

# Executive Cotton Update

U.S. Macroeconomic Indicators &  
the Cotton Supply Chain



March 2019

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

**Macroeconomic Overview:** Due to the partial government shutdown, there was a delay in the release of figures for U.S. GDP growth (fourth quarter estimates and 2018 calendar year estimates). Numbers initially scheduled to be released in late January were released in late February. The recently published estimates indicate that growth in the fourth quarter was 2.6% and that growth in all of 2018 was 2.9% (real terms). For comparison, in the third quarter of 2018, GDP growth is estimated to have been 3.4% and annual growth in 2017 was 2.2%.

Quarter-over-quarter, slower growth in the fourth quarter was primarily a result of a deceleration in inventory accumulation, consumer spending, and government outlays. Year-over-year, the pickup in growth in 2018 was primarily a result of accelerated consumer spending, investment, and government spending.

Overall consumer spending in the fourth quarter, approximating the holiday sales period, was 2.8% higher year-over-year (was 3.9% in Q4 2017). Over the same time period, spending on apparel was up 3.7% year-over-year (was 3.4% in Q4 in 2017). Consumer apparel spending was 4.1% higher in 2018 (was 2.0% in 2017), representing the strongest annual growth since 2011.

The outlook for future economic and spending growth has turned more pessimistic. The decrease in optimism is demonstrated through policy changes made by the world's largest central banks. The Federal Reserve has made preparations to stop its unwinding of holdings built up after the financial crisis (these holdings were acquired as part of its quantitative easing program, the unwinding of these positions has an effect of tightening money supply). This action has been paired with statements by Federal Reserve officials indicating that it would be cautious relative to potential future increases in interest rates. As late as last spring, the Federal Reserve was taking an aggressive stance on interest rates, so recent announcements represent a significant shift in a relatively short amount of time.

The U.S. is not alone in signaling changes to monetary policy. After signaling tightening last year, the European Central Bank (ECB) recently announced it would hold interest rates at levels below zero through the end of 2019 and would facilitate low interest loans to member banks. This followed the release of forecasts from the ECB that cut projected economic growth in 2019 from 1.7% (December estimate) to 1.1%. China's central bank announced support for its financial institutions in January, and there is speculation that China may make a move to decrease interest rates this year.

**Employment:** The U.S. economy is estimated to have added 20,000 jobs in February. This was the lowest rate of growth since September 2017. Revisions to previous months' estimates were positive. The figure for December was increased from +222,000 to +227,000. The figure for January was increased from +304,000 to +311,000. The average monthly increase in payrolls for the past twelve months is 209,000. One year ago, the twelve-month average was 173,000.

The unemployment rate decreased in February (from 4.0% in January to 3.8%). This was partially attributed to the return of federal workers and contractors after the shutdown. Average wages increased 3.4% last month. This is the strongest rate of growth since the financial crisis. Wage growth has trended higher since the fall of 2017. Since August, wage growth has averaged over three percent. In 2016 and 2017, wage growth was consistently near 2.5%. Between 2011 and 2015, wage growth was near 2.0%.

**Consumer Confidence & Spending:** After three consecutive monthly decreases, the Conference Board's Index of Consumer Confidence surged in February, rising 9.7 points to 131.4. This was the strongest monthly increase since 2015. The current value is below the post-financial-crisis highs registered this fall, but nonetheless ranks among the highest readings on record.

Overall consumer spending decreased month-over-month in December (-0.6%), but increased year-over-year (+2.2%). Consumer spending on apparel also decreased month-over-month (-2.4%) but increased year-over-year (+1.6%). In December, the rate of year-over-year growth in spending on garments was the lowest in 2018. However, it should be noted that year-over-year comparisons for apparel spending have become more difficult. Beginning in November of 2017 there was an acceleration in spending. Since then, the average year-over-year increase in apparel spending has been over 4%. This is nearly double the long-term average.

**Consumer Prices & Import Data:** Retail prices for apparel were 0.7% higher month-over-month, but 0.5% lower year-over-year in January. Average sourcing costs for cotton-dominant apparel imports were 1.3% lower month-over-month (seasonally-adjusted) but 2.2% higher year-over-year in December. For the 2018 calendar year, the volume of cotton-dominant apparel imports was 0.9% higher.

## U.S. Macroeconomic & Cotton Supply Chain Charts

Macroeconomic Indicators	Industry & Textiles	Retail	Currencies	Cotton
GDP Growth	Leading Indicators	Consumer Spending	Weighted Index	U.S. Balance Sheet
Interest Rates	Consumer Conf.	Inventory/Sales	Asia	Fiber Prices
ISM Indices	Employment	Consumer Prices	The Americas	
	Housing		Europe	
		U.S. Yarn Exports		
		Polyester PPI		

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U.S. Macroeconomic Indicators & Cotton Prices  
March 2019



## Macroeconomic Data

### Quarterly Data

	Recent Averages				Values in Recent Quarters			Unit	Source
	5-year	1-year	6-month	3-month	Q2 : 2018	Q3 : 2018	Q4 : 2018		
Growth in US Real GDP	2.4%	2.5%	3.0%	2.6%	4.2%	3.4%	2.6%	% 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	54.9	56.1	57.9	56.6	54.3	56.6	54.2	Index	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	56.8	57.0	59.1	58.4	58.0	56.7	59.7	Index	Institute for Supply Management
Consumer Confidence	108.3	118.0	132.9	128.2	126.6	121.7	131.4	Index	The Conference Board
Change in Non-Farm Payrolls	217.0	204.8	233.5	244.7	227	311	20	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	4.9%	4.3%	3.8%	3.9%	3.9%	4.0%	3.8%	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	0.7%	1.1%	2.2%	2.3%	2.3%	2.4%	2.4%	Interest rate	Federal Reserve
10-year Treasury Bill	2.3%	2.4%	3.0%	2.9%	2.8%	2.7%	2.7%	Interest rate	Federal Reserve
Index of Leading Economic Indicators	101.9	105.0	111.3	111.3	111.4	111.3	111.3	Index	The Conference Board
Housing Starts	11.5	12.1	12.0	11.6	1.2	1.0	1.2	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.3	5.4	5.2	5.1	5.2	5.0	4.9	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	104.7	104.7	109.4	109.8	110.0	110.1	109.4	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	107.4	107.1	105.4	105.1	98.2	97.9	98.2	Index, December 2003=100	Bureau of Labor Statistics

### Monthly 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		
Bale Equivalence of US Cotton Yarn & Fabric Exports	3.2	3.1	3.0	3.0	2.9	3.0	3.0	million 480lb bales	USDA ERS

### 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		
US Textile Mill Inventory/Shipments Ratio	1.28	1.30	1.32	1.36	1.29	1.33	1.35	Ratio	Department of Commerce

## Retail Data

### 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		
US Real Consumer Spending									
All Goods and Services	2.9%	2.6%	2.8%	2.7%	2.9%	2.9%	2.2%	% Chg. Year/Year	Department of Commerce
Clothing and Shoes	2.8%	2.7%	4.4%	3.2%	4.3%	3.8%	1.6%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	1.5%	2.0%	2.2%	1.9%	2.2%	1.9%	1.5%	% Chg Year/Year	Bureau of Labor Statistics
Apparel	-0.4%	0.0%	-0.5%	-0.2%	-0.2%	0.1%	-0.5%	% 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	2.2	2.2	2.2	2.2	2.2	Ratio	Department of Commerce
Department Stores	2.1	2.1	2.0	2.0	2.1	2.1	1.9	Ratio	Department of Commerce

# Executive Cotton Update

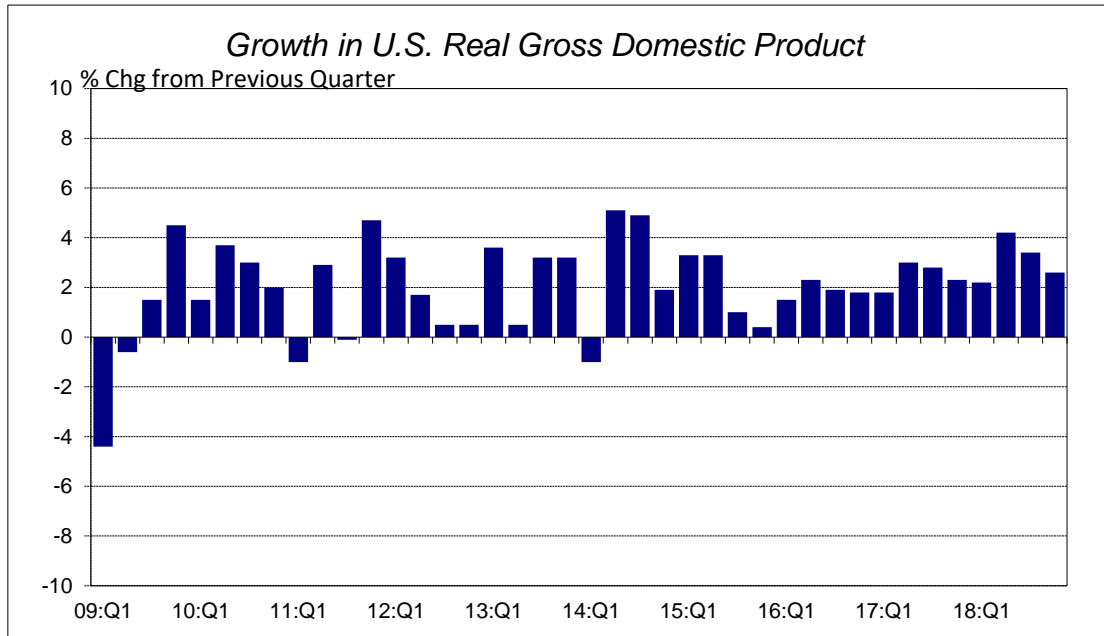
Daily Cotton Price and Currency Data  
March 2019



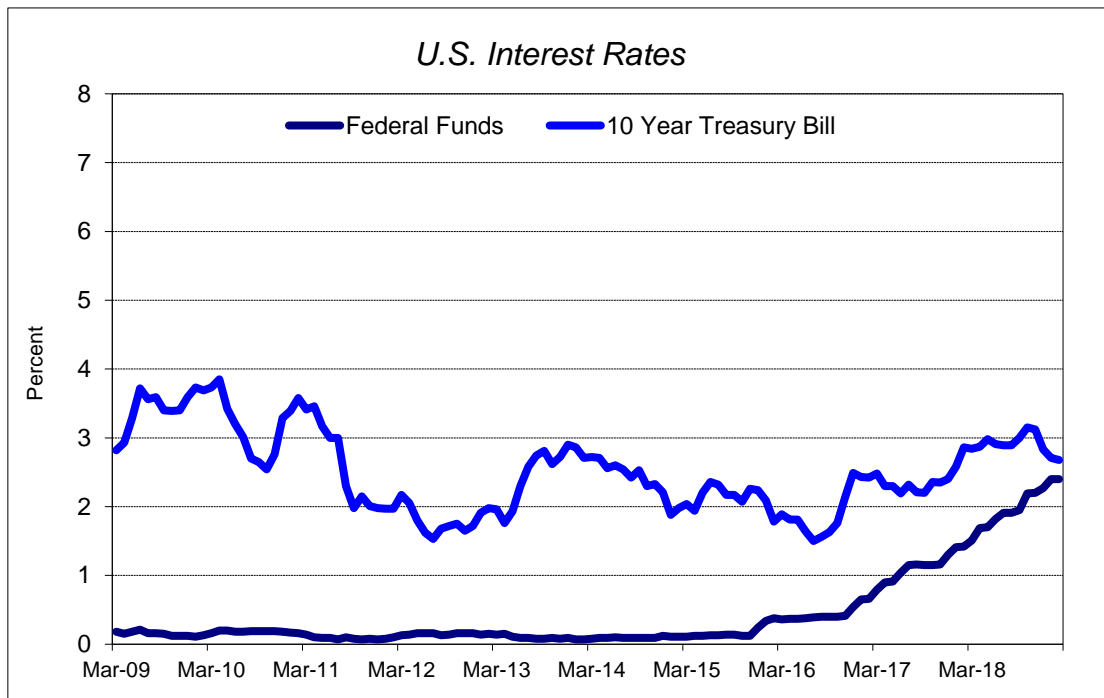
Daily Cotton Price Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	December	January	February		
NY Nearby	72.1	73.5	78.7	75.4	76.9	73.1	71.9	cents/pound	ICE
A Index	80.6	83.0	87.9	84.5	85.6	82.3	81.1	cents/pound	Cotlook

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	107.4	111.1	113.4	113.5	114.5	113.2	112.9	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.51	6.68	6.86	6.82	6.88	6.86	6.74	Chinese Renminbi/US dollar	Reuters
Indian Rupee	65.35	66.98	71.84	70.75	70.77	70.19	71.30	Indian Rupee/US dollar	Reuters
Japanese Yen	111.78	109.86	111.52	110.35	112.70	108.63	109.73	Japanese Yen/US dollar	Reuters
Pakistani Rupee	107.88	111.92	132.84	138.76	138.80	138.89	138.60	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	3.24	3.42	3.81	3.77	3.86	3.72	3.73	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.27	1.30	1.32	1.33	1.33	1.33	1.33	Canadian dollar/US dollar	Reuters
Mexican Peso	17.37	18.98	19.47	19.55	20.22	19.35	19.07	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.71	0.76	0.77	0.78	0.78	0.79	0.77	British Pound/US dollar	Reuters
Euro	0.86	0.88	0.87	0.88	0.88	0.87	0.88	Euro/US dollar	Reuters
Swiss Franc	0.97	0.98	0.99	0.99	0.99	0.98	1.00	Swiss Franc/US dollar	Reuters
Turkish Lira	3.37	3.95	5.67	5.35	5.29	5.50	5.25	Turkish Lira/US dollar	Reuters



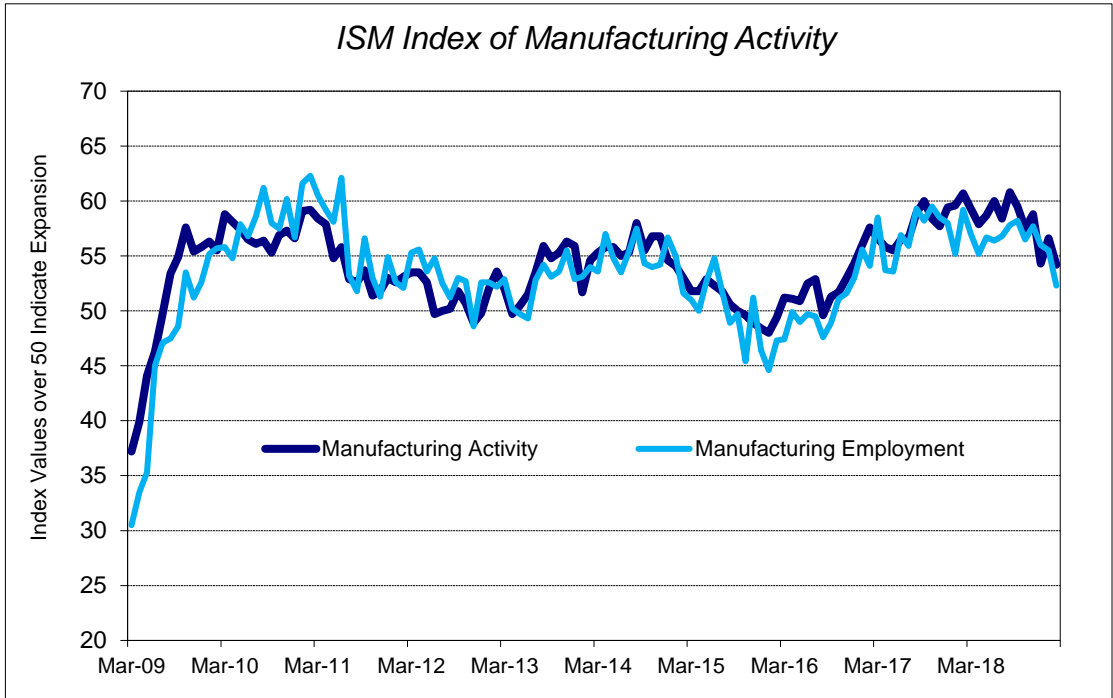
Seasonally Adjusted Annual Rate; Source: Department of Commerce  
 \*Based on chained 2005\$.



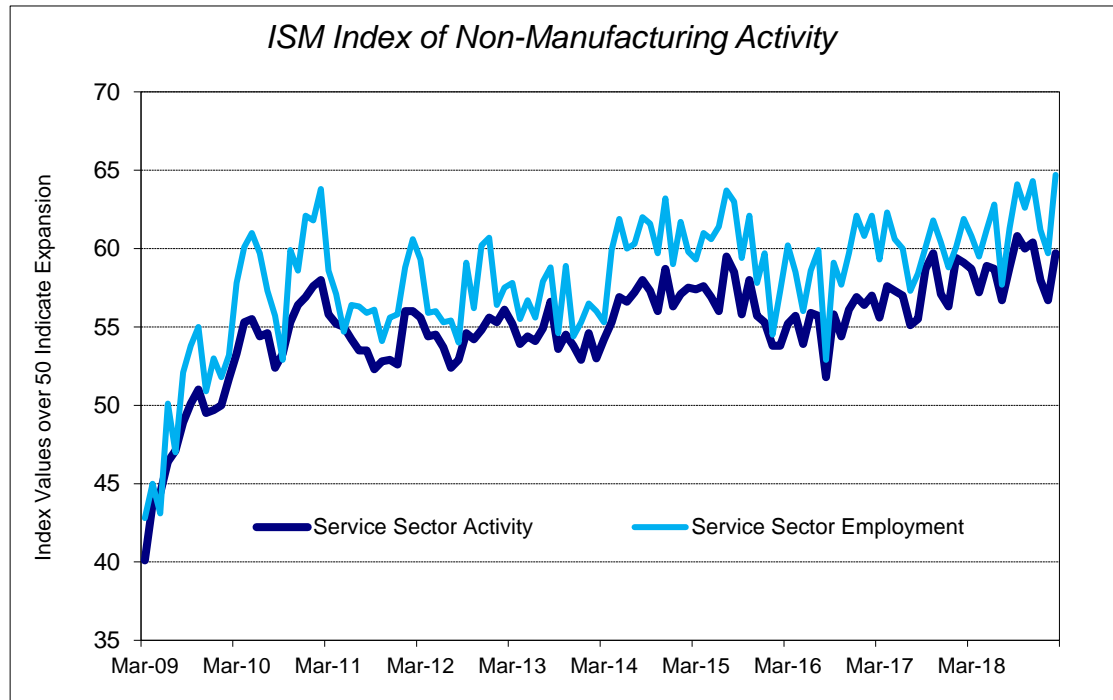
Source: Federal Reserve

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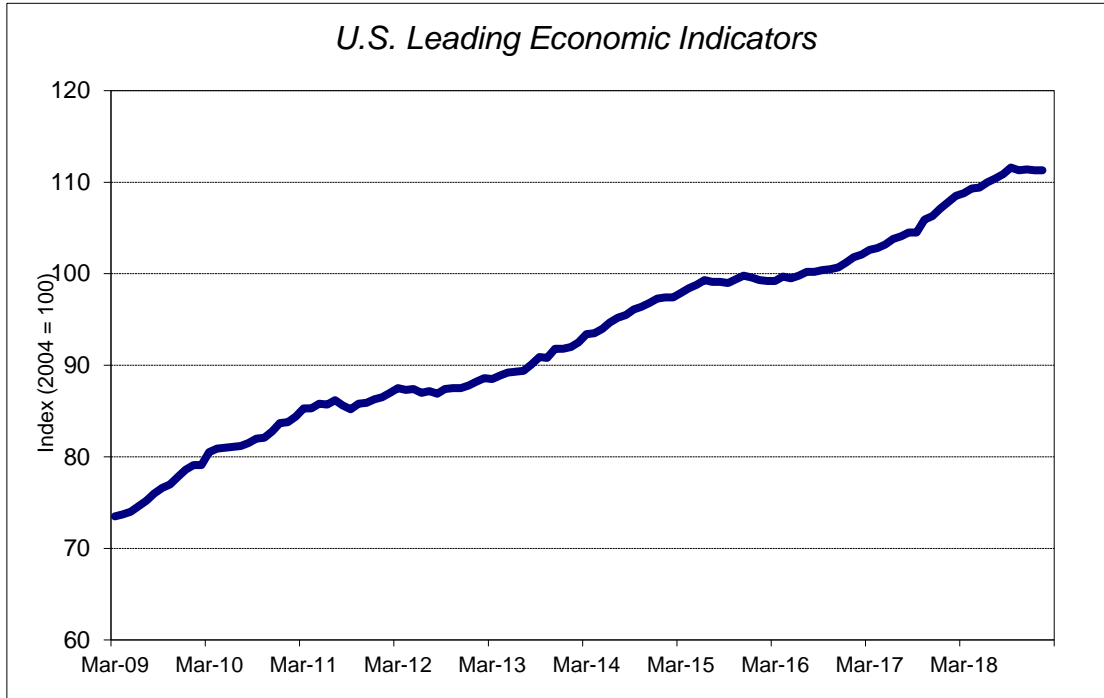
Source: Institute for Supply Chain Management



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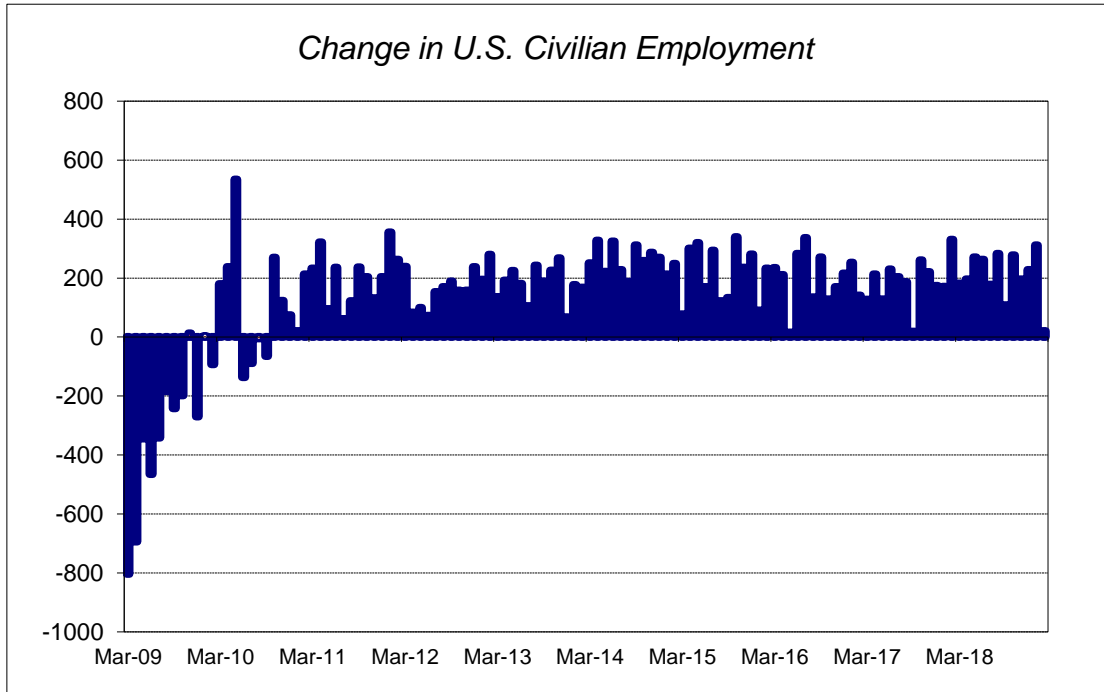
Source: The Conference Board



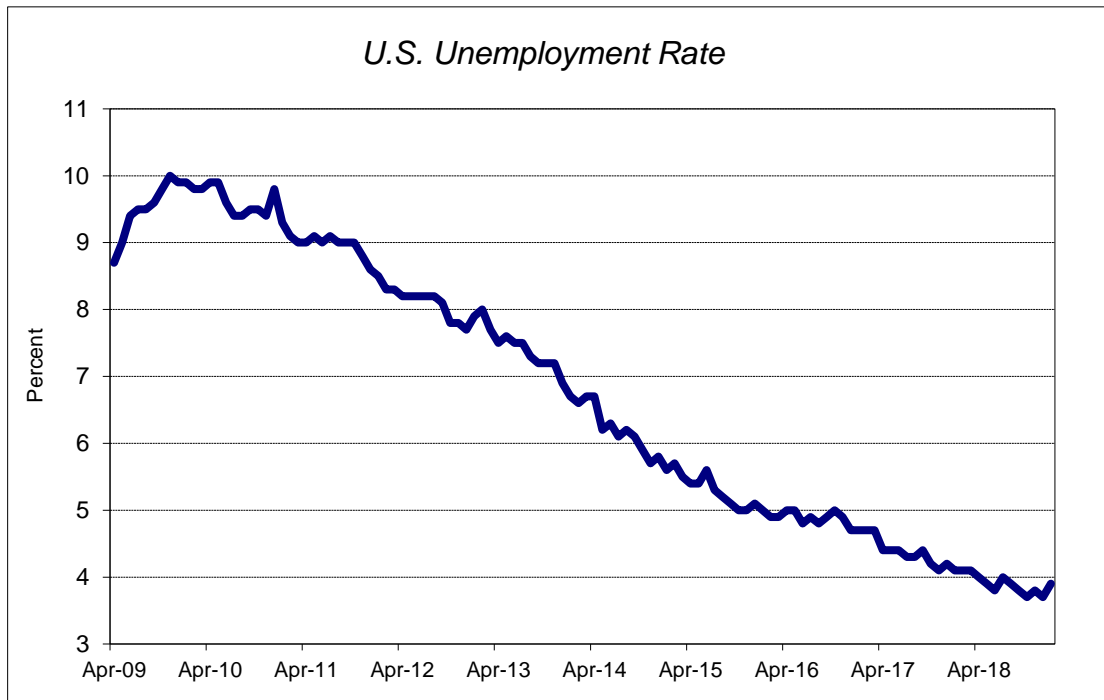
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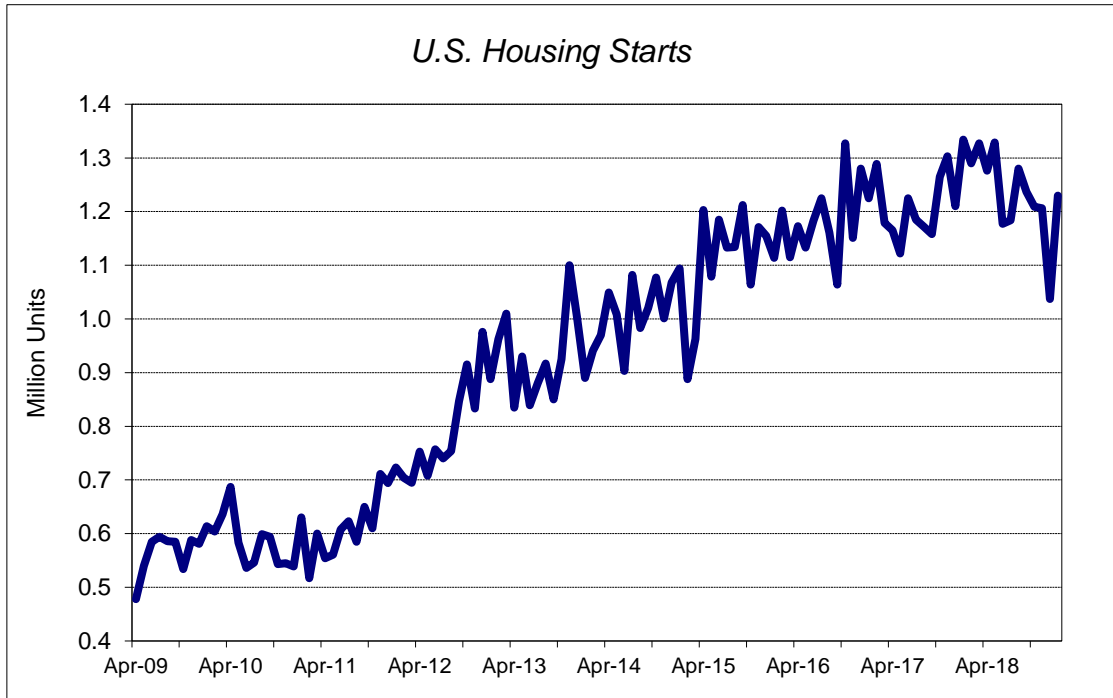
Source: Bureau of Labor Statistics



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Seasonally Adjusted Annual Rate; Source: Department of Commerce

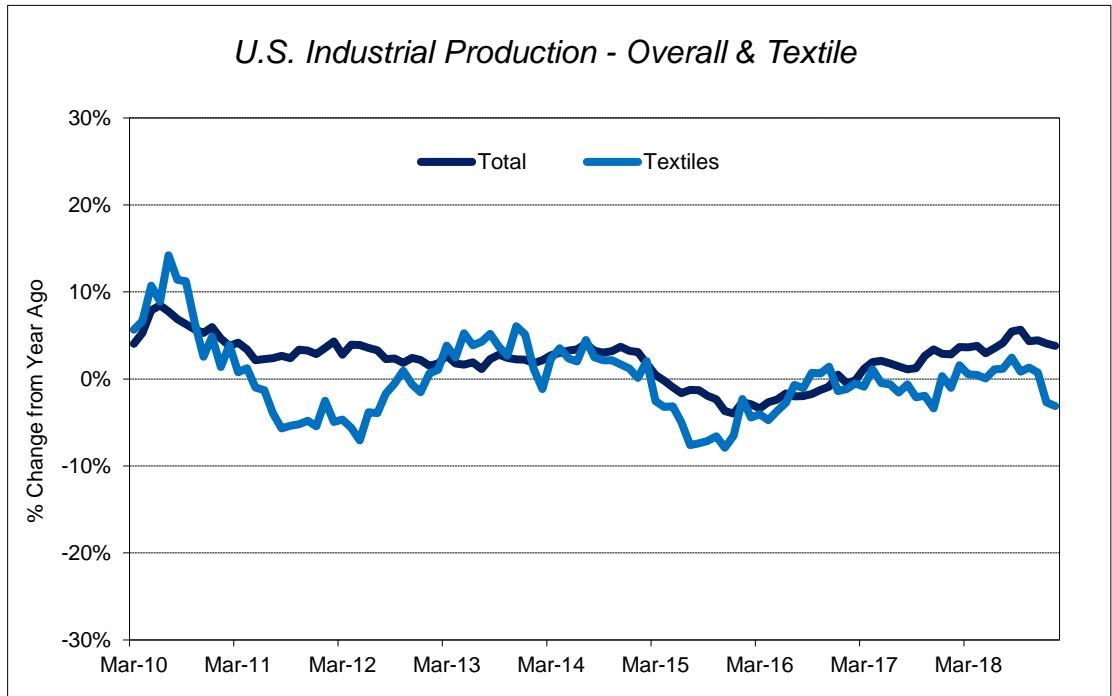


Seasonally Adjusted Annual Rate; Source: National Association of Realtors

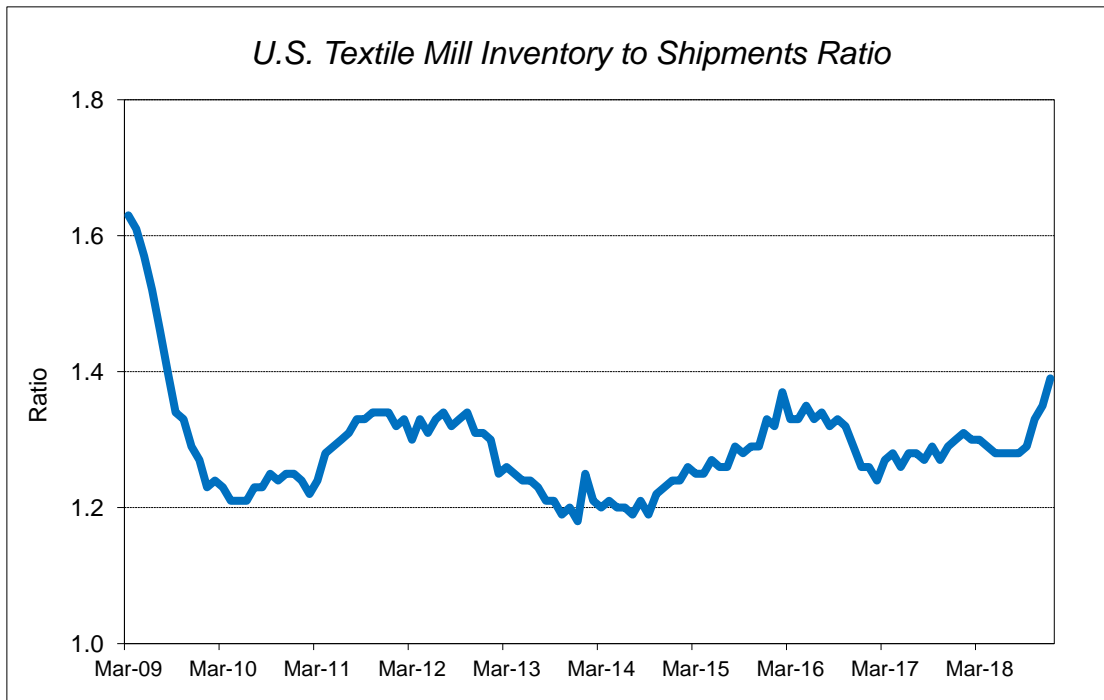
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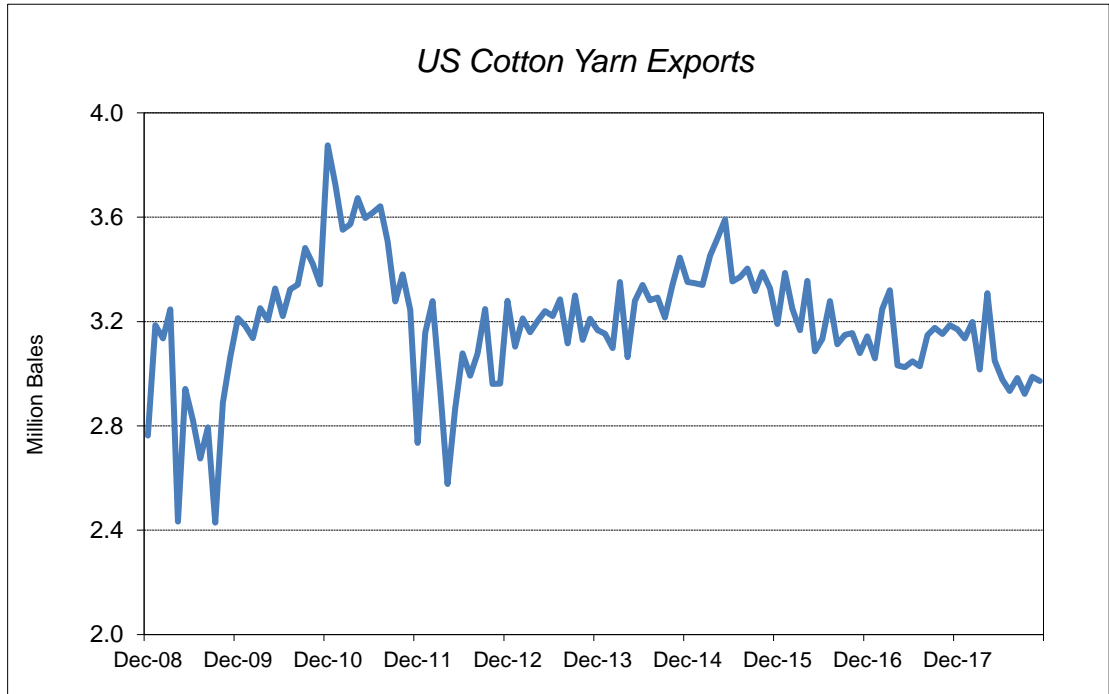
Source: Federal Reserve. Historical data revised to 1997 baseline.



Seasonally Adjusted; Source: Department of Commerce

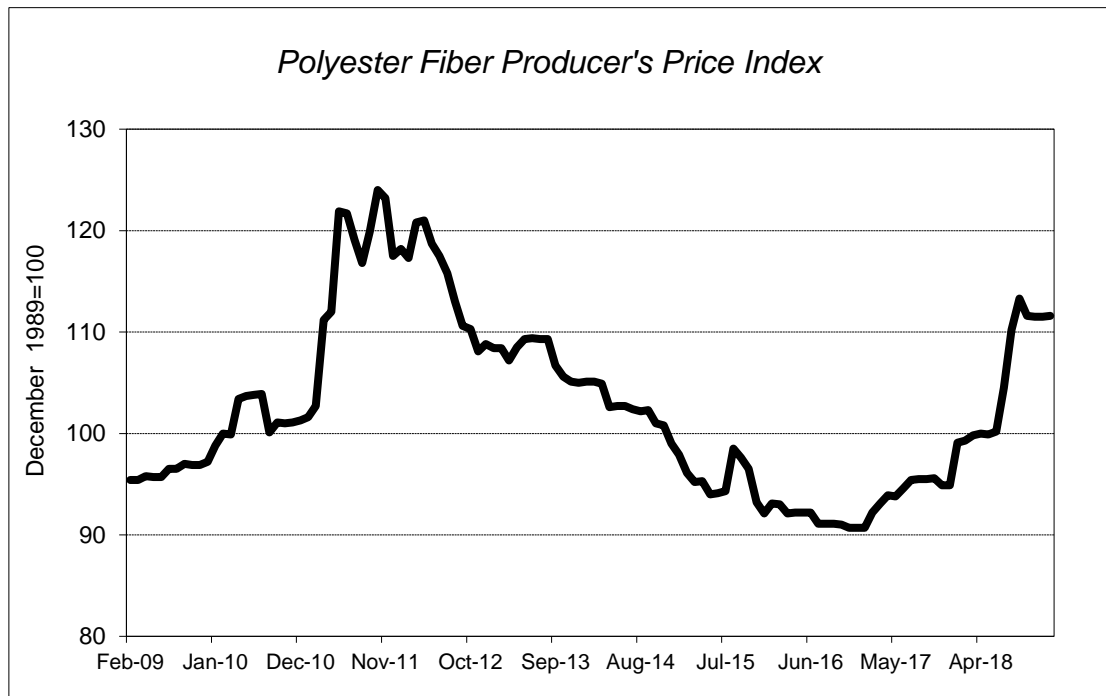
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Seasonally Adjusted Annual Rate

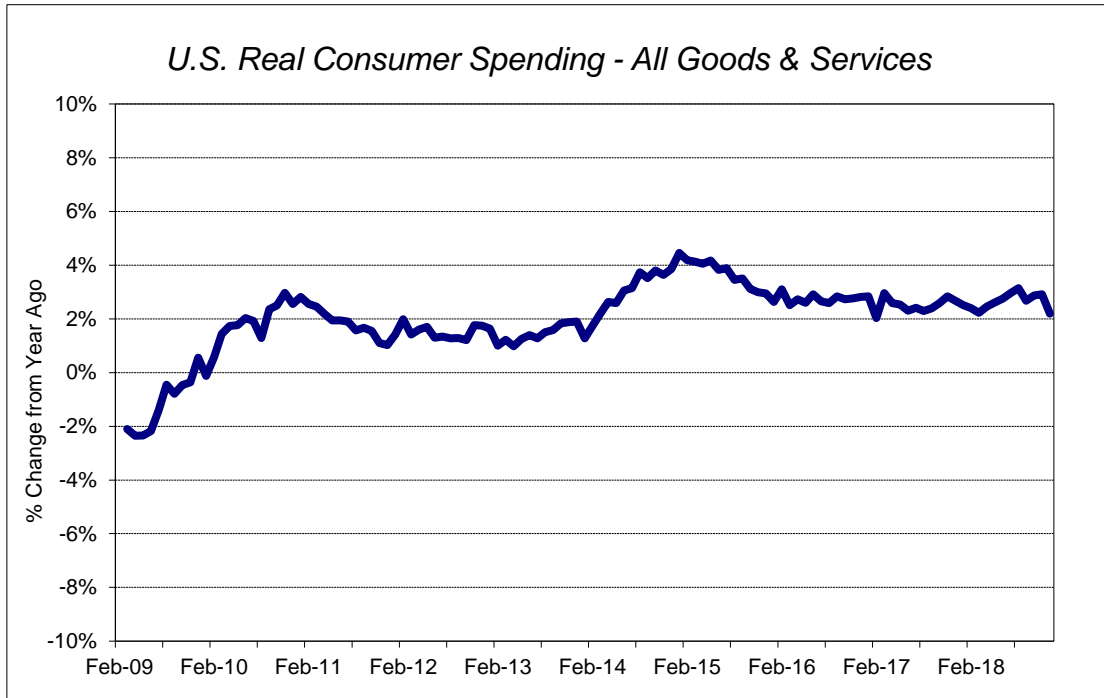
Source: USDA ERS



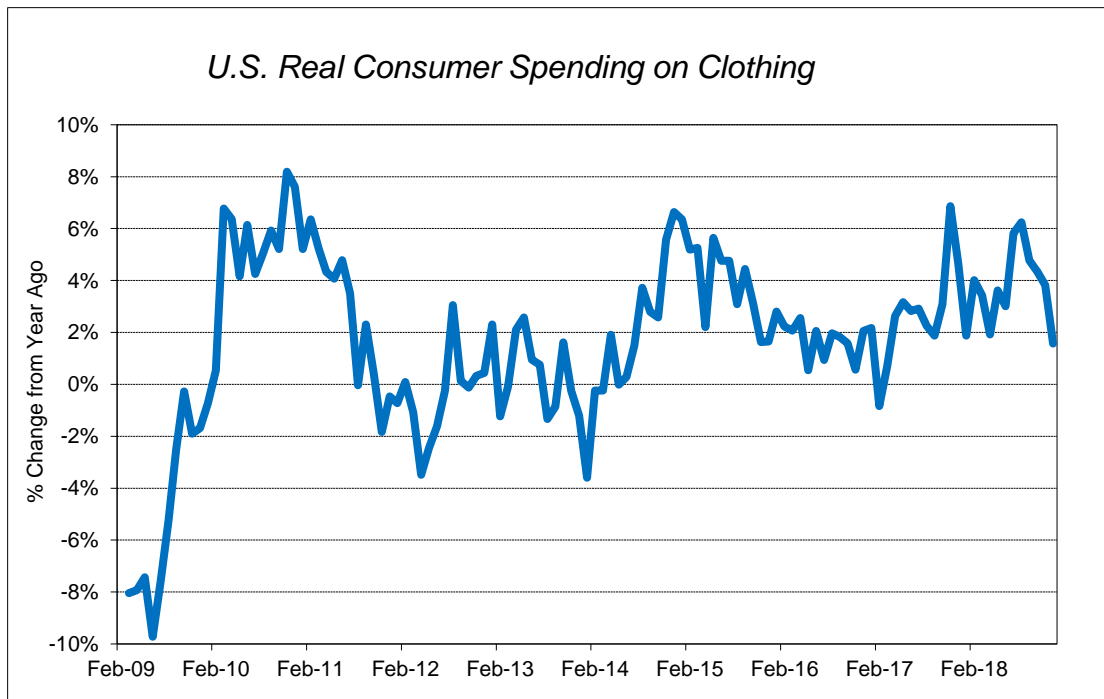
Source: Bureau of Labor Statistics

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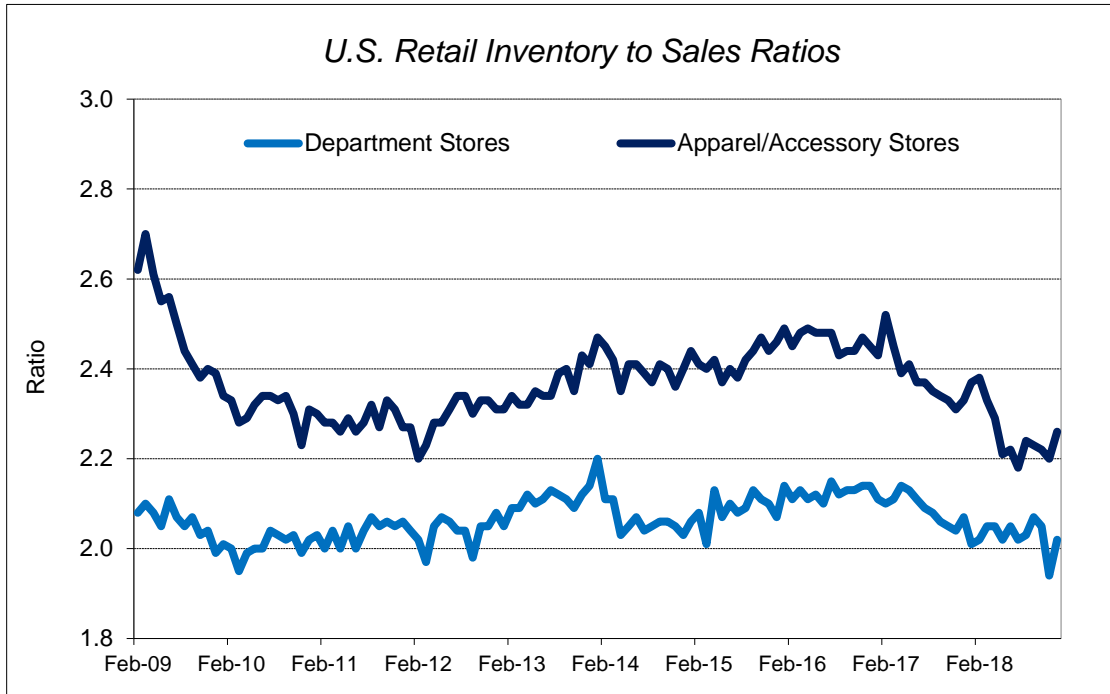
\*Based on chained 2005\$.



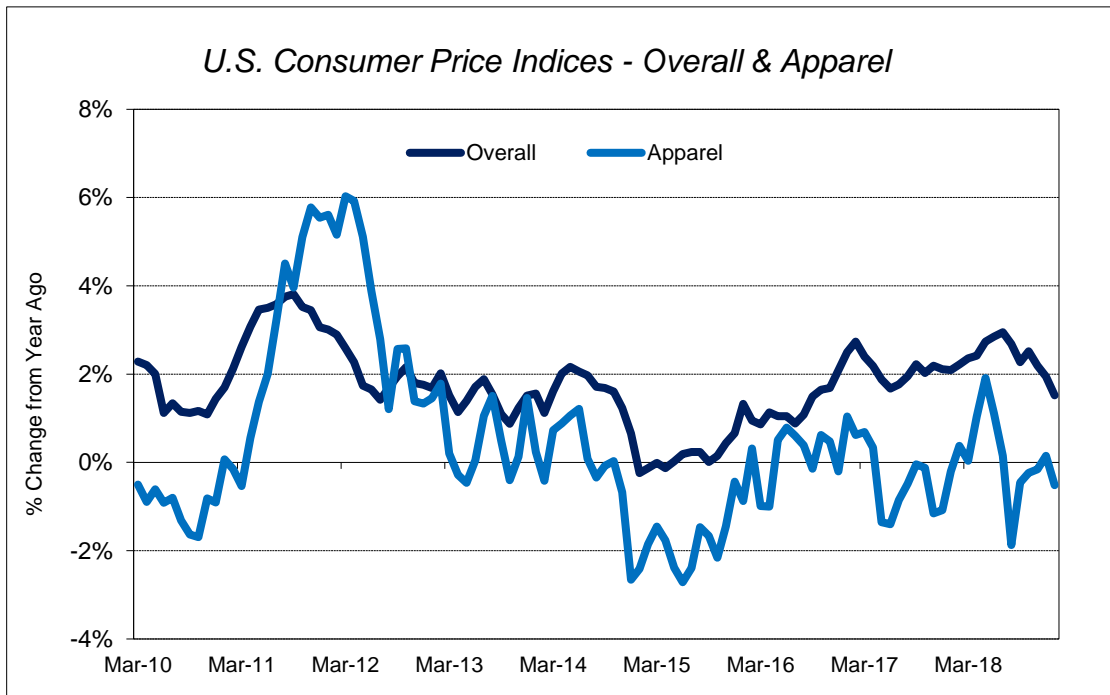
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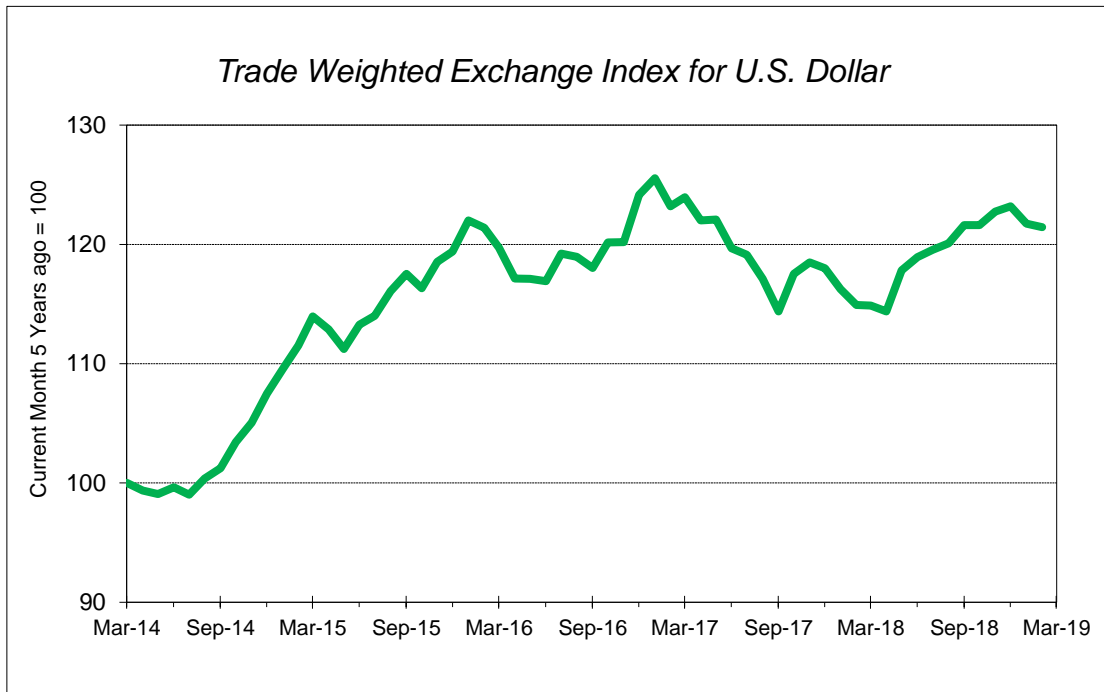
Source: Department of Commerce



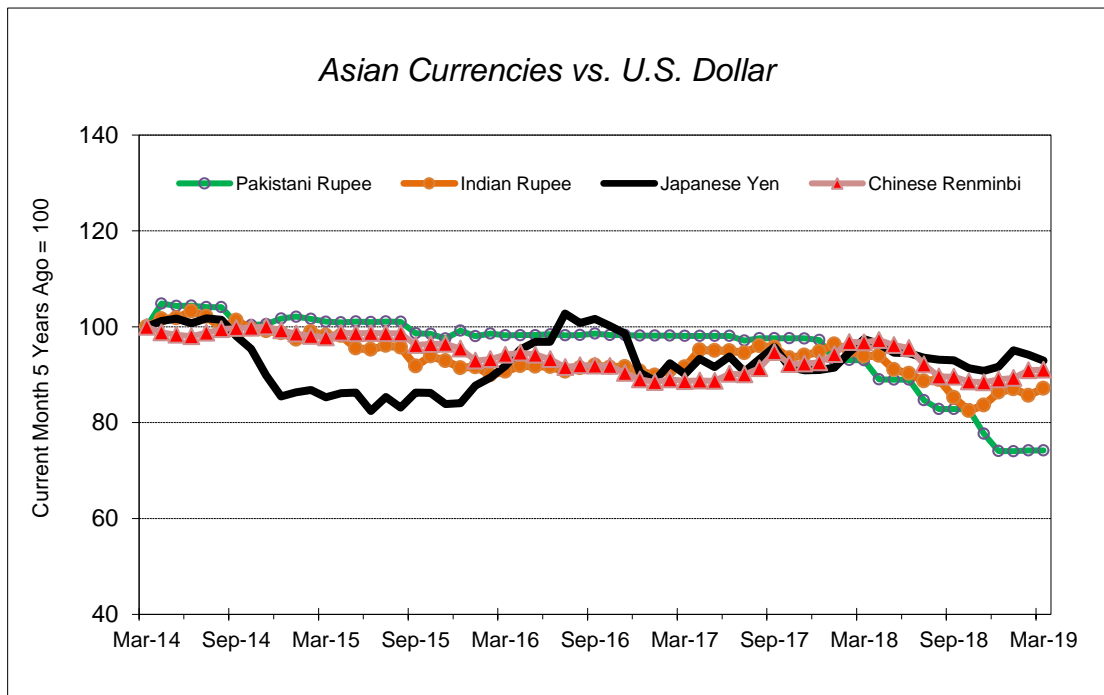
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Source: Federal Reserve  
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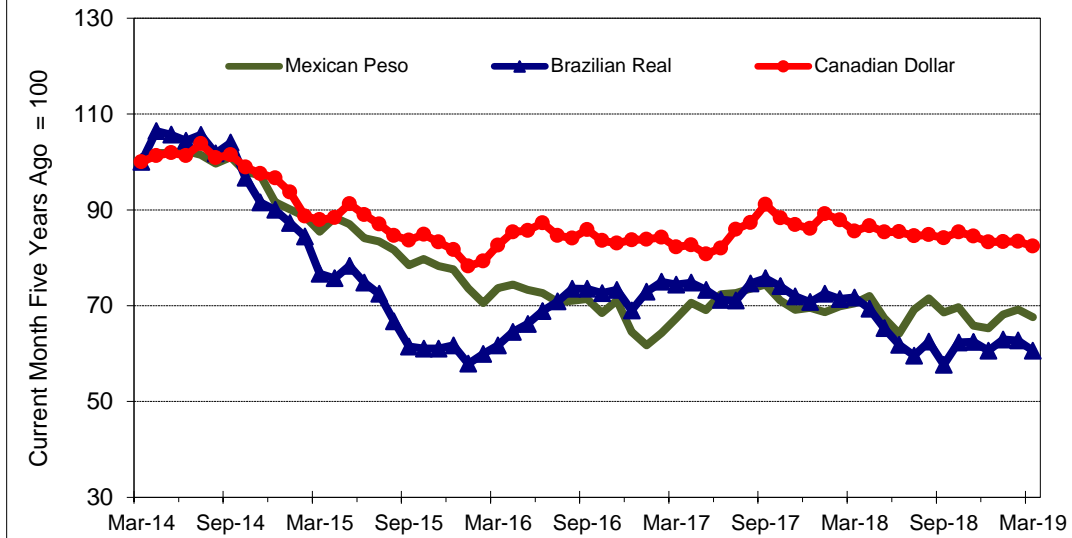


Source: oanda.com  
 Source: Reuters

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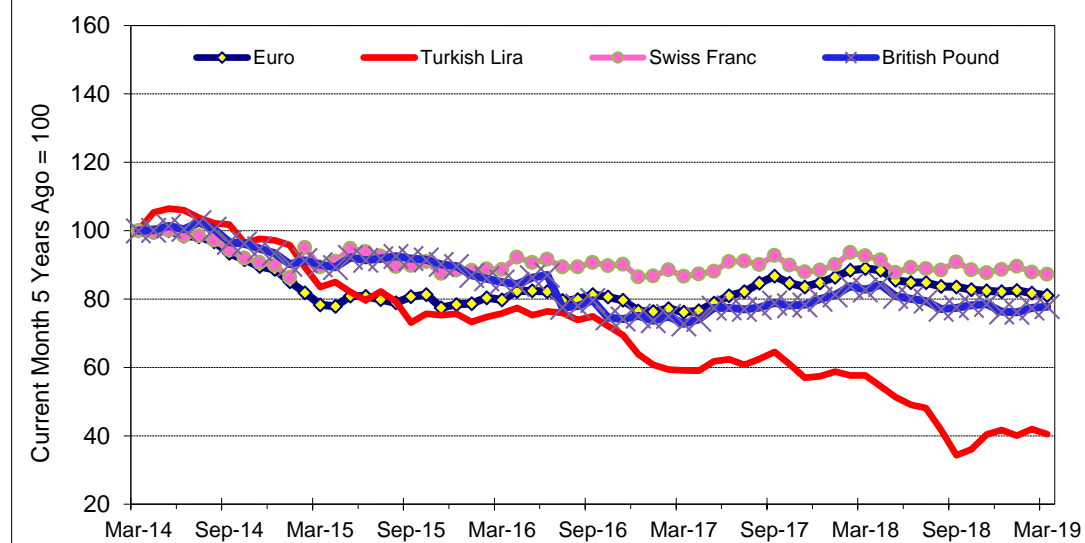
### North & South American Currencies vs. U.S. Dollar



Source: oanda.com

Source: Reuters

### Index of European Currencies vs. U.S. Dollar



Source: oanda.com

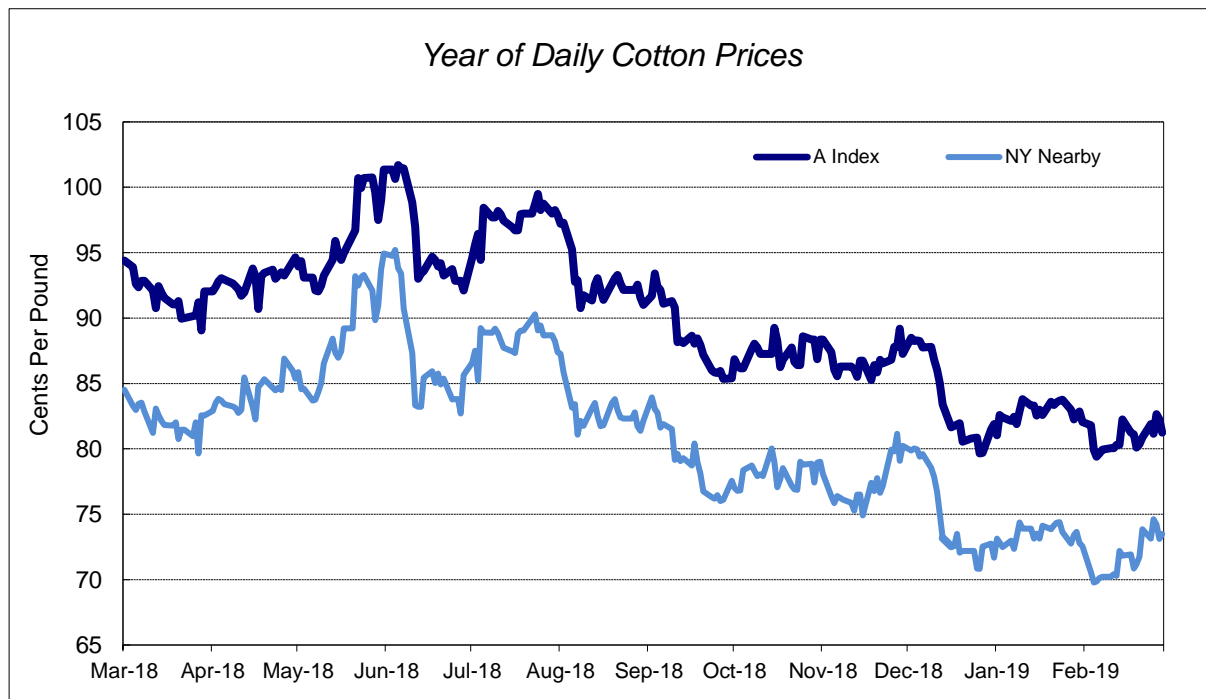
Source: Reuters

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## U.S. Balance Sheet

million 480 lb. bales	2014/15	2015/16	2016/17	2017/18	2018/19 February	2018/19 March
Beginning Stocks	2.4	3.7	3.8	2.8	4.3	4.3
Production	16.3	12.9	17.2	20.9	18.4	18.4
Imports	0.0	0.0	0.0	0.0	0.0	0.0
Supply	18.7	16.6	21.0	23.7	22.7	22.7
Mill-Use	3.6	3.5	3.3	3.2	3.2	3.2
Exports	11.2	9.2	14.9	15.8	15.0	15.0
Demand	14.8	12.6	18.2	19.1	18.2	18.2
Ending Stocks	3.7	3.8	2.8	4.3	4.3	4.3
Stocks/Use Ratio	24.6%	30.2%	15.1%	22.5%	23.6%	23.6%



Sources: ICE Futures U.S. & Cotton Outlook

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