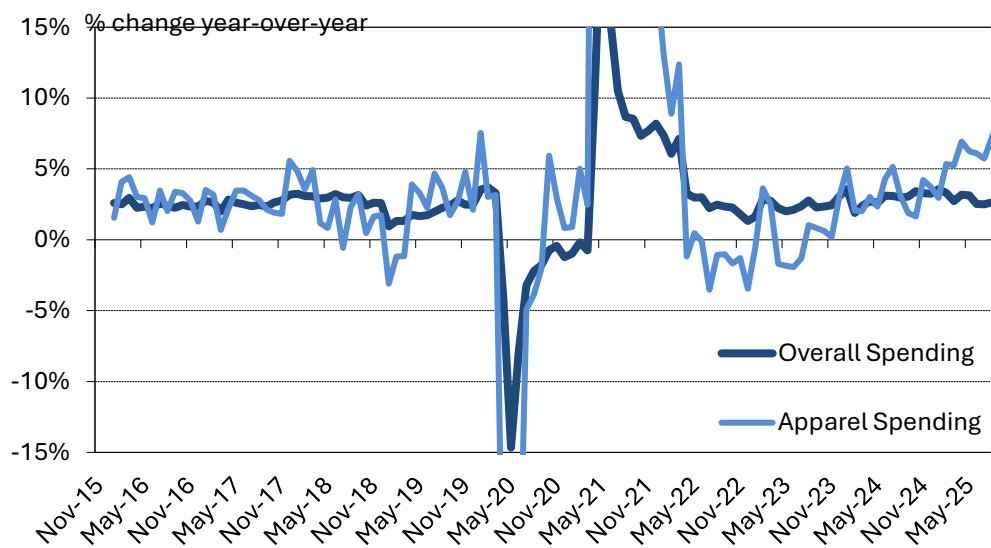
U.S. Consumer Price Index for Garments



Source: Bureau of Labor Statistics

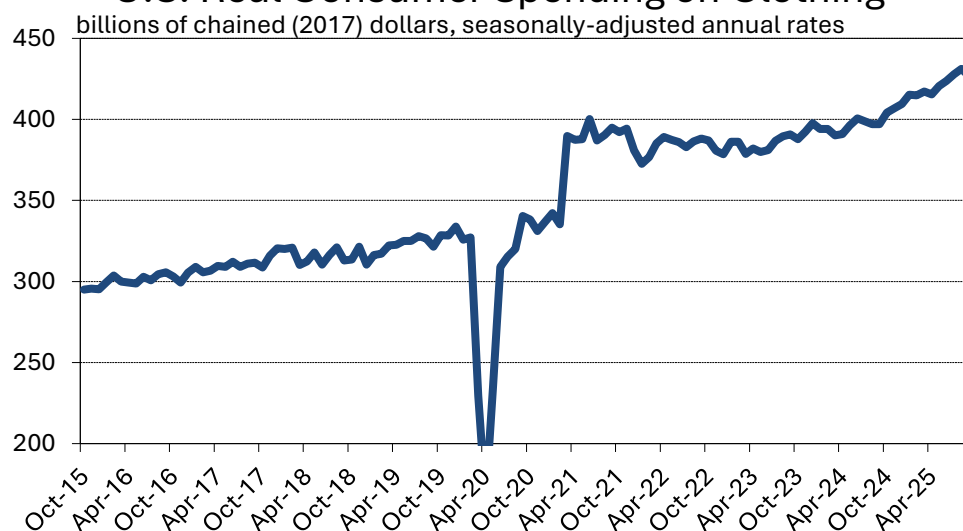
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Real Consumer Spending Growth - Overall & Apparel



Note: Chart truncated around COVID shutdowns to highlight normal change.

U.S. Real Consumer Spending on Clothing

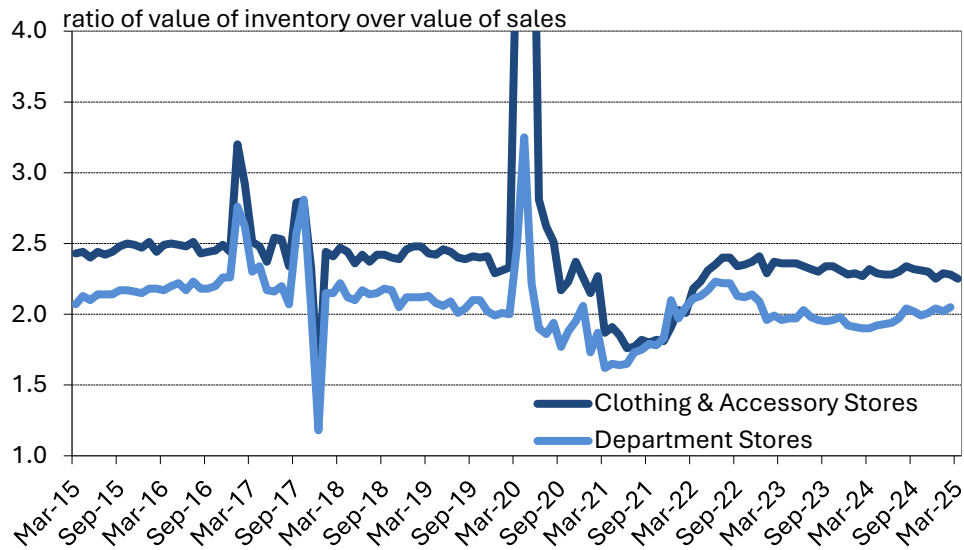


Source: Bureau of Economic Analysis

Note: Chart truncated around COVID shutdowns to highlight normal change.

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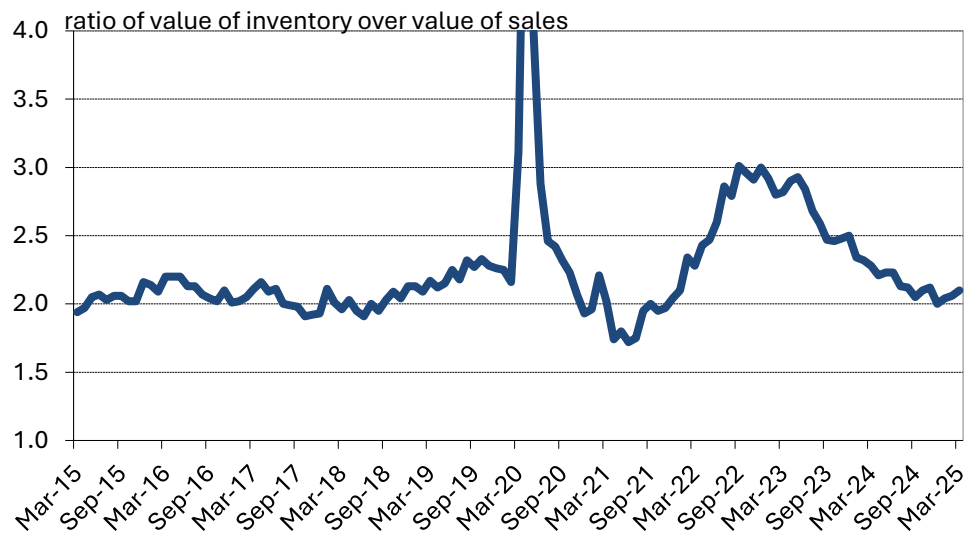
U.S. Retail Inventory to Sales Ratios



Source: Department of Commerce

Note: Chart truncated around COVID shutdowns to highlight normal change.

U.S. Clothing Wholesaler Inventory/Sales Ratio

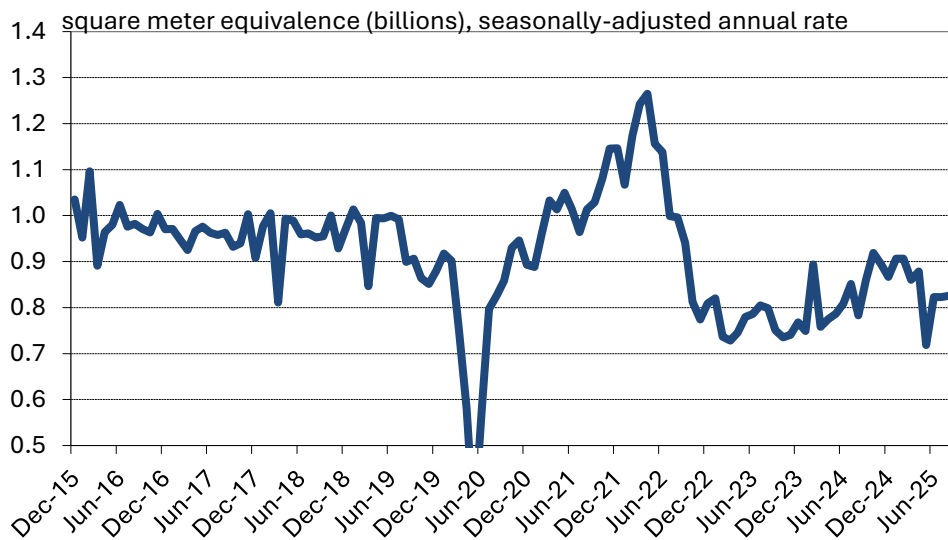


Source: Department of Commerce

Note: Chart truncated around COVID shutdowns to highlight normal change.

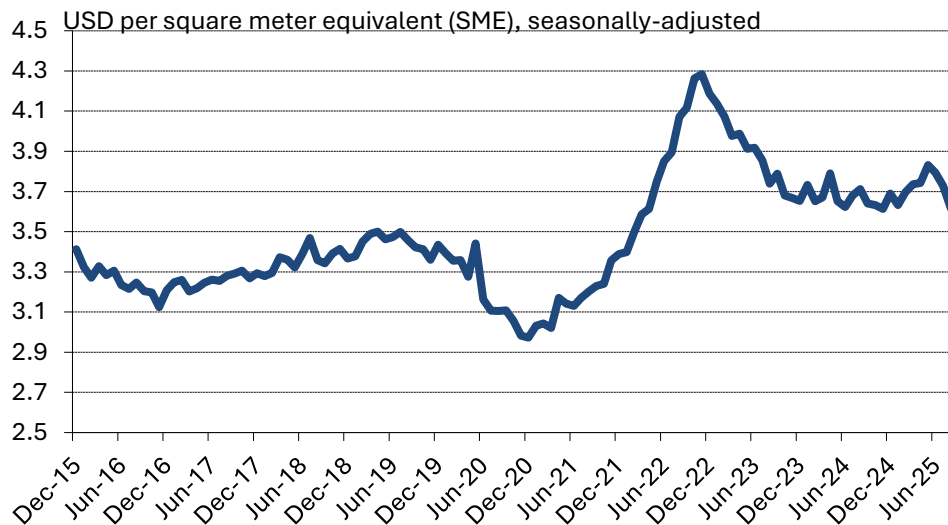
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U.S. Cotton-Dominant Apparel Import Volume



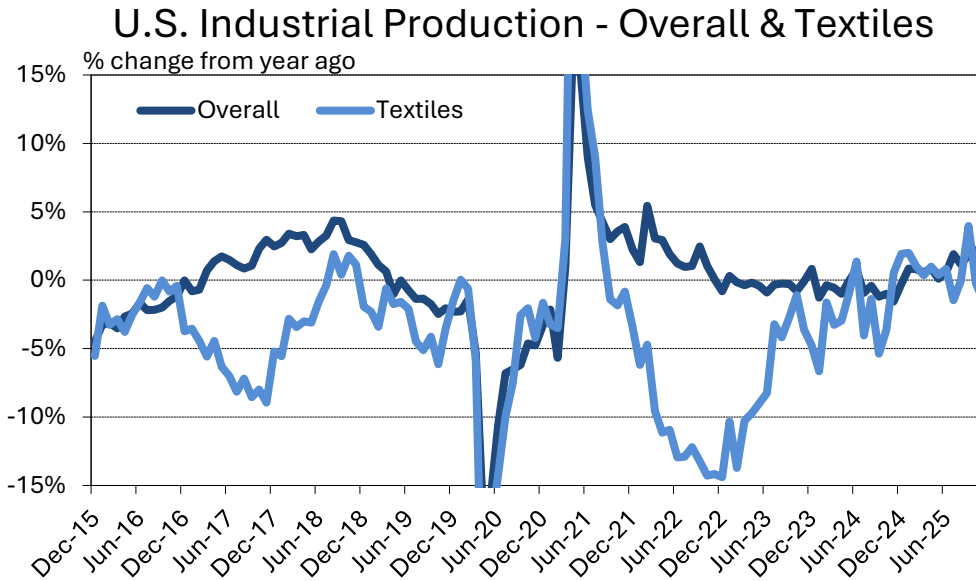
Source: OTEXA, seasonal-adjustment by Cotton Incorporated

Average Cost of Cotton-Dominant Apparel Imports



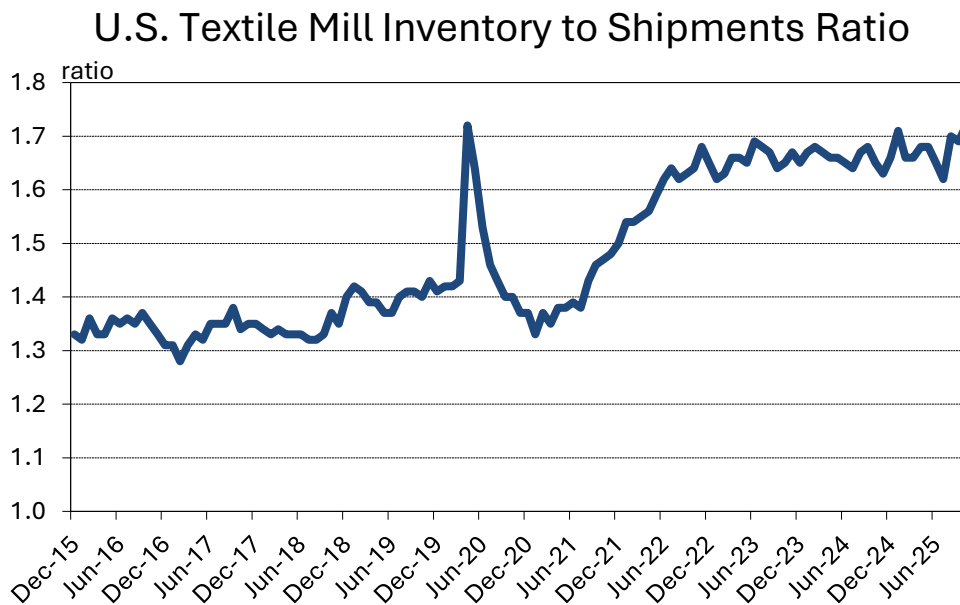
Source: OTEXA, seasonal-adjustment by Cotton Incorporated

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Source: Department of Commerce

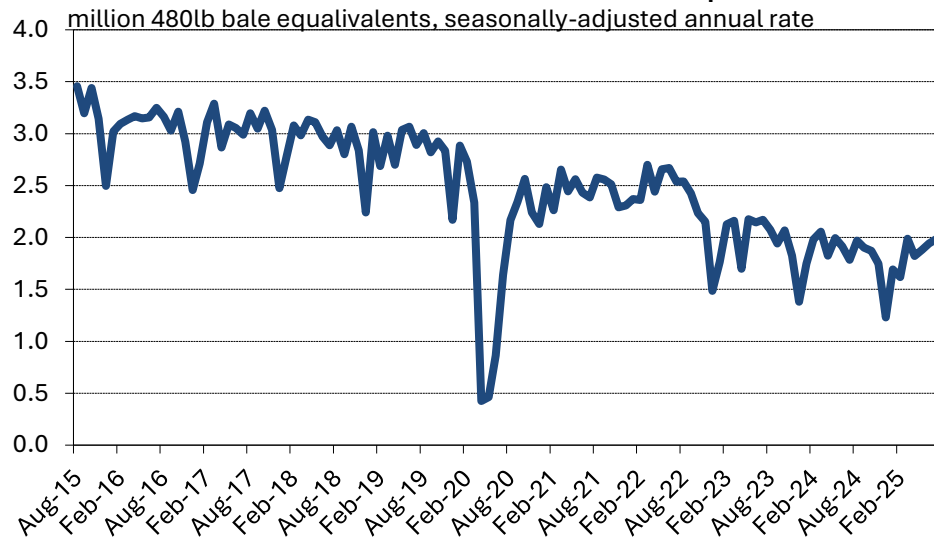
Note: Chart truncated around COVID shutdowns to highlight normal change.



Source: Federal Reserve

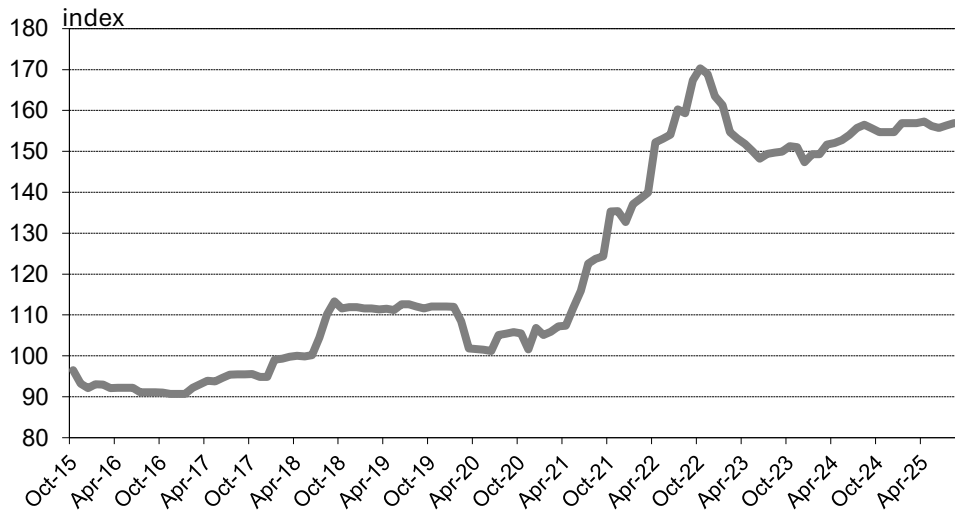
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US Cotton Yarn & Fabric Exports



Source: USDA

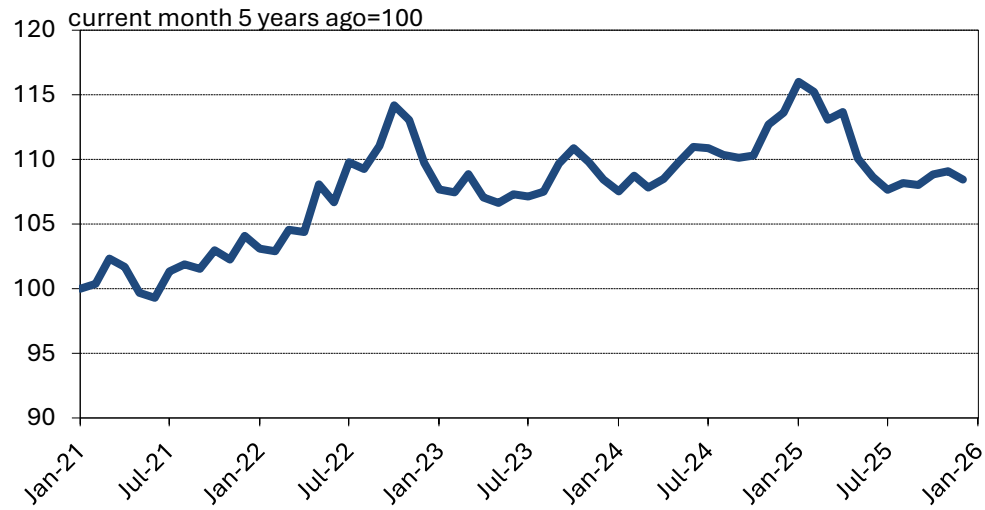
Polyester Fiber Producer's Price Index



Source: Bureau of Labor Statistics

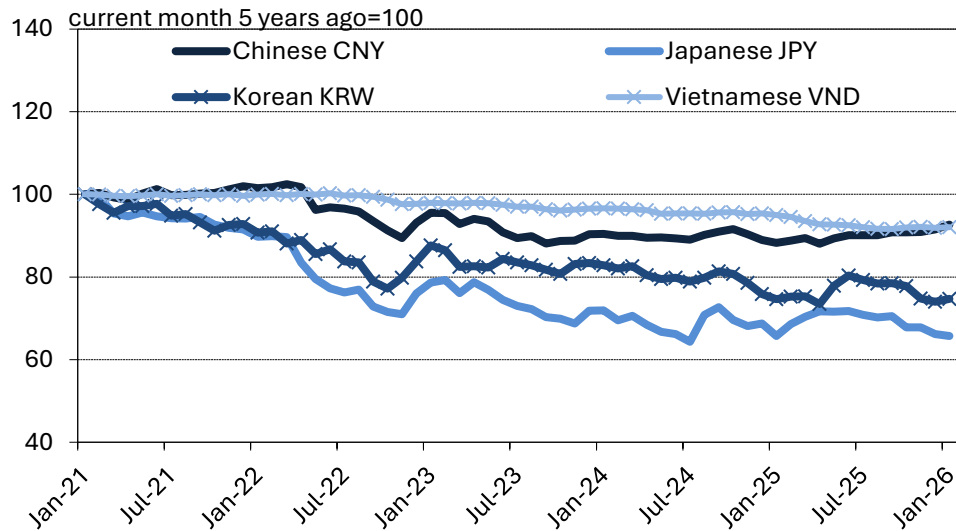
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Trade Weighted Exchange Index for U.S. Dollar



Source: Federal Reserve

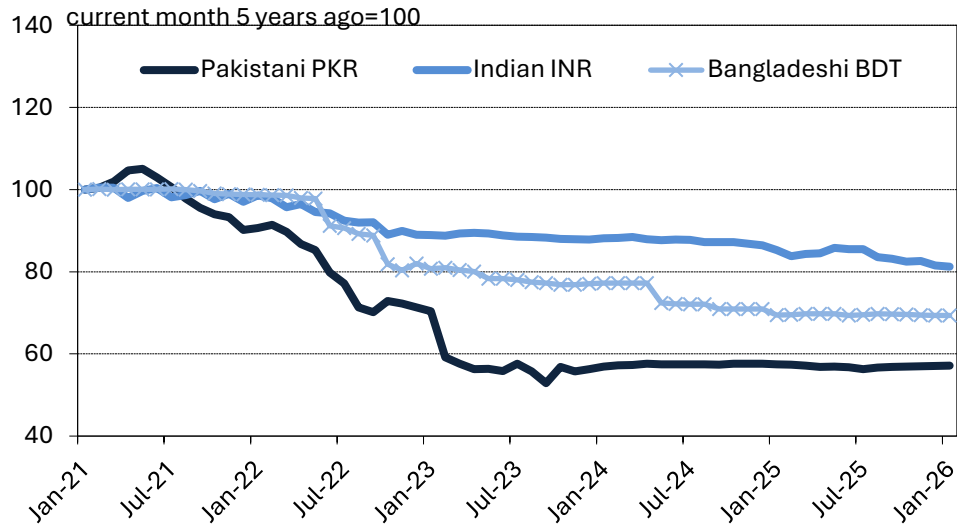
East Asian Currencies versus the U.S. Dollar



Source: Reuters

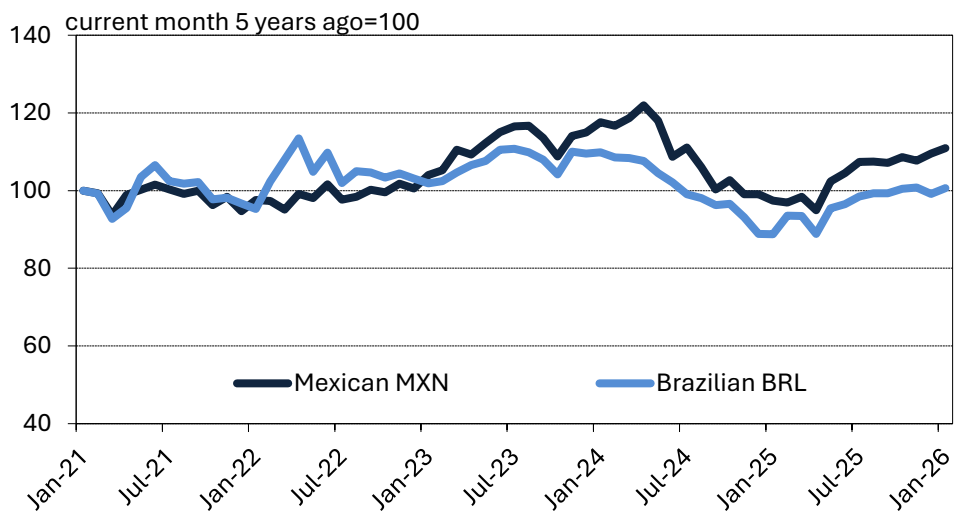
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South Asian Currencies versus the U.S. Dollar



Source: Reuters

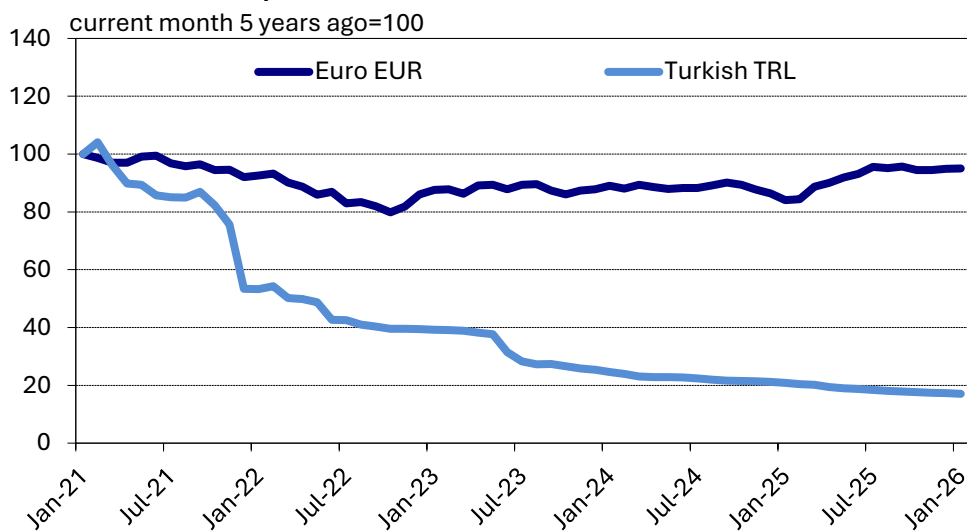
North & South American Currencies vs.U.S. Dollar



Source: Reuters

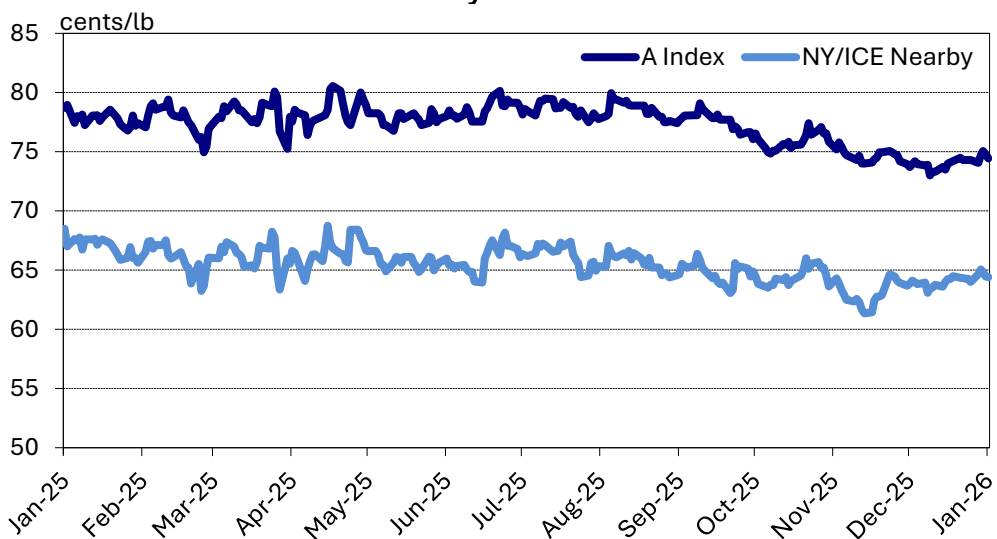
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European Currencies vs. U.S. Dollar



Source: Reuters

Year of Daily Cotton Prices



Sources: Cotlook, Reuters

Note: For more information on cotton supply, demand, and prices, please refer to [the Monthly Economic Letter](#).

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