

# Executive Cotton Update

U.S. Macroeconomic Indicators &  
the Cotton Supply Chain



March 2018

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

**Macroeconomic Overview:** The U.S. labor market continues to improve. Last month's job growth was the strongest in a year and a half. Wage growth slowed slightly relative to last month, but remains above 2.5%, still ranking relatively high compared to levels common since the financial crisis. The improvement in the labor market has been a significant pulling consumer confidence higher over the past several years. In turn, more optimistic consumers have been spending more. With 70% of U.S. GDP derived from consumer spending, this has led to stronger economic growth.

The current economic expansion is now nearly ten years old. Using official recession dates from the National Bureau of Economic Research, the longest expansion in U.S. history was exactly 120 months (from March 1991 through November 2001). The current expansion began in June 2009 and has lasted 105 months. Among the principal economic indicators, there are not any strong signals for an impending contraction.

However, each recession is unique and the eventual trigger for of the next recession can be expected to not be fully known until the recession has begun. Nonetheless, beyond the simple length of the current expansion, there are several sources of concern that have been floated as potential causes of the next recession. One of these is that the Federal Reserve will move too fast to increase interest rates from their current low levels. Other concerns include a credit crisis in China and unpredictable geopolitical emergencies such as a war.

**Employment:** The U.S. economy was estimated to have added 313,000 jobs in February. This represents the largest monthly increase since July 2016. Revisions to existing estimates were positive, with the figure for December increased from +160,000 to +175,000 and the figure for January increased from +200,000 to +239,000.

The unemployment rate was unchanged at 4.0% month-over-month, holding to the lowest level since the early 2000s. The reason that the unemployment rate did not fall with the increase in jobs is that the labor force expanded. In February, 1.2% more people were estimated to have been looking for work than they were a year ago. This is the fastest rate of expansion in the labor force in more than a year. A larger labor force is associated with higher potential rates of economic growth into the future, and is a long-term positive for the economy. Since the financial crisis, the labor force participation rate has been trending lower. Several possible reasons have been cited to explain the downtrend, including the retirement of the "baby boomer" generation as well as frustration regarding the labor market and its ability to provide sufficient income following the financial crisis in 2008/09.

Recent increases in wages may be encouraging more people to look for work. Average hourly earnings increased at a 2.6% annual rate in February. This is slightly lower than the figure reported last month (2.8%). The acceleration in wages reported in January has been considered a trigger for the volatility in financial markets over the past month. This is because stronger wage growth can be a signal for rising inflation. Therefore, stronger wage growth can be seen as increasing the probability that the Federal Reserve will move to more aggressively increase interest rates. Overly aggressive increases in interest rates by the Federal Reserve are considered a possible contributing factor for the next recession. Nonetheless, overall inflation (Bureau of Economic Analysis, personal consumption expenditure based reading) has been holding to levels near 1.5% in recent months, which remains well below the Federal Reserve's target rate of two percent

**Consumer Confidence & Spending:** The Conference Board's Index of Consumer Confidence increased 6.5 points in February, lifting values over the 130 level (130.8) for the first time since December 2000. The all-time high for consumer confidence was 144.7 set in 2000.

Despite the strength in confidence, consumer spending slowed in January. Month-over-month, overall spending was down 0.1% and spending on apparel was down 1.4%. Year-over-year, however, growth rates for consumer spending were healthy, with overall spending 2.7% higher and apparel spending up 3.5%.

**Consumer Prices & Import Data:** Retail apparel prices increased 0.2% month-over-month, but were 0.2% lower year-over-year in the latest available data (January). Average import prices (seasonally-adjusted) for cotton-dominant apparel were 0.9% higher in January, but were 0.6% higher year-over-year. For the 2017 calendar year, average import prices were nearly unchanged relative to the average in 2016 (+0.05%).

## 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  
March 2018



## Macroeconomic Data

### Quarterly Data

	Recent Averages				Values in Recent Quarters			Unit	Source
	5-year	1-year	6-month	3-month	Q2 : 2017	Q3 : 2017	Q4 : 2017		
Growth in US Real GDP	2.4%	2.1%	2.9%	2.5%	3.1%	3.2%	2.5%	% Chg. Quarter/Quarter	Department of Commerce

### Monthly 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		
ISM Index of Manufacturing Activity	53.9	53.5	59.1	58.9	59.3	59.1	60.8	Index	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	56.0	56.4	57.9	57.7	56.0	59.9	59.5	Index	Institute for Supply Management
Consumer Confidence	96.8	106.7	123.9	125.3	123.1	124.3	130.8	Index	The Conference Board
Change in Non-Farm Payrolls	209.7	202.0	189.3	210.0	175	239	313	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	5.5%	4.8%	4.2%	4.1%	4.1%	4.1%	4.1%	Rate	Bureau of Labor Statistics

### Monthly 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		
US Interest Rates									
Federal Funds	0.4%	0.5%	1.2%	1.3%	1.3%	1.4%	1.4%	Interest rate	Federal Reserve
10-year Treasury Bill	2.3%	2.1%	2.4%	2.4%	2.4%	2.6%	2.9%	Interest rate	Federal Reserve
Index of Leading Economic Indicators	97.8	101.2	106.1	107.2	106.4	107.0	108.1	Index	The Conference Board
Housing Starts	10.9	11.7	12.4	12.8	1.3	1.2	1.3	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.2	5.4	5.5	5.6	5.7	5.6	5.4	Annual pace, millions of units	National Association of Realtors

## Industrial and Textile Data

### Monthly Series with Latest Data for January

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	November	December	January		
US Industrial Production	104.1	104.3	106.2	107.1	106.9	107.3	107.2	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	98.3	94.9	95.9	96.2	98.2	97.9	98.2	Index, December 2003=100	Bureau of Labor Statistics

### Monthly Series with Latest Data for January

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	November	December	January		
Bale Equivalence of US Cotton Yarn & Fabric Exports	3.2	3.1	3.2	3.2	3.2	3.2	3.1	million 480lb bales	USDA ERS

### Monthly Series with Latest Data for January

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	November	December	January		
US Textile Mill Inventory/Shipments Ratio	1.24	1.24	1.25	1.26	1.24	1.26	1.27	Ratio	Department of Commerce

## Retail Data

### Monthly Series with Latest Data for January

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	November	December	January		
US Real Consumer Spending									
All Goods and Services	2.7%	3.0%	2.7%	2.8%	2.9%	2.8%	2.7%	% Chg. Year/Year	Department of Commerce
Clothing and Shoes	2.8%	2.8%	3.2%	4.3%	5.3%	4.2%	3.5%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	1.3%	1.2%	2.1%	2.2%	2.2%	2.1%	2.1%	% Chg Year/Year	Bureau of Labor Statistics
Apparel	-0.3%	-0.6%	-0.6%	-0.9%	-1.3%	-1.2%	-0.2%	% Chg. Year/Year	Bureau of Labor Statistics

### Monthly 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		
Retail Inventory/Sales Ratio									
Clothing and Clothing Accessory Stores	2.4	2.4	2.4	2.4	2.4	2.4	2.4	Ratio	Department of Commerce
Department Stores	2.1	2.1	2.0	2.0	2.0	2.0	2.0	Ratio	Department of Commerce

# Executive Cotton Update

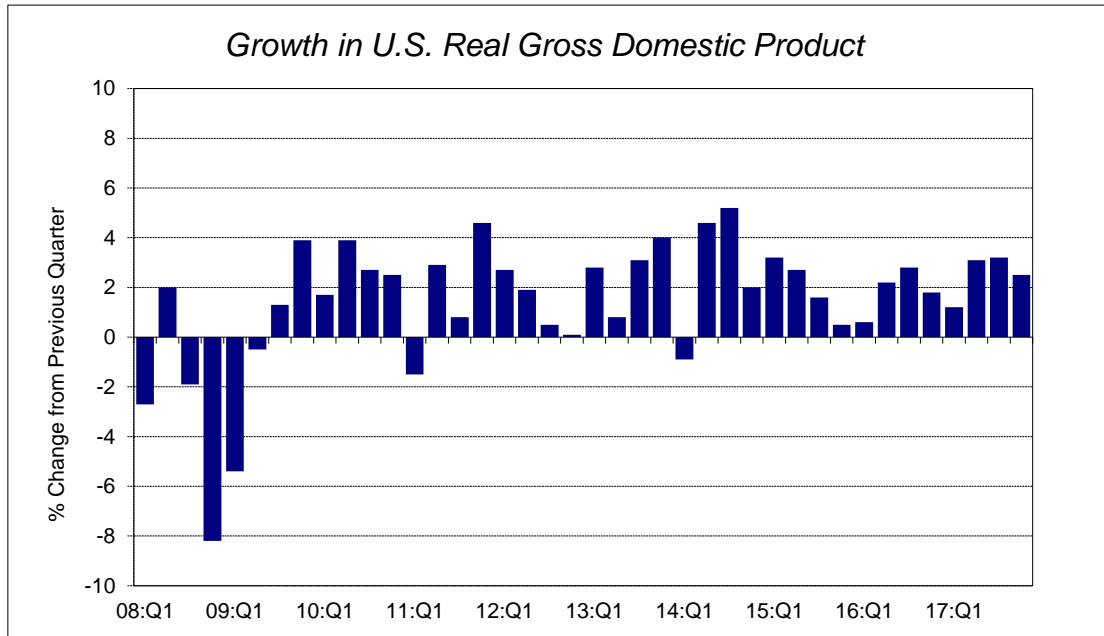
Daily Cotton Price and Currency Data  
March 2018



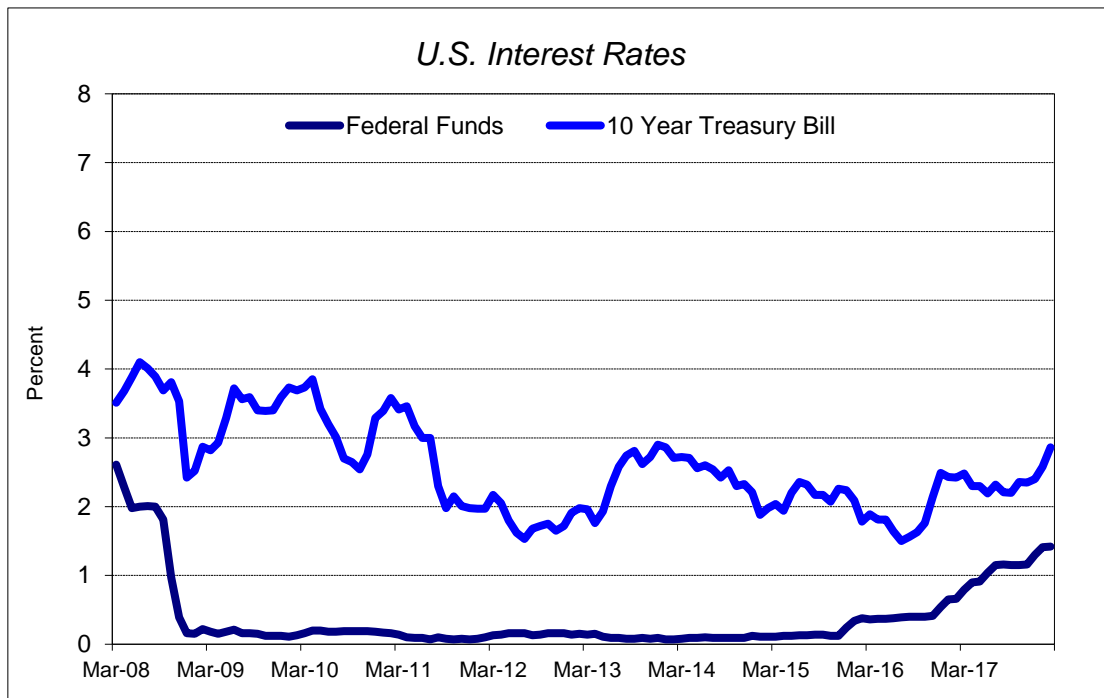
Daily Cotton Price Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	December	January	February		
NY Nearby	72.4	68.4	73.8	77.9	75.4	80.3	77.9	cents/pound	ICE
A Index	80.4	77.2	84.0	88.2	85.4	91.0	88.3	cents/pound	Cotlook

Daily Currency Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	December	January	February		
Dollar Trade Weighted Exchange Index	114.1	121.0	119.2	119.1	120.3	118.5	118.5	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.40	6.56	6.53	6.48	6.62	6.50	6.33	Chinese Renminbi/US dollar	Reuters
Indian Rupee	63.42	65.46	64.38	64.04	64.47	63.39	64.27	Indian Rupee/US dollar	Reuters
Japanese Yen	109.62	113.42	111.68	111.92	113.54	112.98	109.24	Japanese Yen/US dollar	Reuters
Pakistani Rupee	103.42	104.64	107.15	108.92	105.75	110.50	110.52	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	2.94	3.36	3.22	3.27	3.31	3.23	3.28	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.21	1.30	1.26	1.26	1.29	1.24	1.26	Canadian dollar/US dollar	Reuters
Mexican Peso	16.09	18.02	18.74	19.02	18.95	19.22	18.87	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.69	0.73	0.75	0.73	0.75	0.74	0.71	British Pound/US dollar	Reuters
Euro	0.84	0.90	0.84	0.83	0.85	0.83	0.82	Euro/US dollar	Reuters
Swiss Franc	0.96	0.98	0.97	0.97	0.99	0.98	0.94	Swiss Franc/US dollar	Reuters
Turkish Lira	2.76	3.20	3.72	3.80	3.84	3.75	3.83	Turkish Lira/US dollar	Reuters



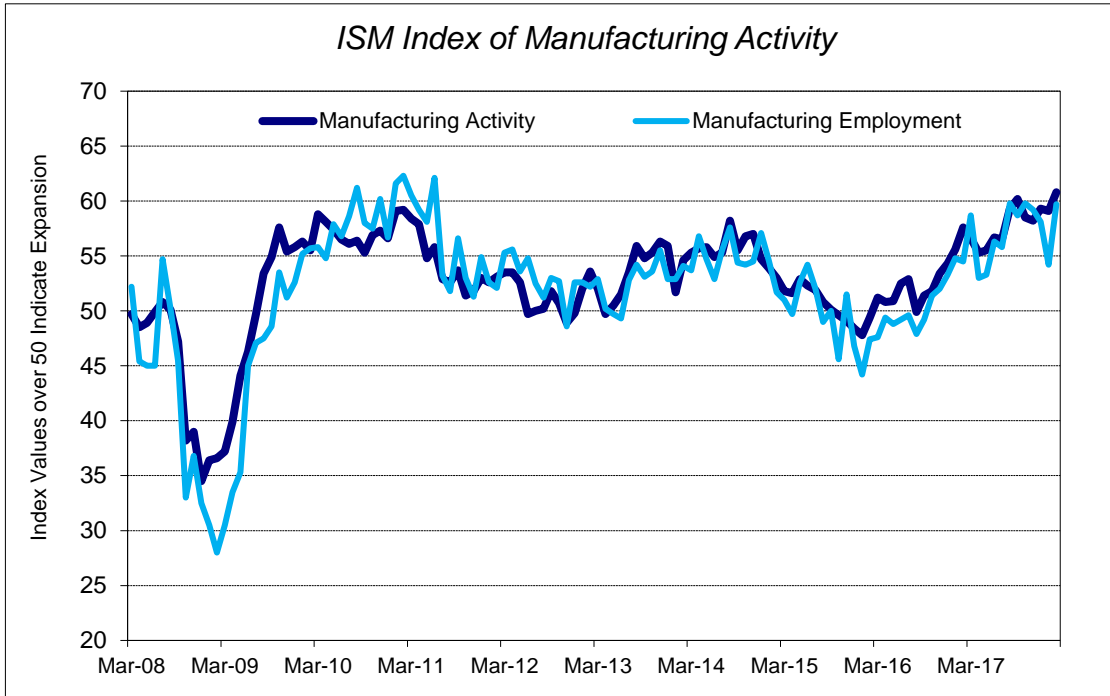
Seasonally Adjusted Annual Rate; Source: Department of Commerce  
 \*Based on chained 2005\$.



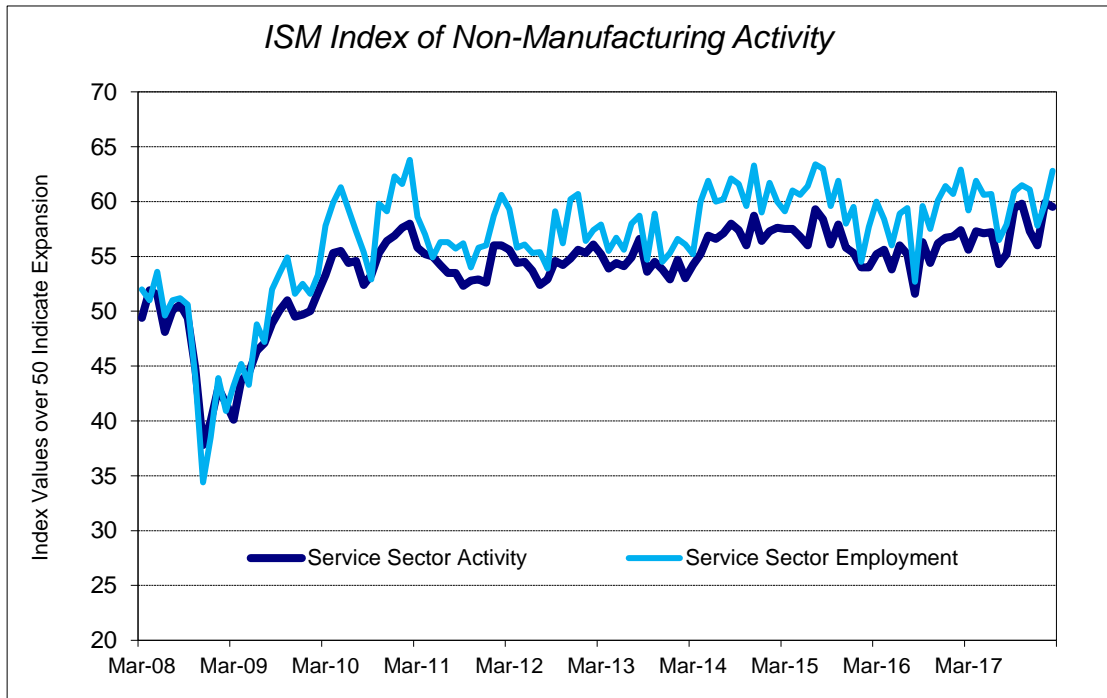
Source: Federal Reserve

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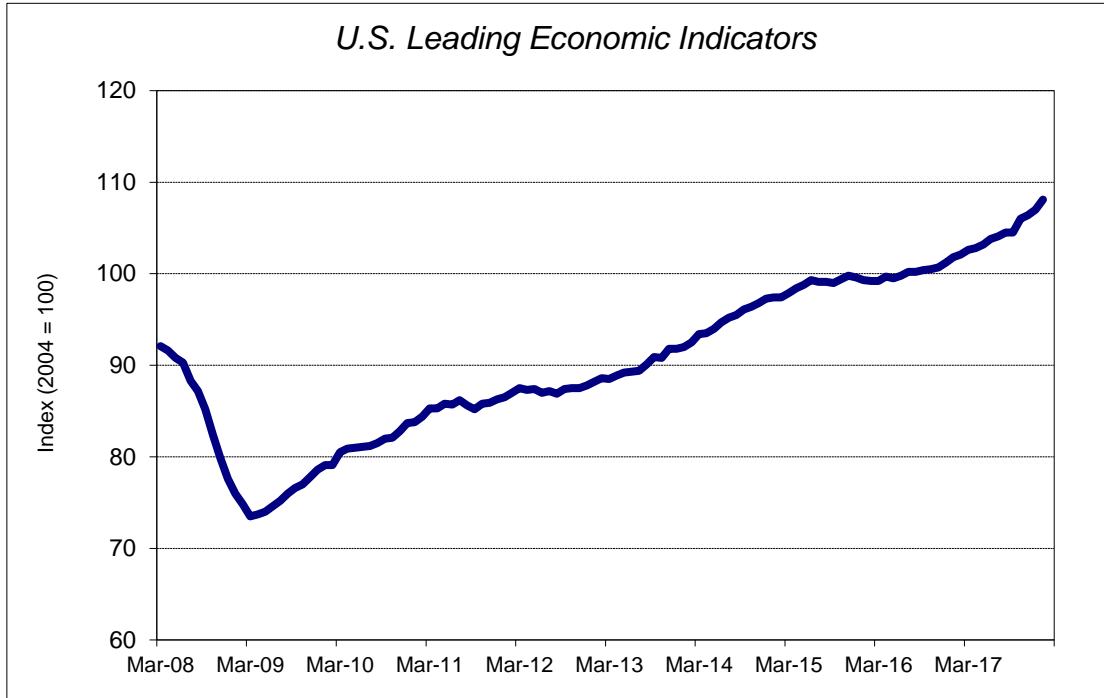
Source: Institute for Supply Chain Management



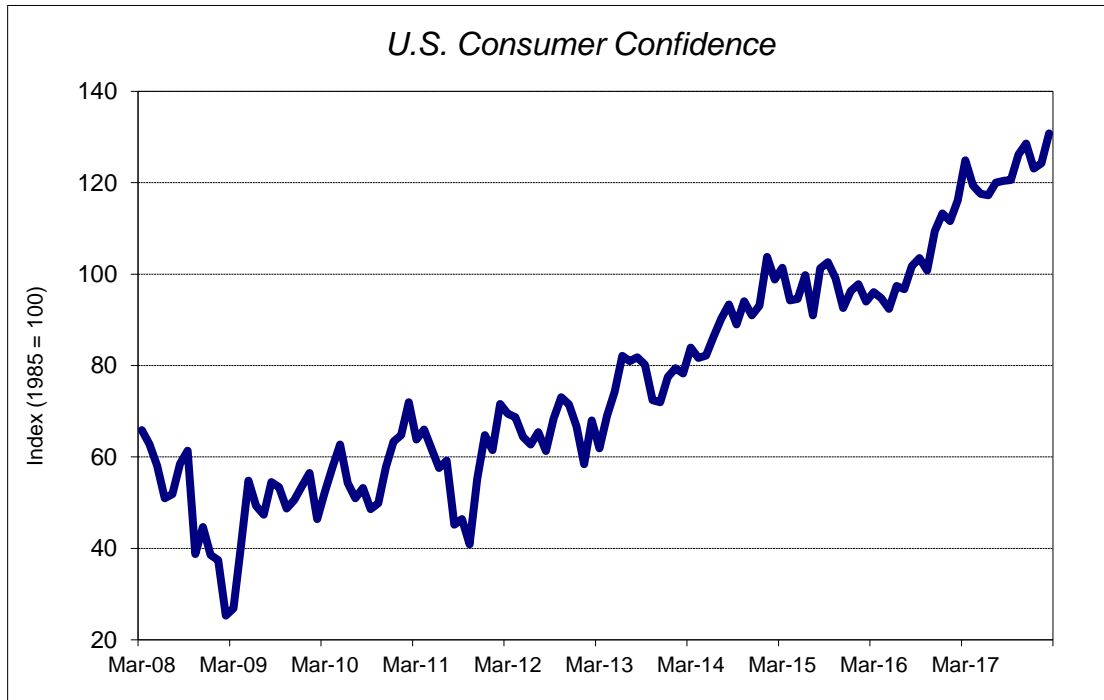
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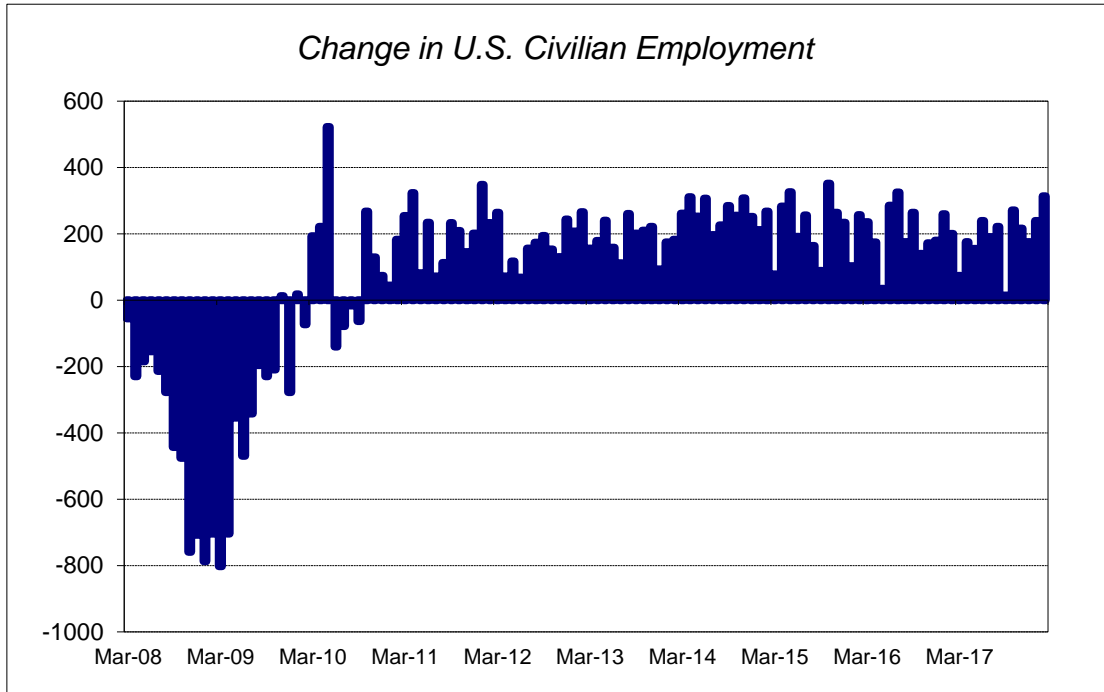
Source: The Conference Board



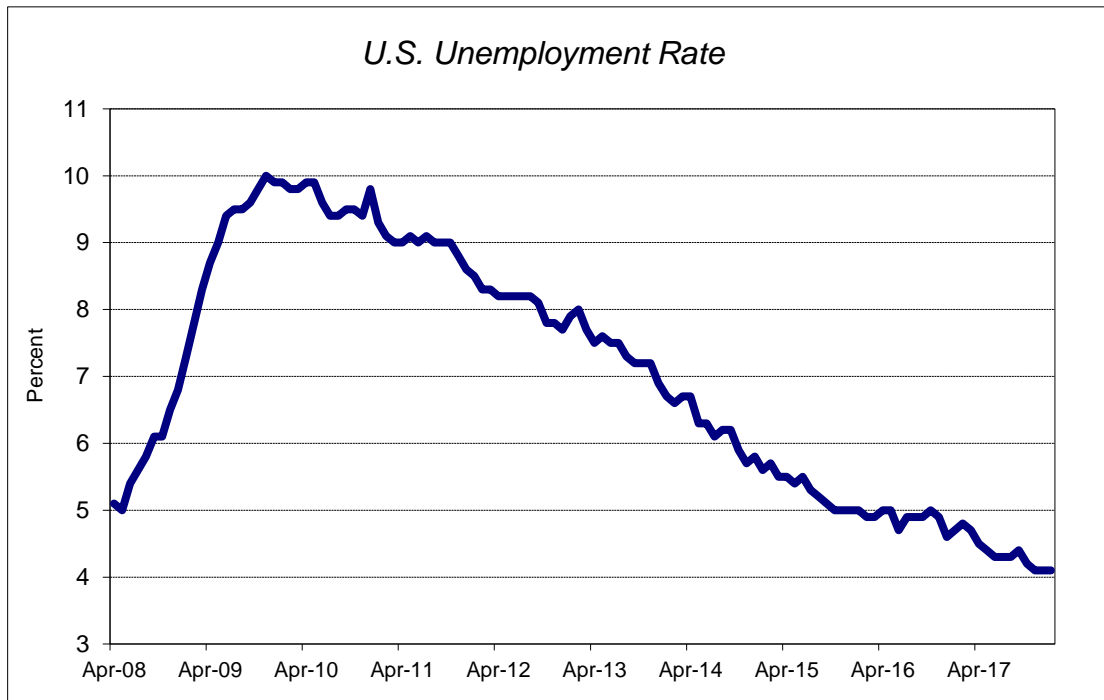
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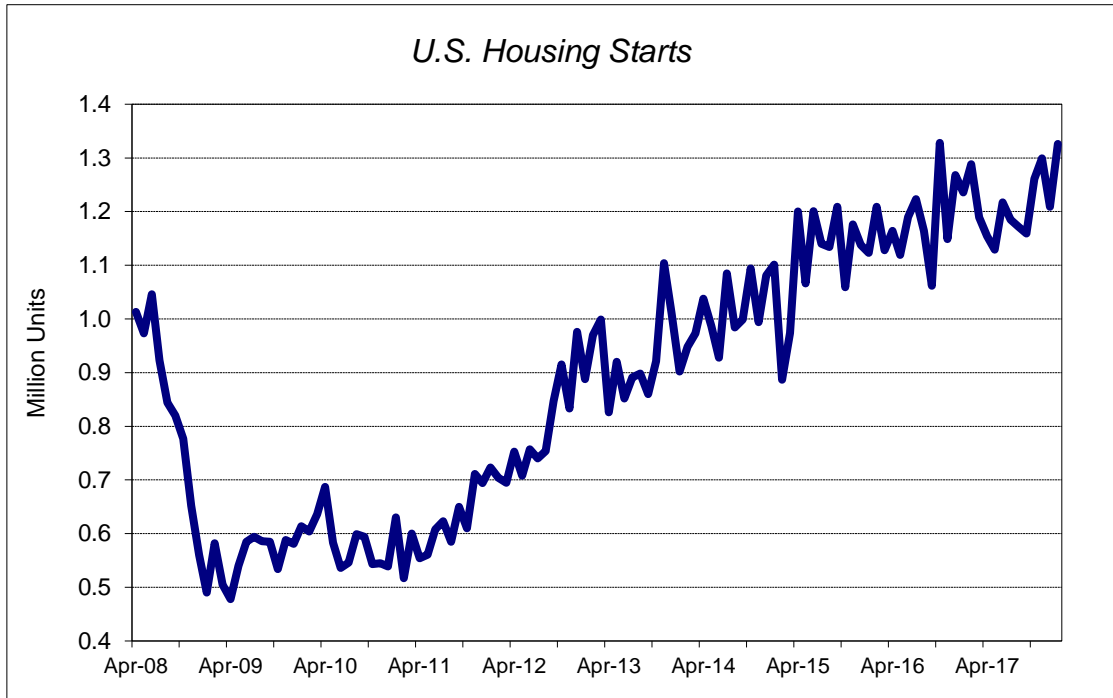
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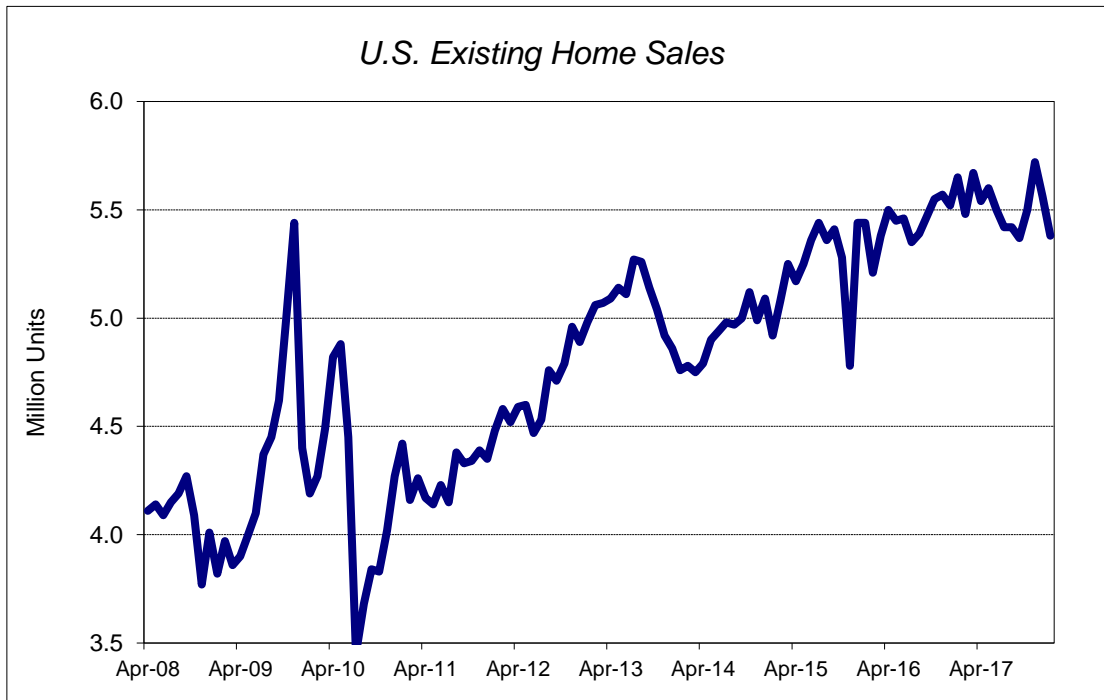
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Seasonally Adjusted Annual Rate; Source: Department of Commerce

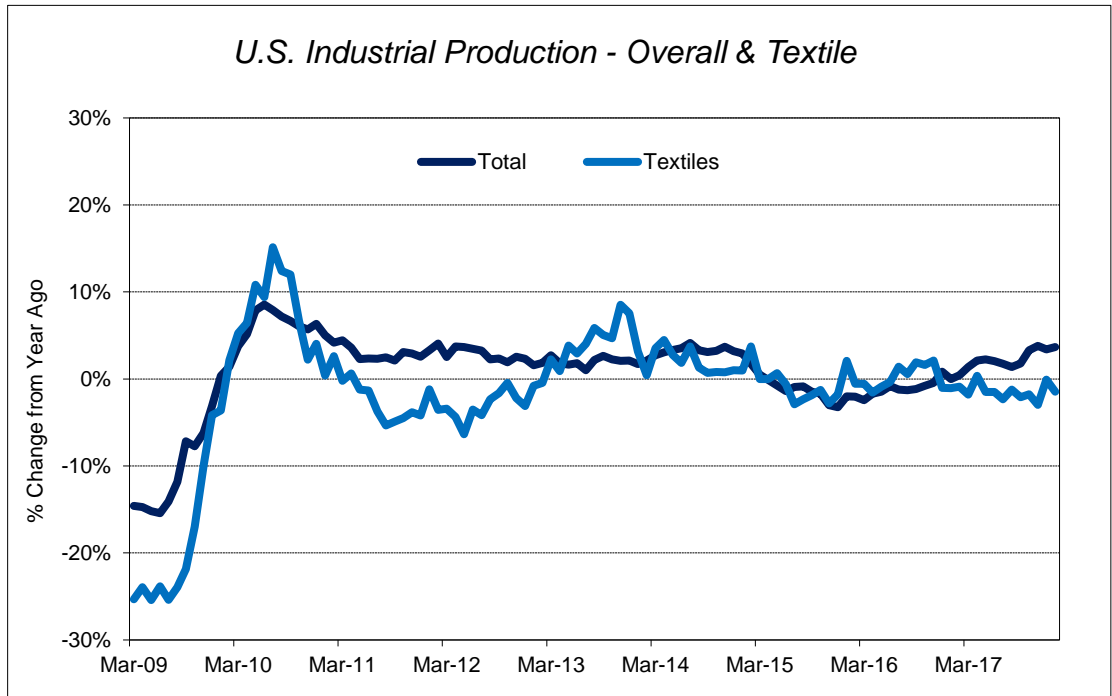


Seasonally Adjusted Annual Rate; Source: National Association of Realtors

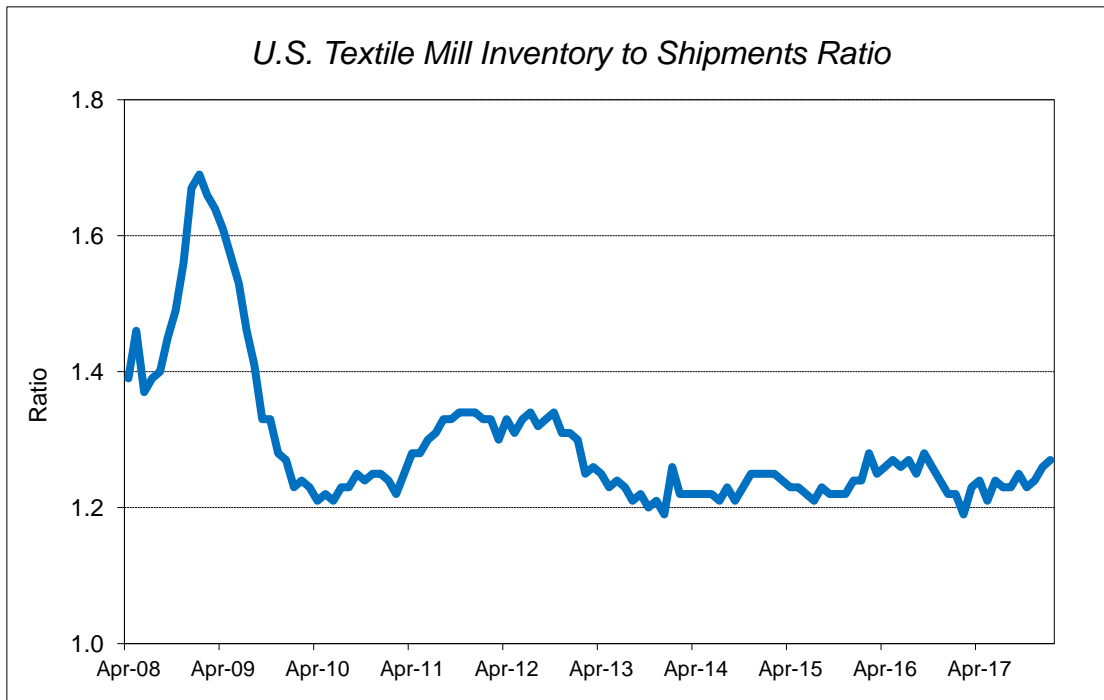
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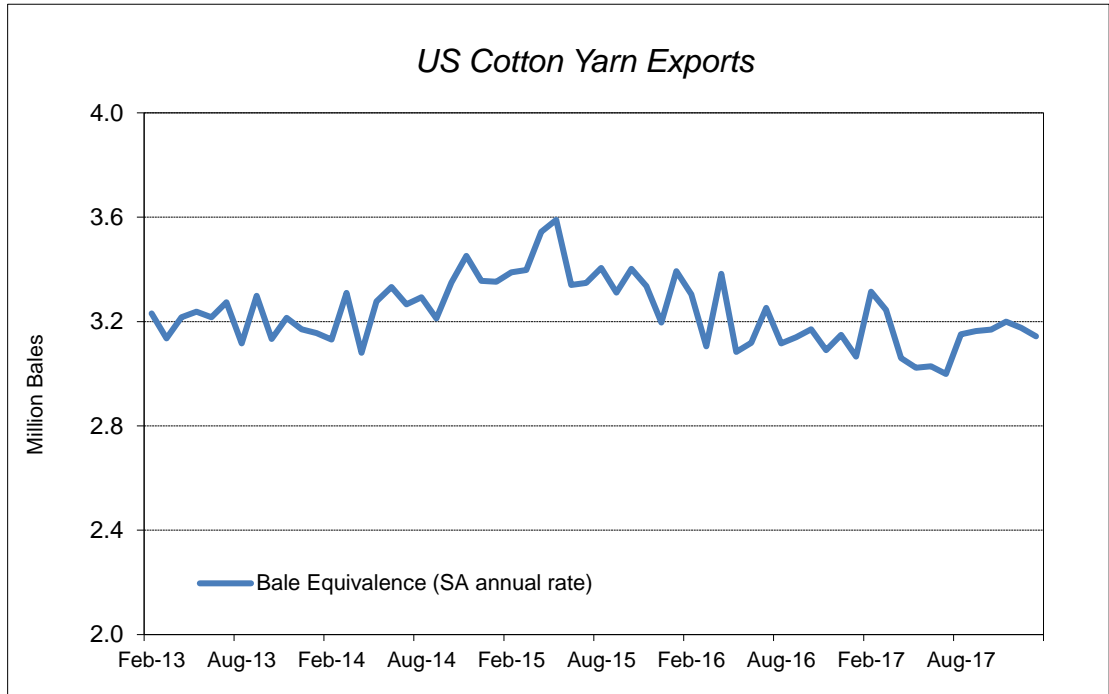
Source: Federal Reserve. Historical data revised to 1997 baseline.



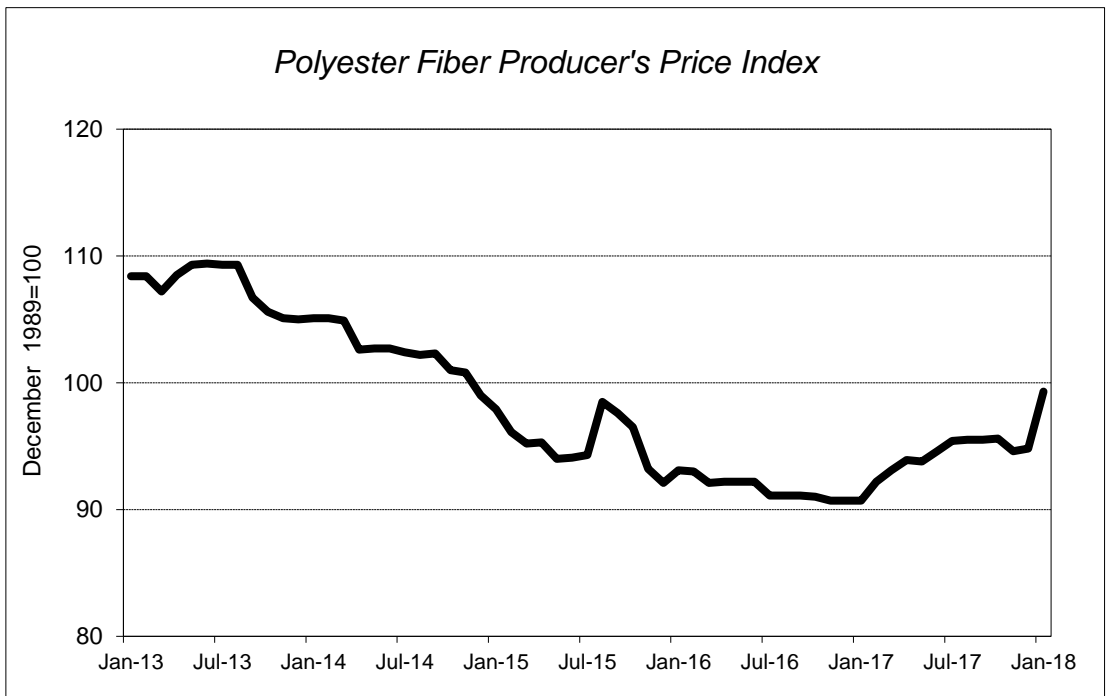
Seasonally Adjusted; Source: Department of Commerce

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Seasonally Adjusted Annual Rate  
 Source: USDA ERS



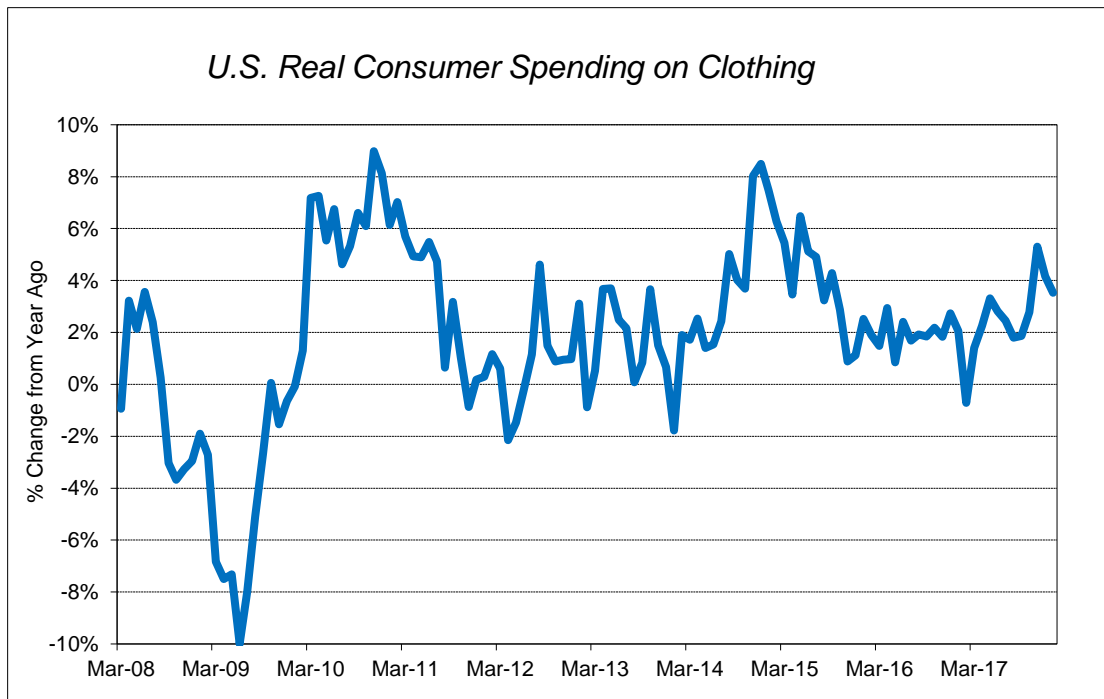
Source: Bureau of Labor Statistics

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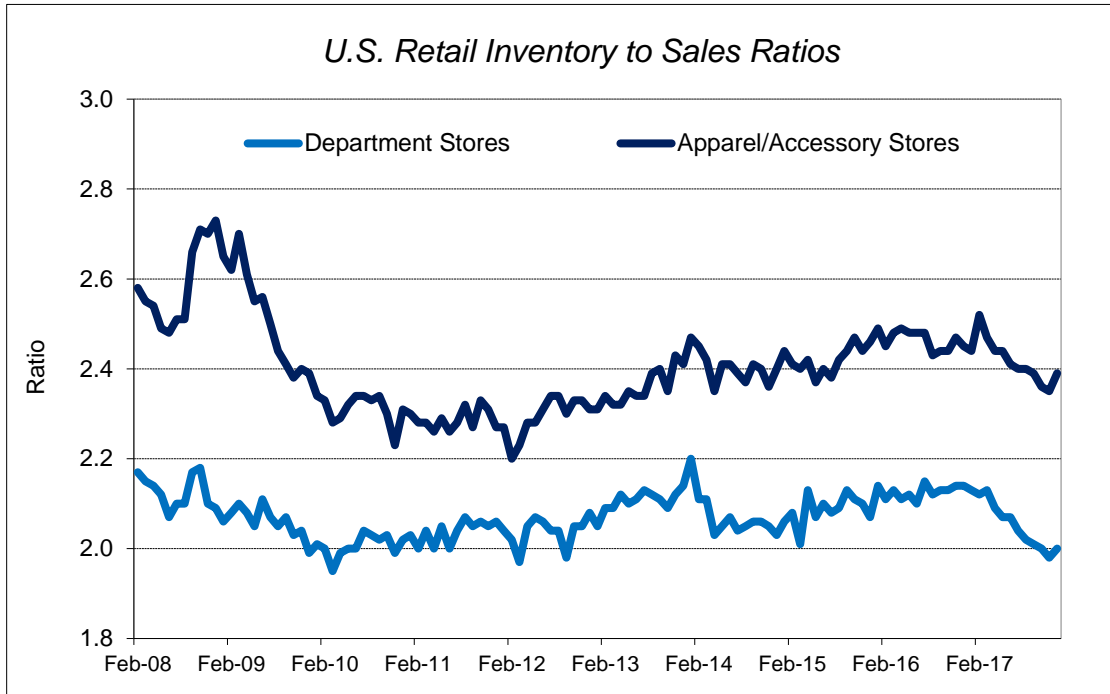
\*Based on chained 2005\$.



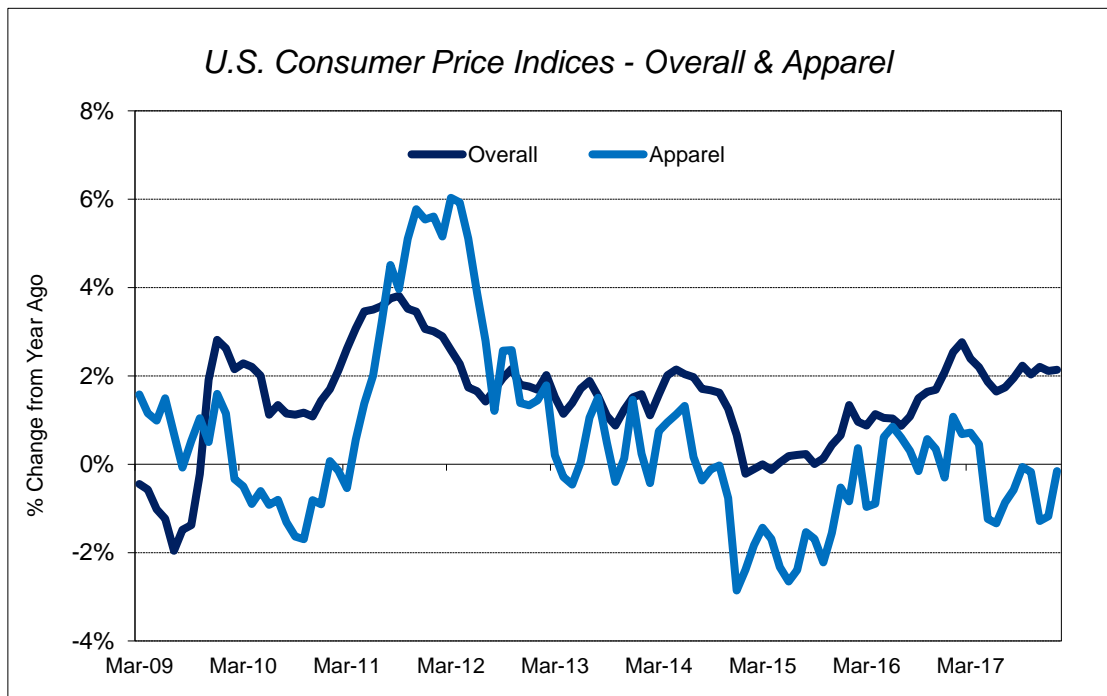
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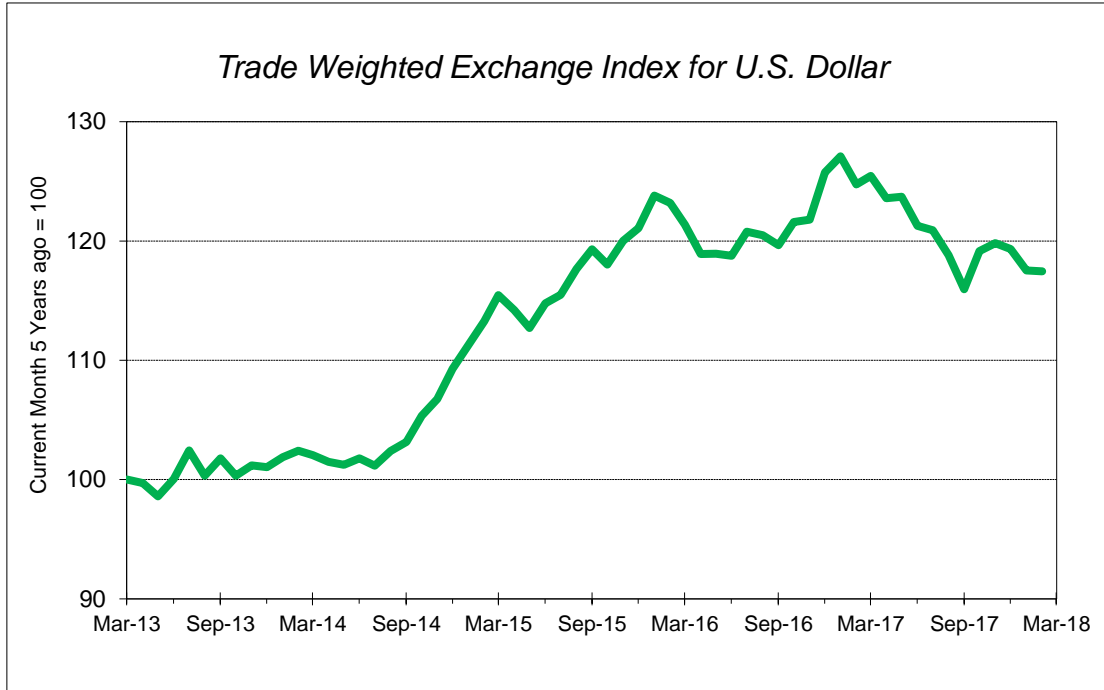
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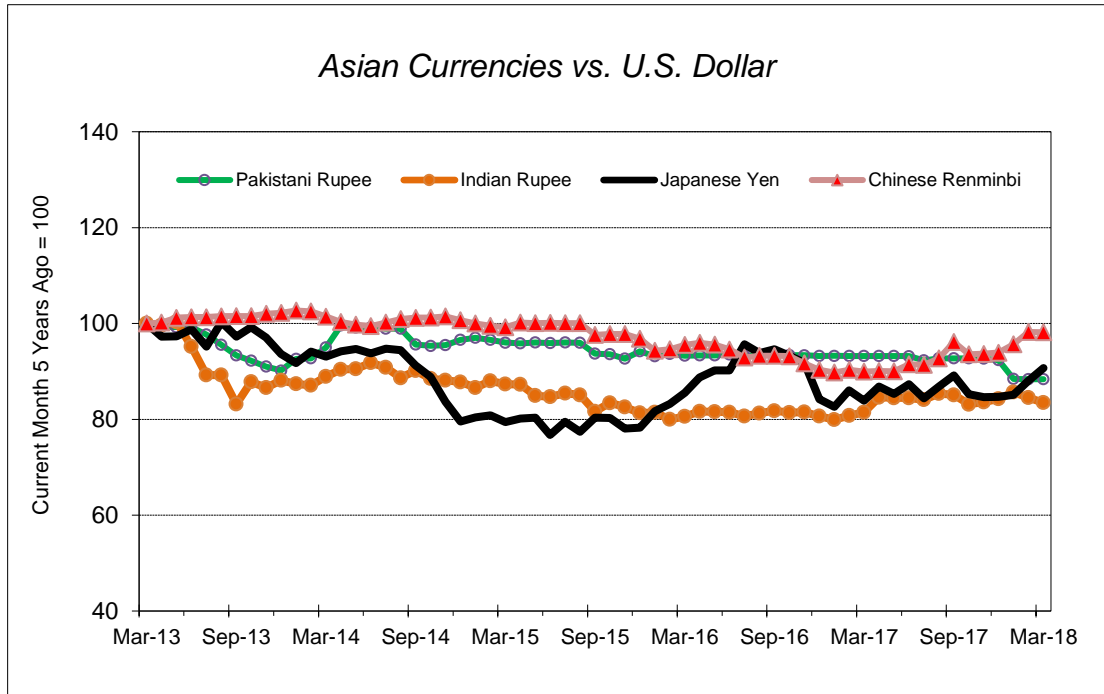
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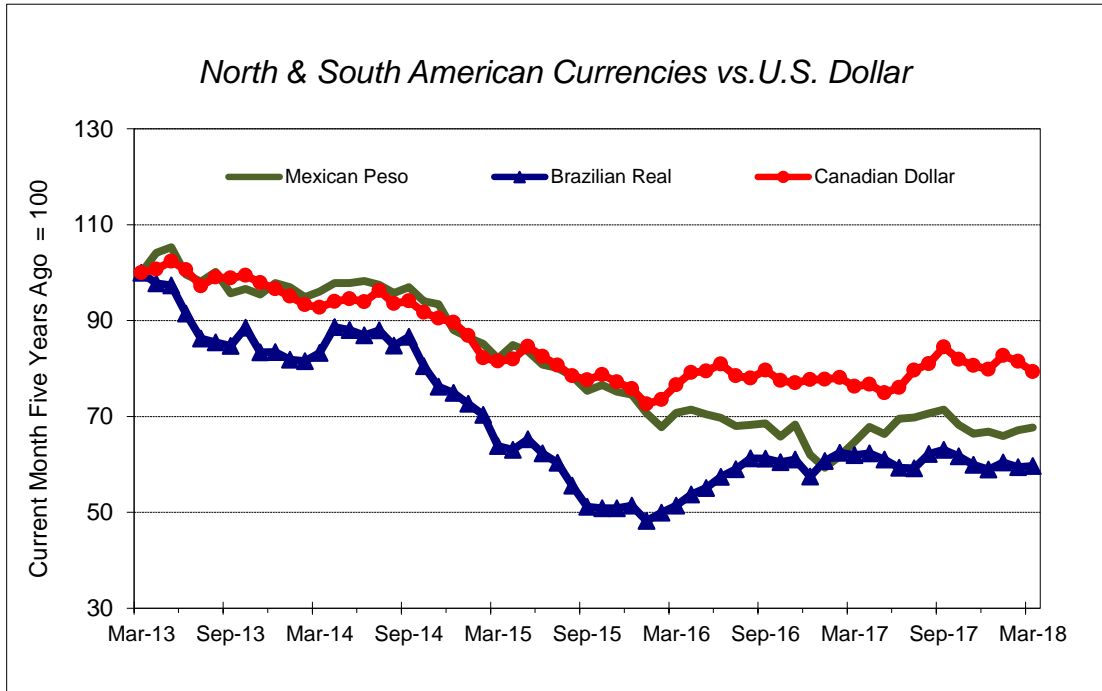
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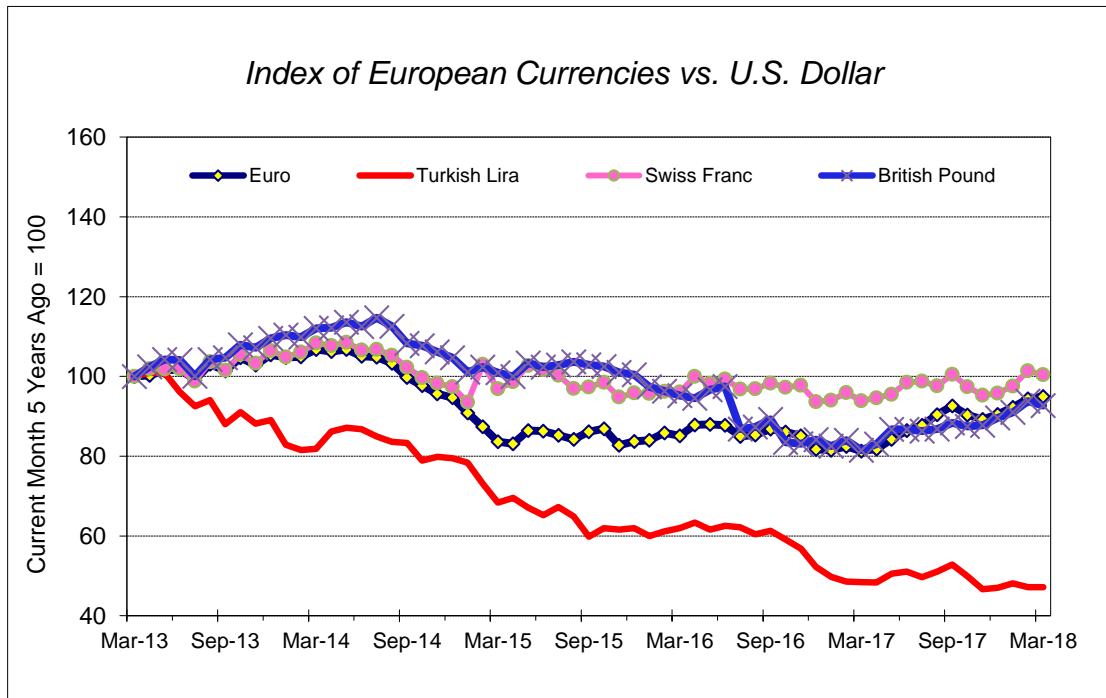
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Source: Reuters



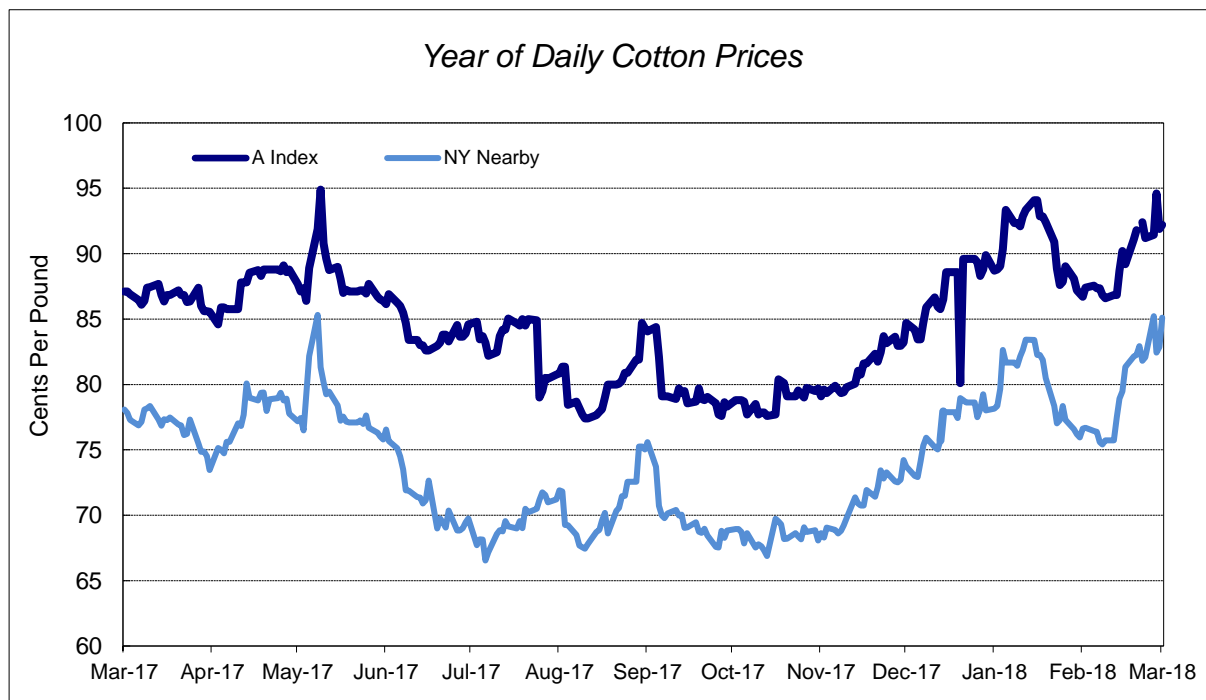
Source: Reuters

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## U.S. Balance Sheet

million 480 lb. bales	2013/14	2014/15	2015/16	2016/17	2017/18 February	2017/18 March
Beginning Stocks	3.8	2.4	3.7	3.8	2.8	2.8
Production	12.9	16.3	12.9	17.2	21.3	21.0
Imports	0.0	0.0	0.0	0.0	0.0	0.0
Supply	16.7	18.7	16.6	21.0	24.0	23.8
Mill-Use	3.6	3.6	3.5	3.3	3.4	3.4
Exports	10.5	11.2	9.2	14.9	14.5	14.8
Demand	14.1	14.8	12.6	18.2	17.9	18.2
Ending Stocks	2.4	3.7	3.8	2.8	6.0	5.5
Stocks/Use Ratio	16.7%	24.6%	30.2%	15.1%	33.6%	30.3%



Sources: ICE Futures U.S. & Cotton Outlook

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