

Executive Cotton Update

U.S. Macroeconomic Indicators &
the Cotton Supply Chain



June 2020

www.cottoninc.com

Macroeconomic Overview: Even a few weeks into the process of reopening, several indicators are signaling that the worst of the U.S. economic contraction may already be in the past. In most instances, data are describing smaller declines rather than expansion. However, some statistics have shown outright growth.

Examples of data streams posting both smaller declines and growth come from the labor market. In weekly unemployment insurance data, the number of initial claims (representation of the number of workers just laid off) has been decreasing since the end of March. The reduction from the peak of 6.7 million in week-ending March 28th to the current figure of 1.9 million (May 30th) is substantial. Nonetheless, the current value remains well-above anything experienced before the COVID-19 outbreak (the worst weekly value before the pandemic was 695,000 in 1982).

Another sign of encouragement from the labor market comes from continuing claims for unemployment insurance (workers laid off in previous weeks who have been unable to return to work). In data for week ending May 9th, 24.9 million workers filed continuing claims. In figures released for the two weeks since then, that number has dropped to levels near 21.0 million. While this suggests the peak has passed, the volume remains staggering. Prior to the outbreak, in early 2020, the total number of continuing claims was only 1.7 million. During the last recession, the peak level for continuing claims was 6.6 million.

A data source that has reversed course and already begun posting improvement is monthly payroll data. After a record decline in April, there was job growth in May. The unemployment rate also decreased last month. Both are encouraging signs for the labor market, but the Bureau of Labor Statistics added a special note regarding data quality in this month's release. That note highlighted a decrease in response rates and the challenge of classifying furloughed workers.

Consumer confidence has been shaken but appears to have stabilized. After a record decline in April, the Index of Consumer Confidence was stable month-over-month in May at a level well-above those during and after the 2008-09 financial crisis. It remains to be seen how consumer spending will respond over the long-term.

Stimulus measures lifted personal income nearly 12% year-over-year in April. With widespread uncertainty about the labor market and future income, most of that additional money was saved. The savings rate climbed to a record 33% in April (year-over-year, data back to 1959), and is nearly double the previous record (17%, set in 1975). Overall consumer spending was down a record 17% year-over-year in April. To the extent that savings can be spent as the economy moves deeper into the process of reopening will influence how quickly overall economic activity will recover. The root cause of the crisis is medical. A lasting resolution to the medical emergency, and the extent that it can generate confidence among the public, would boost confidence and spending.

Employment: The U.S. economy is estimated to have gained 2.5 million jobs in May. In April, job losses were 20.7 million. The unemployment rate decreased from 14.7% to 13.3% from April to May.

Consumer Confidence & Spending: The Conference Board's Index of Consumer Confidence was flat month-over-month in May (from 85.7 to 86.6). The current value is the lowest since 2014 but is above values experienced during the financial crisis. During the financial crisis, the index dropped to a reading of 25.3 in 2009 and remained below the current value through 2014.

Overall consumer spending fell 13.2% month-over-month and was down 17.3% year-over-year. Spending on clothing was down 27.5% month-over-month and 48.0% lower year-over-year.

Consumer Prices & Import Data: The CPI for garments was decreased 4.9% month-over-month and was down 6.5% year-over-year. The current level for the CPI is the lowest since 1987.

The average import cost per square meter equivalent (SME) of cotton-dominant apparel was 1.5% lower month-over-month (seasonally-adjusted) and was down 6.5% year-over-year.

In terms of square-meter equivalence, U.S. apparel import volumes (all fiber content) were down 41% year-over-year in April. In March, volumes were down 13%. Tariffs had been affecting imports before the coronavirus, and imports year-over-year from September-February were down 10% (U.S. tariff increases on Chinese apparel went into effect in Sep. 2019). Imports from China have suffered to a greater extent (-24% Sep-Feb, -42% in March, -48% in April).

For cotton-dominant apparel, imports were down by similar percentages globally (-9% Sep-Feb, -10% in March, -41.4% in April), but decreases were steeper for shipments from China (-32% Sep-Feb, -46% in March, -56% in April).

U.S. Macroeconomic & Cotton Supply Chain Charts

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

Executive Cotton Update

U.S. Macroeconomic Indicators & Cotton Prices
June 2020



Macroeconomic Data

Quarterly Data

	Recent Averages				Values in Recent Quarters			Unit	Source
	5-year	1-year	6-month	3-month	Q3 : 2019	Q4 : 2019	Q1 : 2020		
Growth in US Real GDP	2.3%	2.5%	2.1%	2.1%	2.1%	2.1%	-5.0%	% 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	53.7	54.9	47.9	46.9	49.1	41.5	43.1	Index	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	56.3	56.6	52.7	50.5	52.5	41.8	45.4	Index	Institute for Supply Management
Consumer Confidence	116.8	126.5	120.4	112.4	118.8	85.7	86.6	Index	The Conference Board
Change in Non-Farm Payrolls	-179.9	-437.2	-3525.0	-7269.7	-1,373	-20,687	2,509	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	4.5%	4.2%	5.5%	7.5%	4.4%	14.7%	13.3%	Rate	Bureau of Labor Statistics
US Interest Rates									
Federal Funds	1.2%	1.7%	1.2%	0.8%	0.7%	0.1%	0.1%	Interest rate	Federal Reserve
10-year Treasury Bill	2.2%	2.3%	1.4%	1.0%	0.9%	0.7%	0.7%	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	March	April	April		
Index of Leading Economic Indicators	105.4	108.9	108.1	104.6	111.7	103.4	98.8	Index	The Conference Board
Housing Starts	12.3	12.7	13.9	10.8	1.6	1.3	0.9	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.4	5.3	5.3	4.8	4.8	5.3	4.3	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	105.7	107.6	105.0	98.5	104.3	92.6	92.6	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	108.0	99.1	96.3	94.8	98.2	97.9	98.2	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	3.3	2.9	2.8	2.8	3.2	2.8	2.4	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	1.35	1.38	1.47	1.55	1.55	1.43	1.67	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	2.4%	2.0%	-2.4%	-10.9%	3.3%	-4.4%	-17.3%	% Chg. Year/Year	Department of Commerce
Clothing	1.2%	0.9%	-12.0%	-37.8%	5.0%	-27.5%	-48.0%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	1.7%	2.0%	1.8%	0.9%	2.3%	1.5%	0.4%	% Chg Year/Year	Bureau of Labor Statistics
Clothing	-0.8%	-1.0%	-2.7%	-4.2%	-1.4%	-2.0%	-6.5%	% 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	2.4	2.5	3.0	4.8	2.4	2.4	4.8	Ratio	Department of Commerce
Department Stores	2.2	2.2	2.3	2.7	2.1	2.1	2.7	Ratio	Department of Commerce

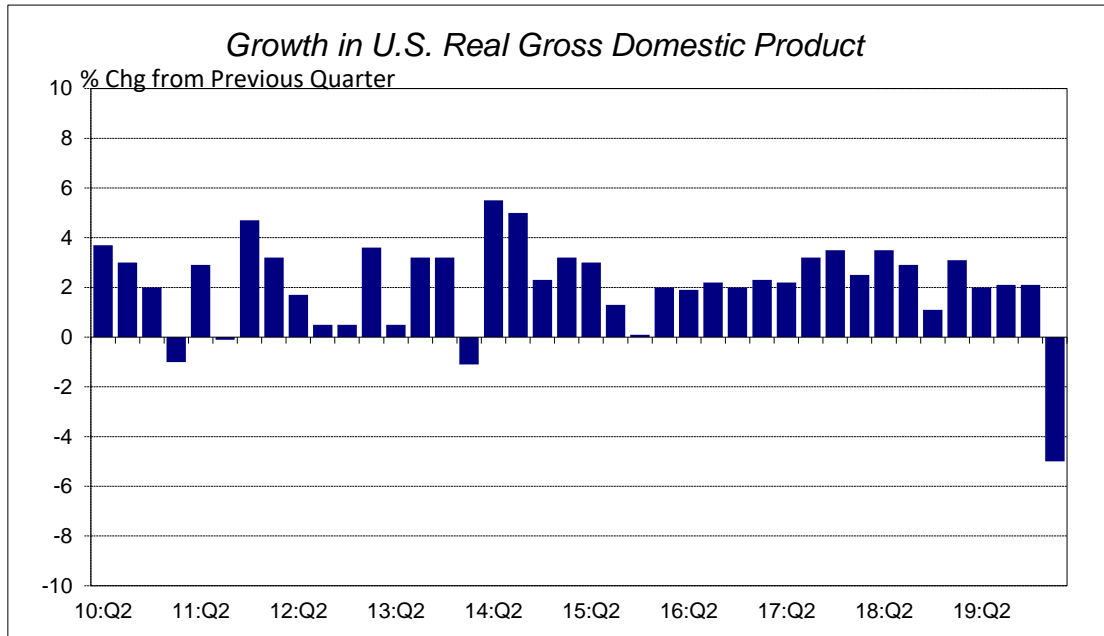
Executive Cotton Update

Daily Cotton Price and Currency Data
June 2020

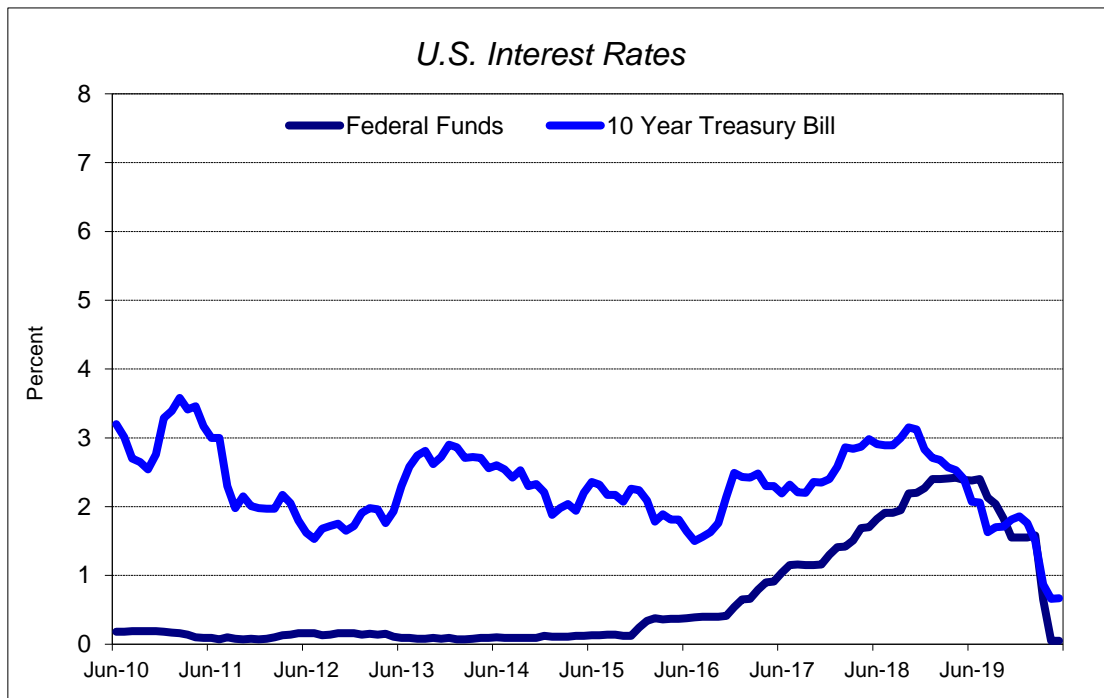


Daily Cotton Price Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	March	April	May		
NY Nearby	69.2	71.1	69.6	67.4	57.6	53.7	57.1	cents/pound	ICE
A Index	78.3	80.7	79.5	77.3	68.2	63.4	65.7	cents/pound	Cotlook

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	113.4	114.0	118.7	121.6	117.0	124.7	123.1	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.70	6.78	7.02	7.03	6.94	7.09	7.05	Chinese Renminbi/US dollar	Reuters
Indian Rupee	67.87	68.92	73.23	75.04	73.31	76.17	75.63	Indian Rupee/US dollar	Reuters
Japanese Yen	111.42	109.97	108.05	107.26	106.67	108.51	106.61	Japanese Yen/US dollar	Reuters
Pakistani Rupee	121.04	132.16	157.48	160.15	154.30	166.65	159.50	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	3.66	3.80	4.67	5.17	4.65	5.30	5.56	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.31	1.31	1.35	1.39	1.34	1.41	1.41	Canadian dollar/US dollar	Reuters
Mexican Peso	18.89	19.37	20.84	22.73	19.78	24.57	23.83	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.75	0.77	0.78	0.80	0.77	0.82	0.80	British Pound/US dollar	Reuters
Euro	0.89	0.87	0.91	0.91	0.89	0.93	0.92	Euro/US dollar	Reuters
Swiss Franc	0.98	0.98	0.97	0.97	0.95	0.98	0.97	Swiss Franc/US dollar	Reuters
Turkish Lira	4.27	5.05	6.27	6.64	6.12	6.71	7.09	Turkish Lira/US dollar	Reuters



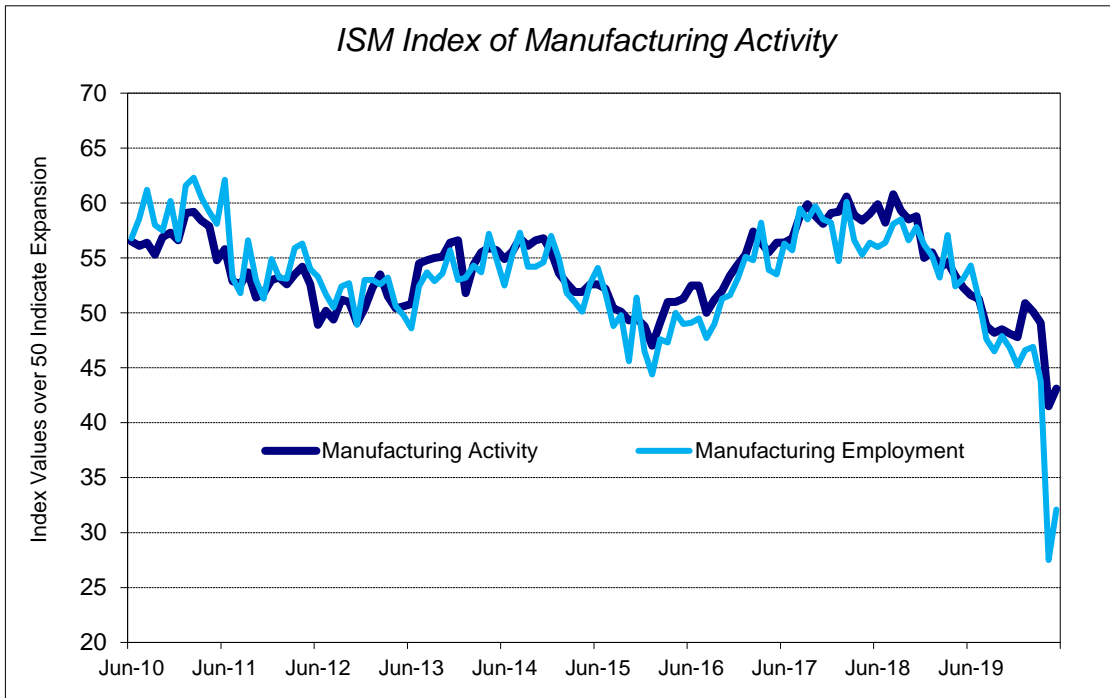
Seasonally Adjusted Annual Rate; Source: Department of Commerce
 *Based on chained 2005\$.



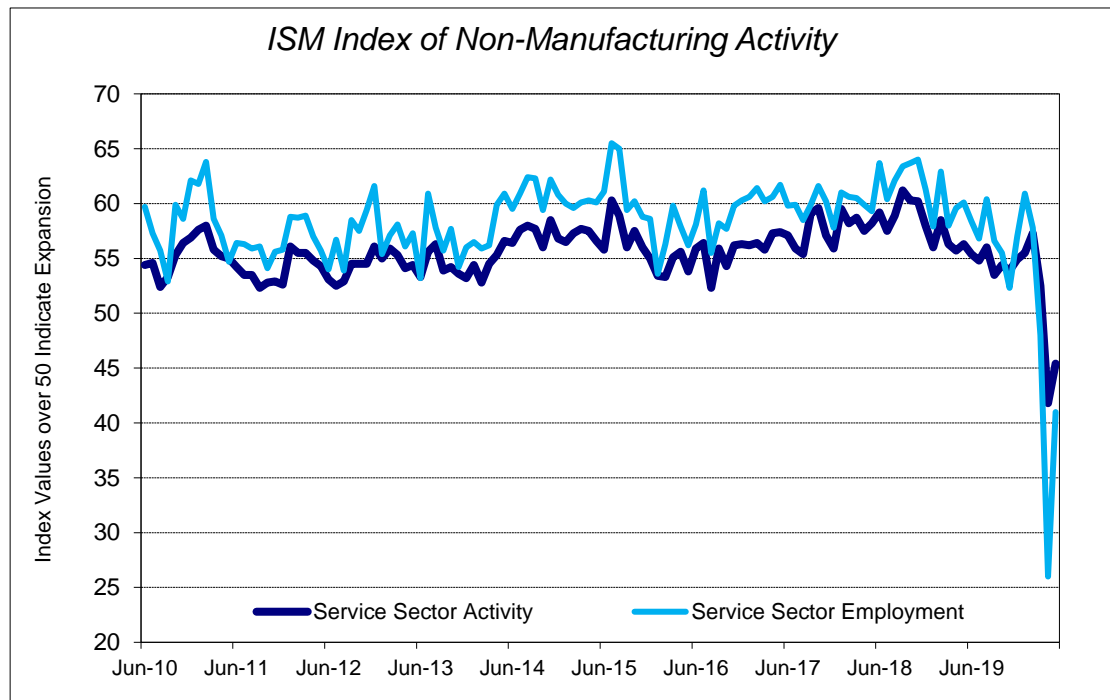
Source: Federal Reserve

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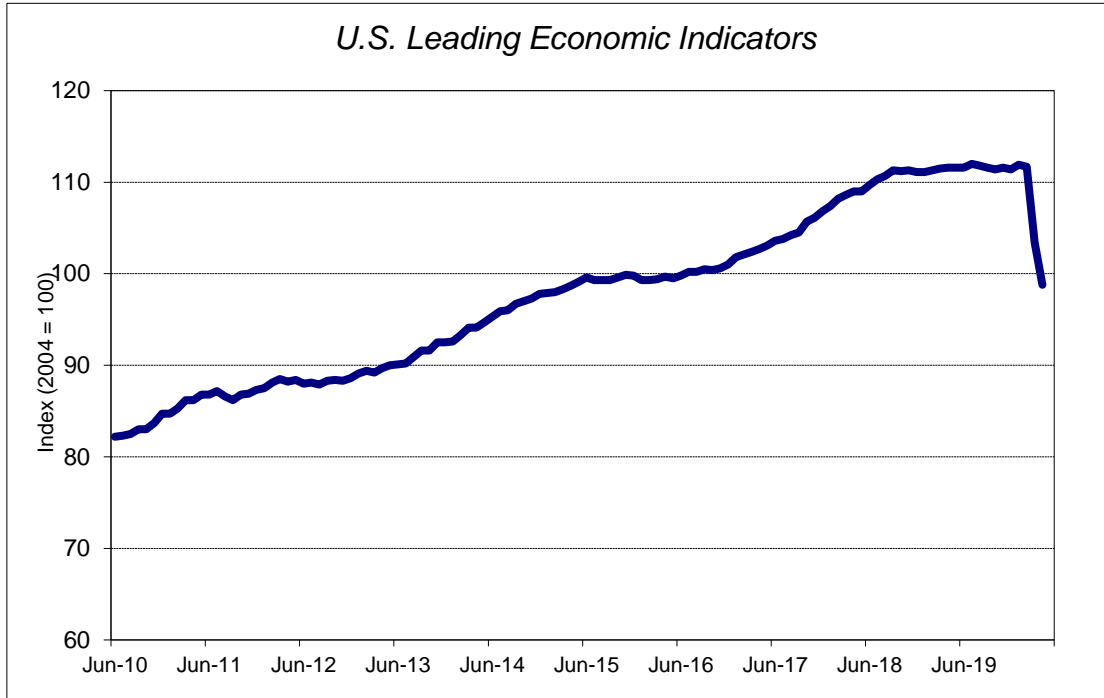
Source: Institute for Supply Chain Management



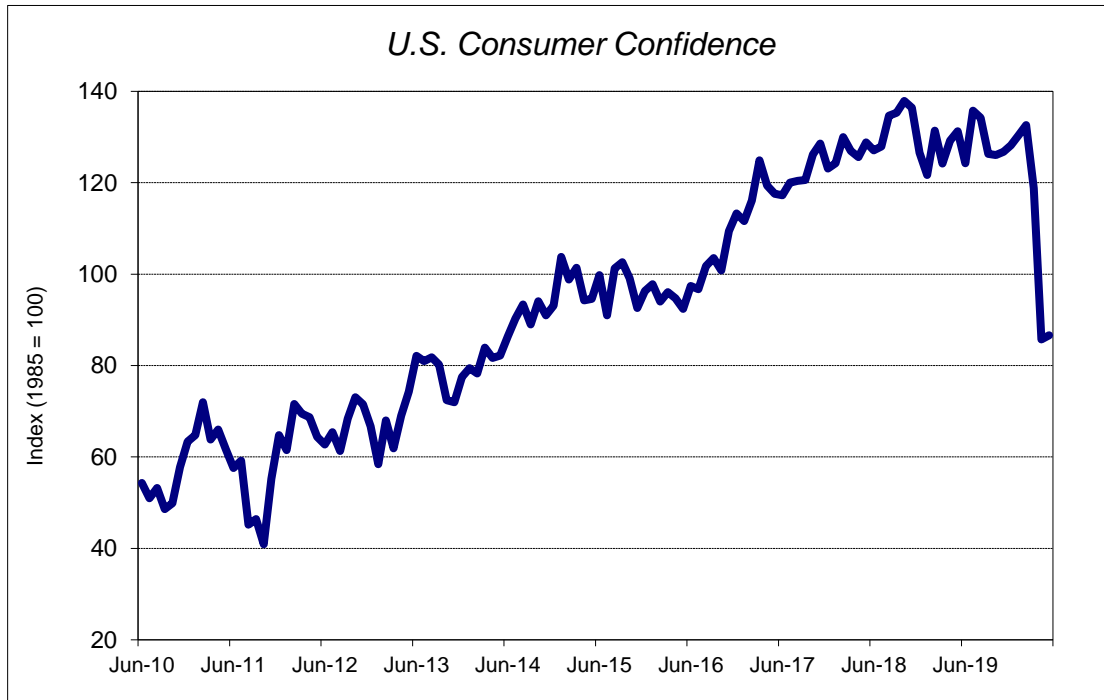
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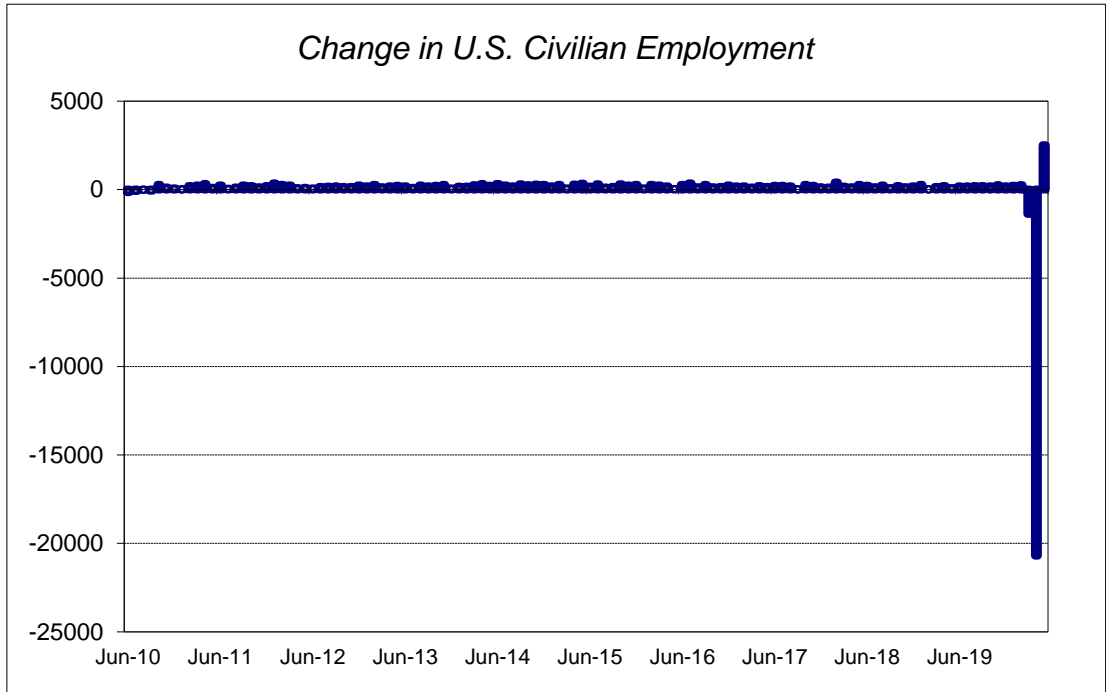
Source: The Conference Board



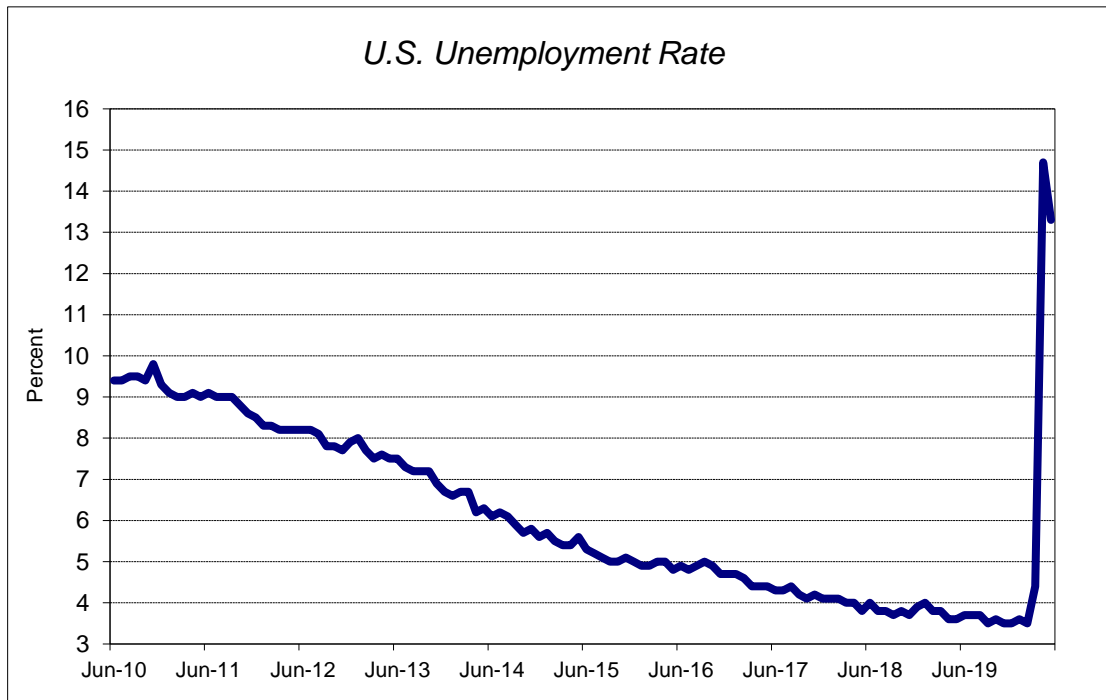
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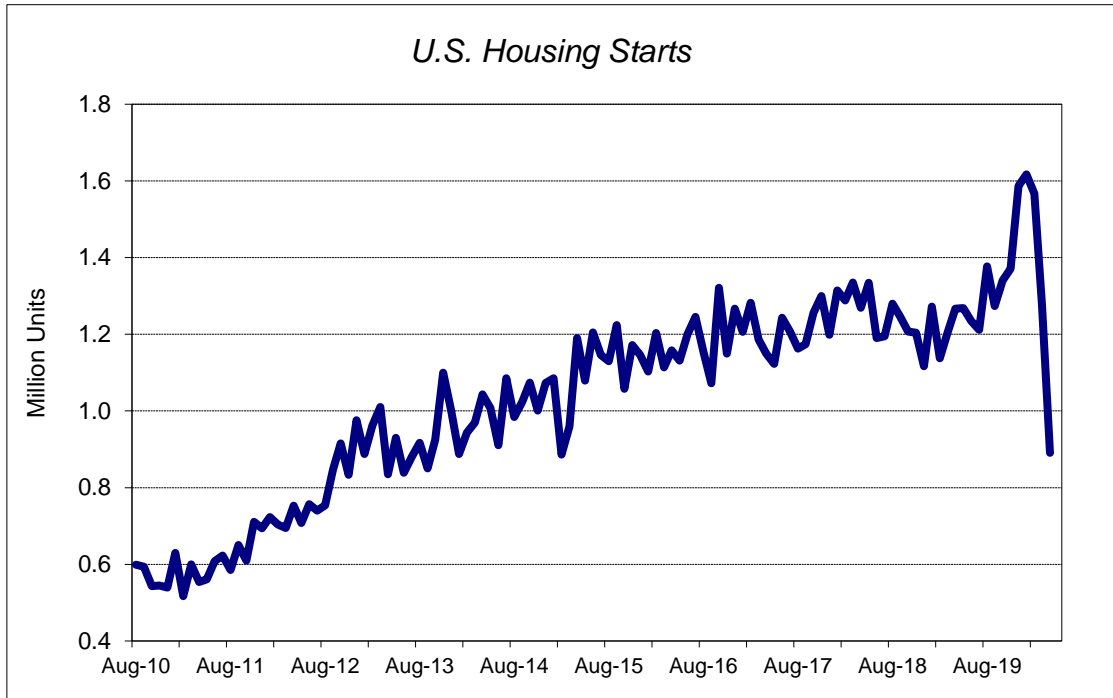
Source: Bureau of Labor Statistics



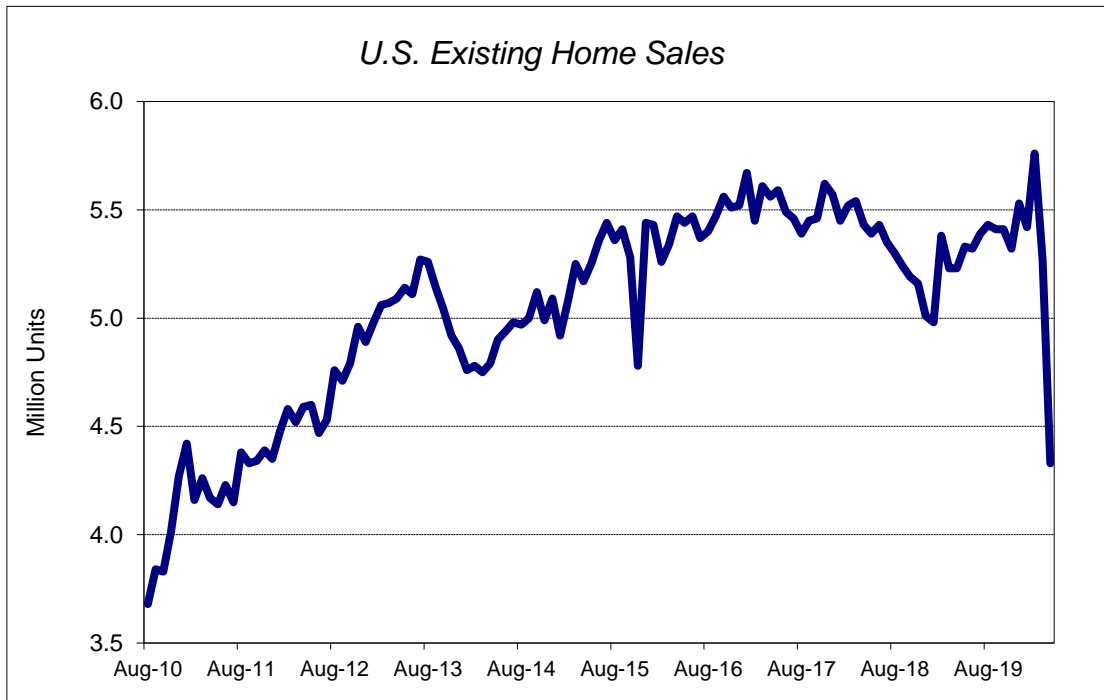
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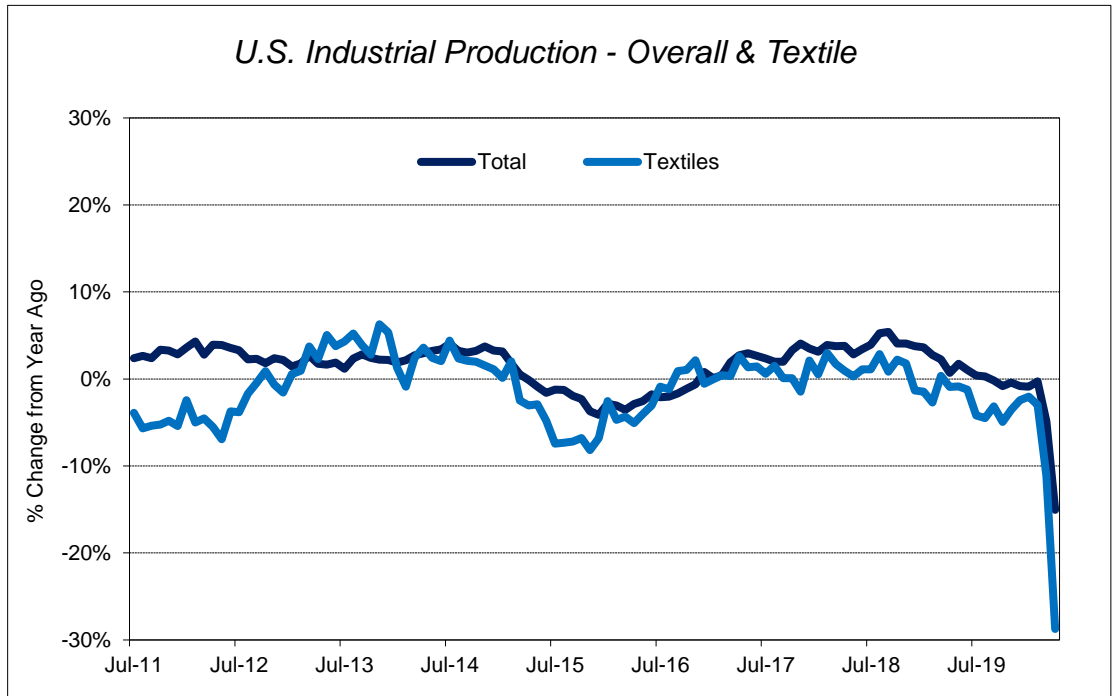
Seasonally Adjusted Annual Rate; Source: Department of Commerce



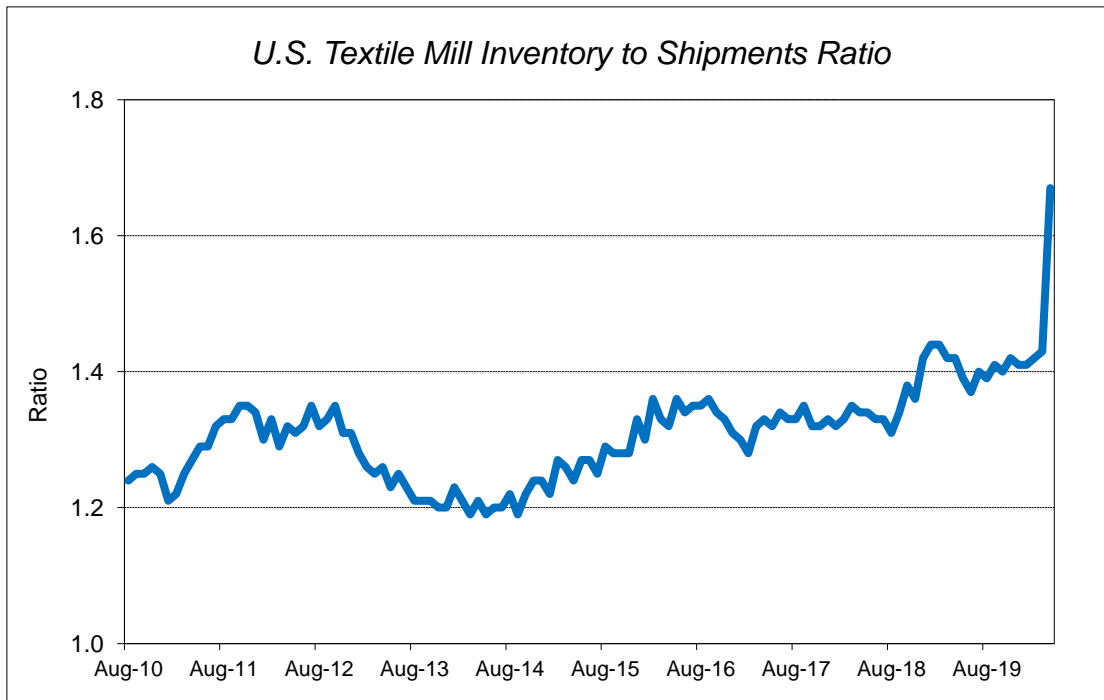
Seasonally Adjusted Annual Rate; Source: National Association of Realtors

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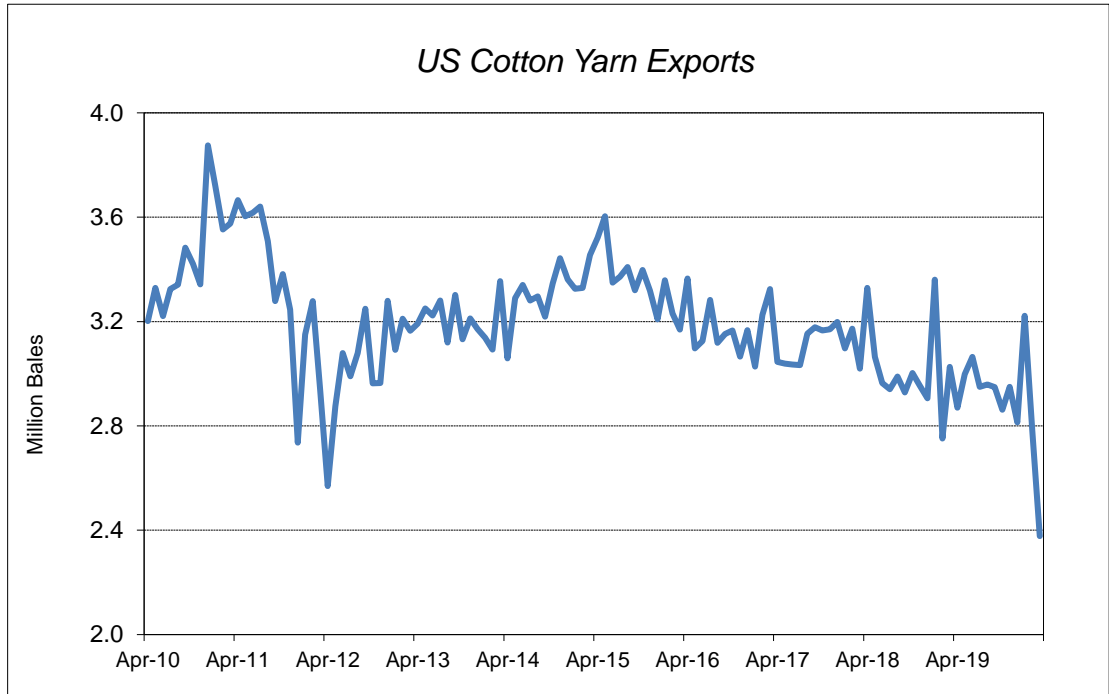
Source: Federal Reserve. Historical data revised to 1997 baseline.



Seasonally Adjusted; Source: Department of Commerce

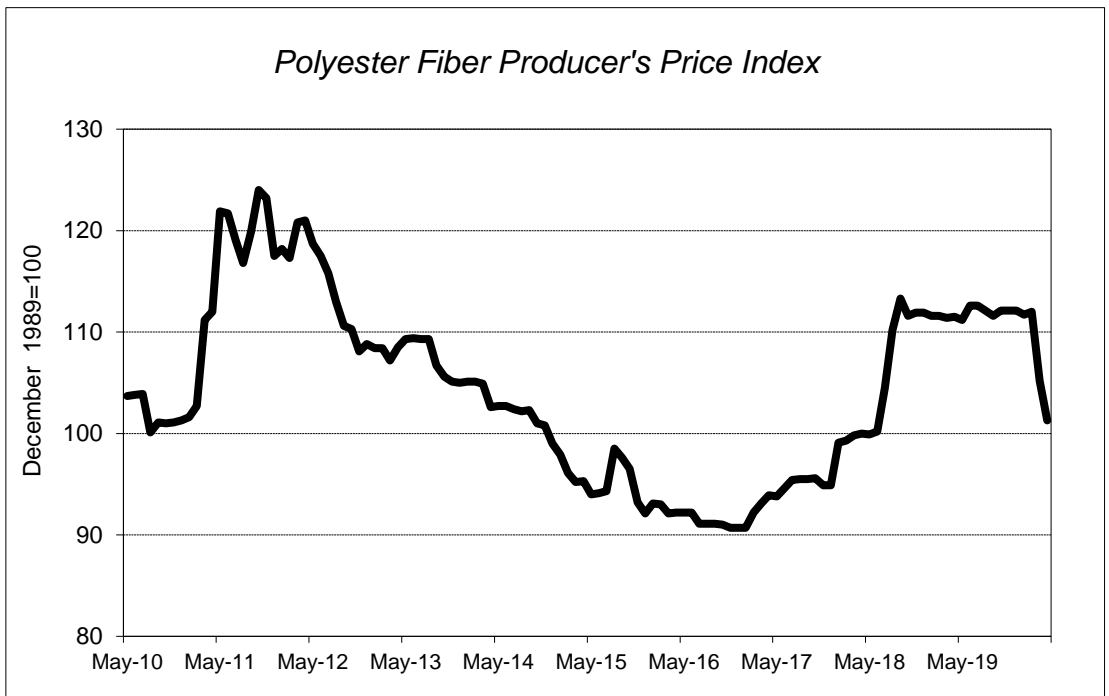
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Seasonally Adjusted Annual Rate

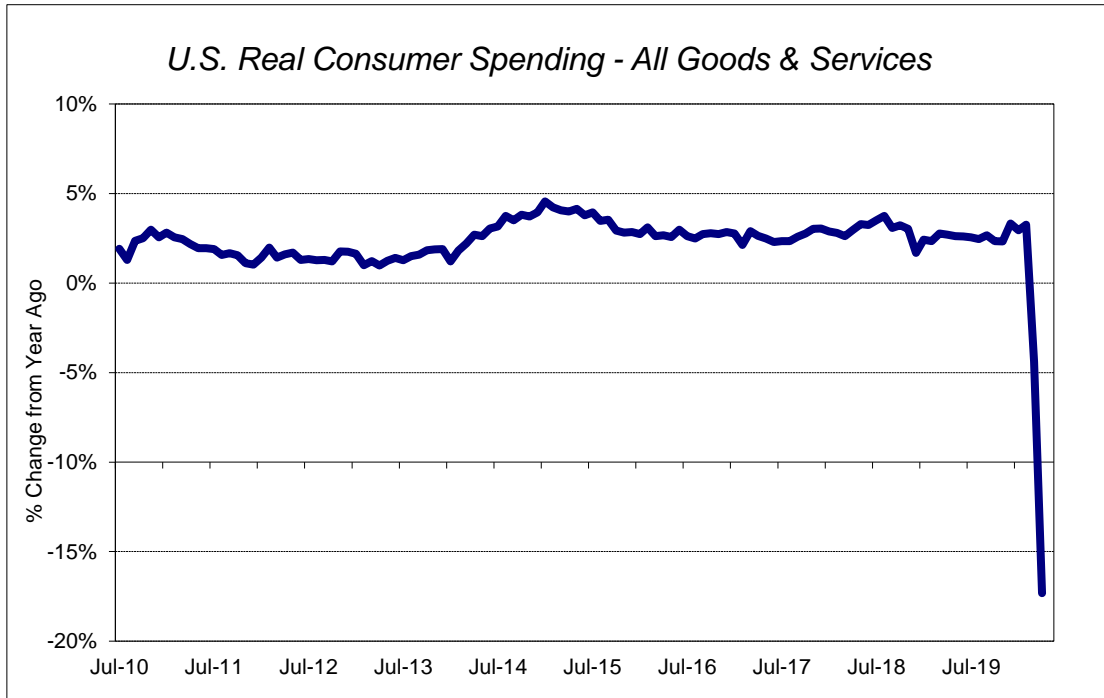
Source: USDA ERS



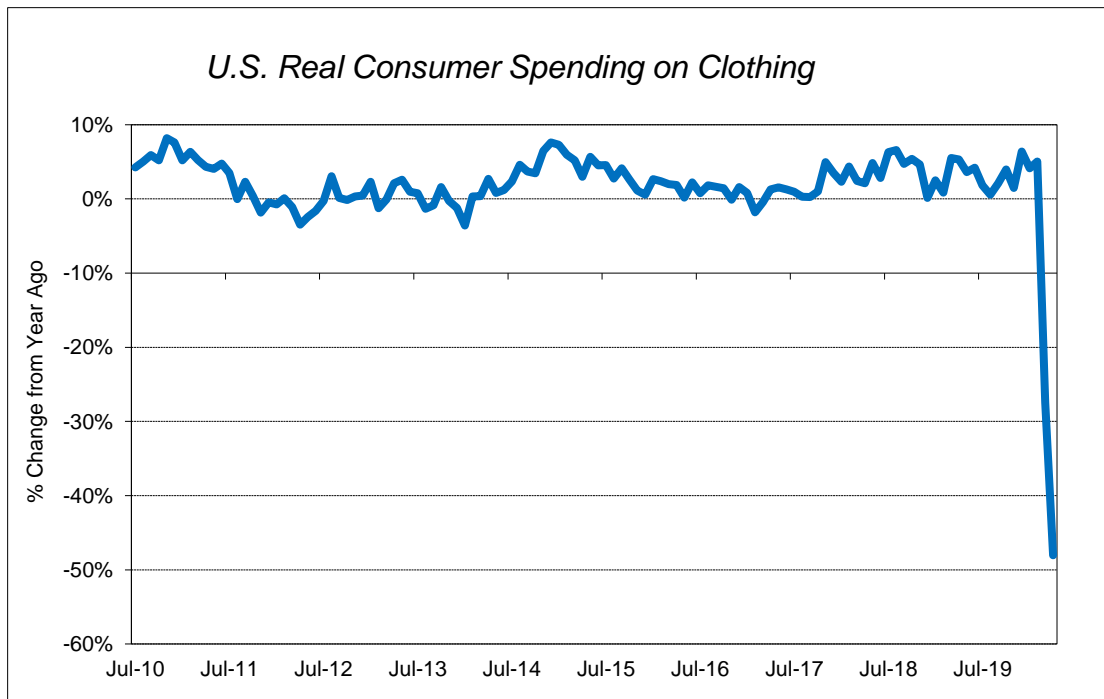
Source: Bureau of Labor Statistics

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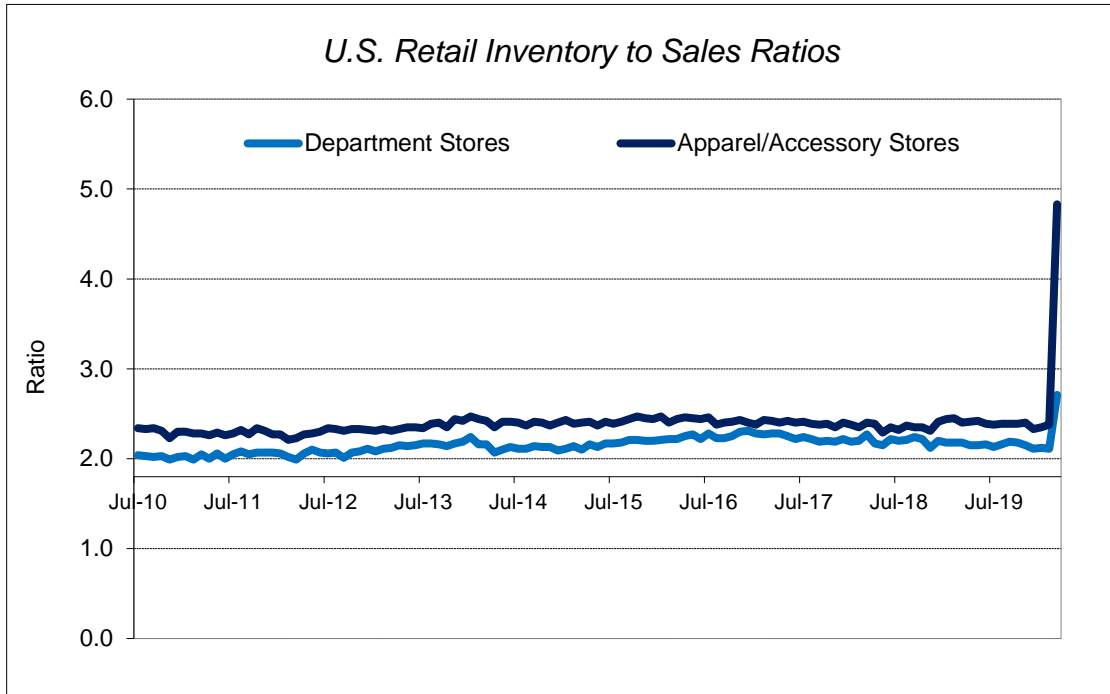
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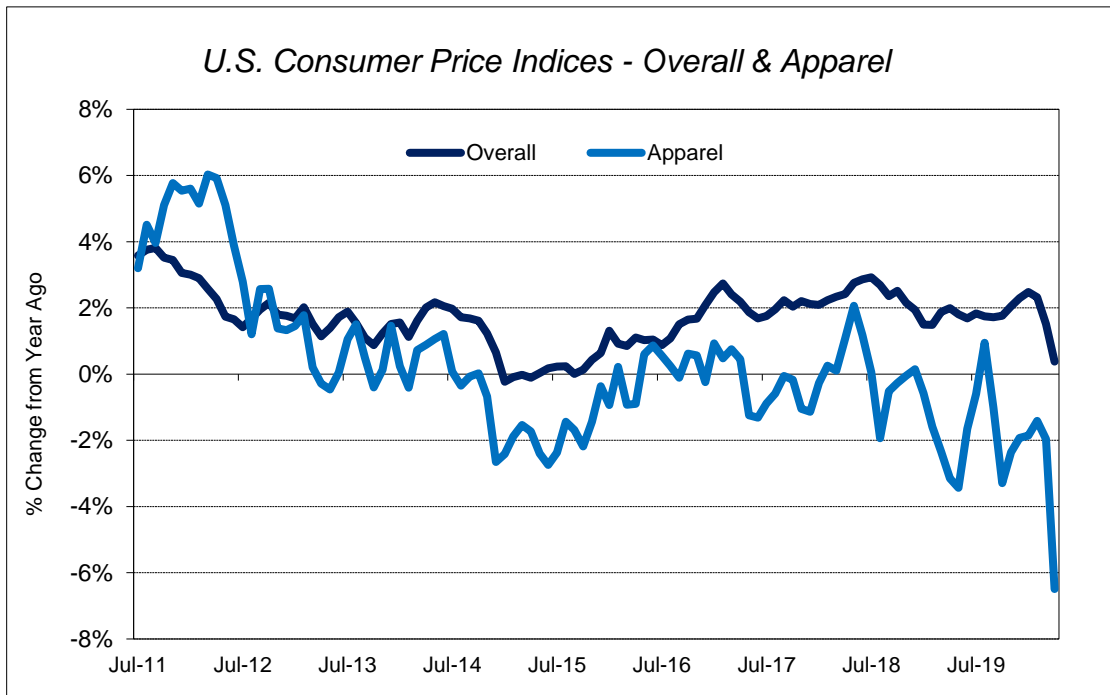
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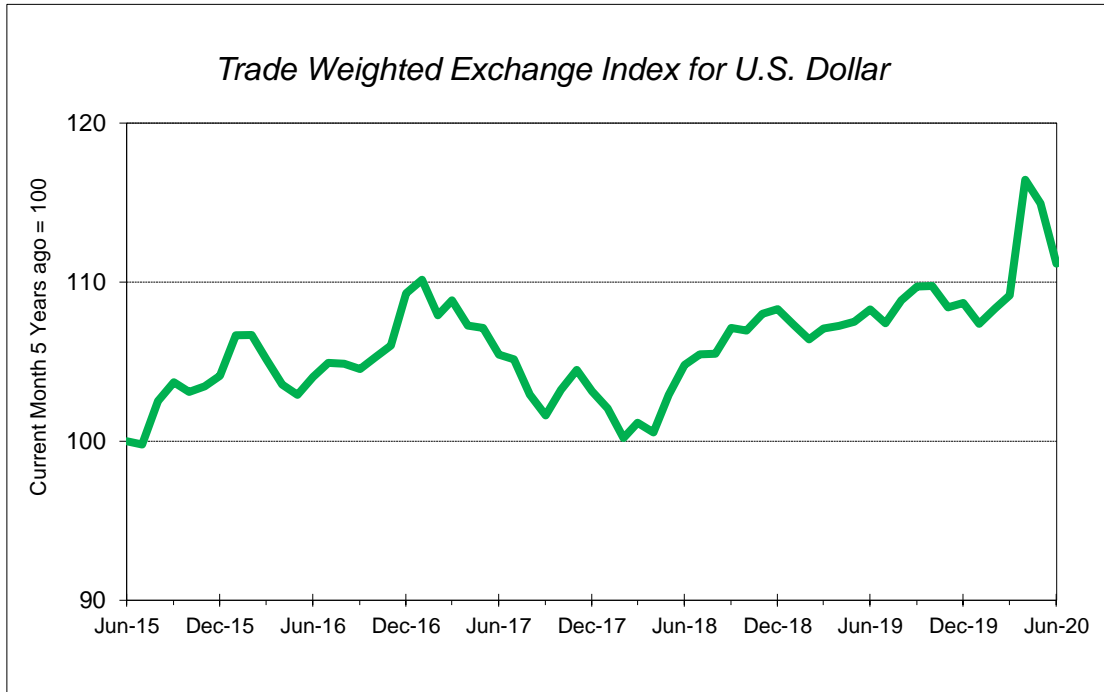
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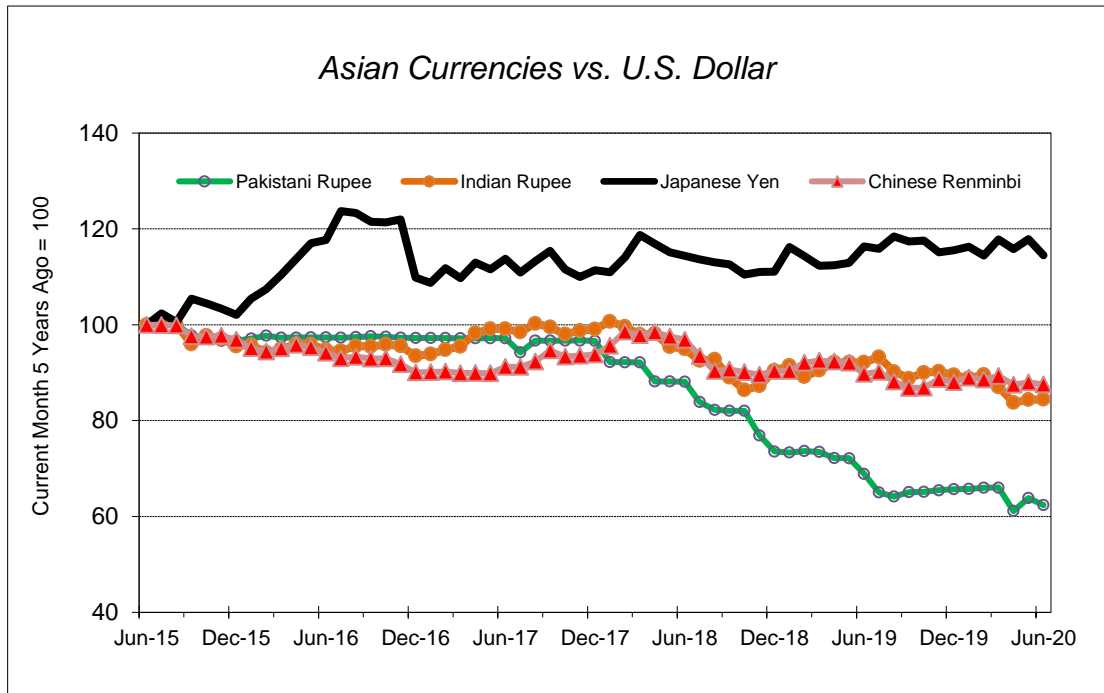
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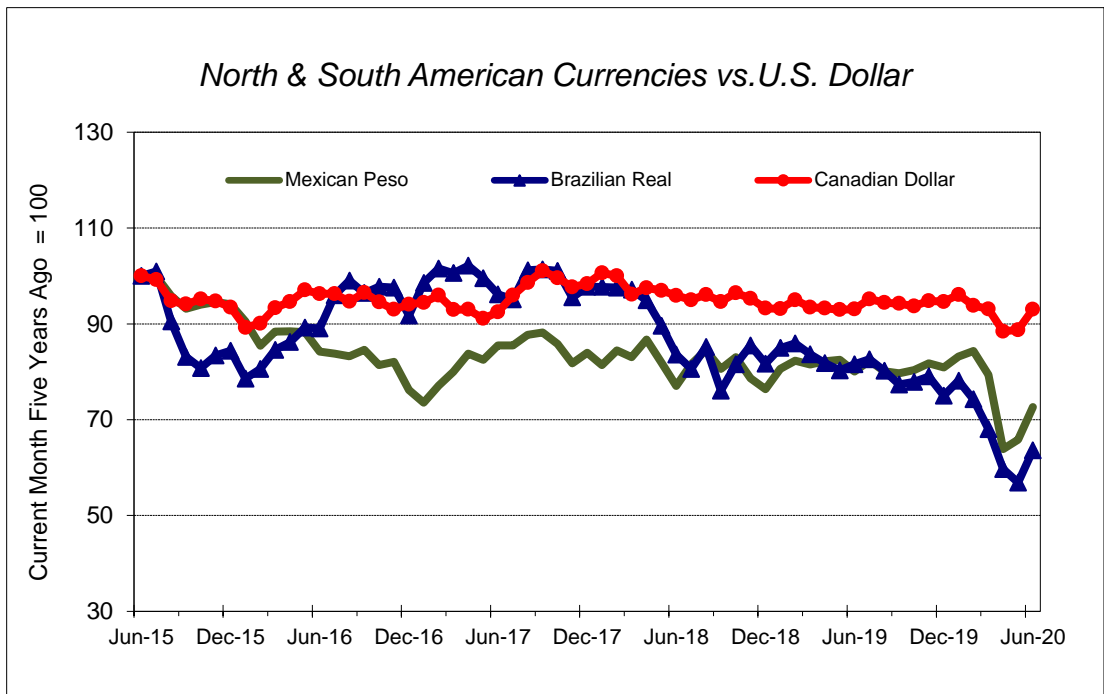
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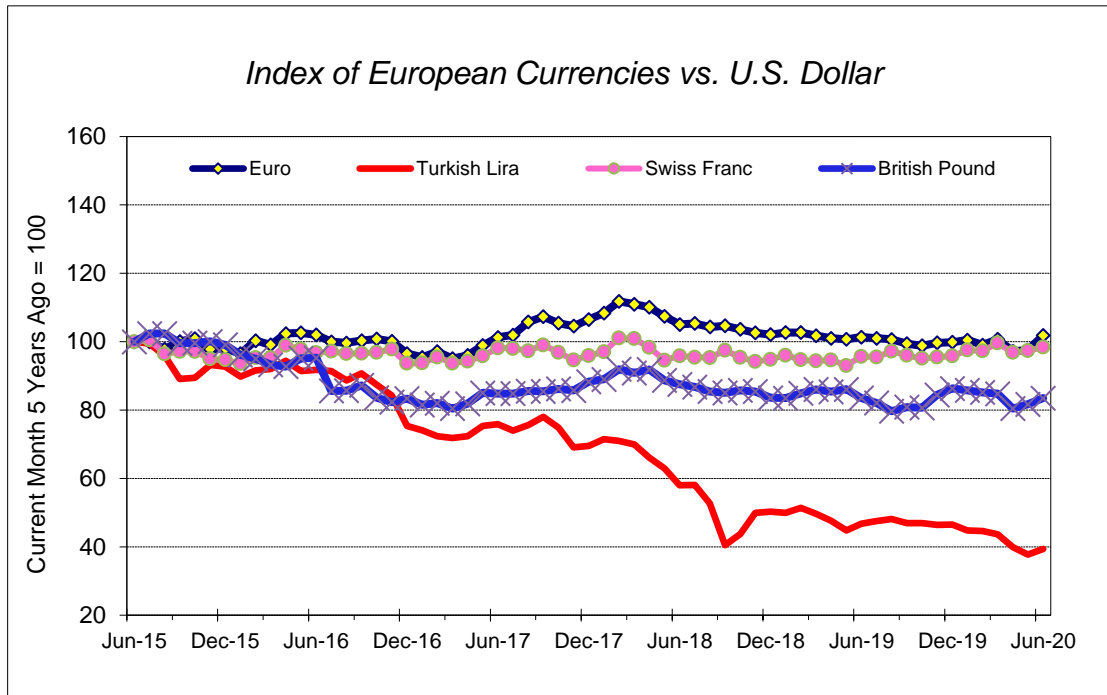
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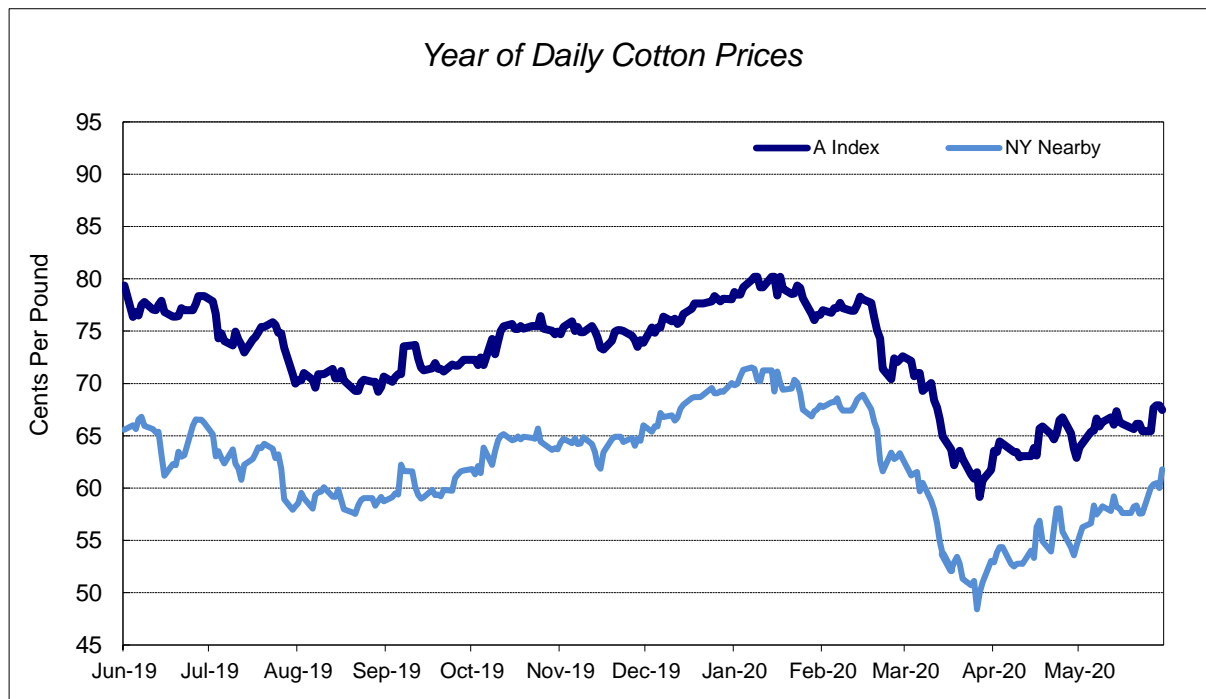
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U.S. Balance Sheet

million 480 lb. bales	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21 May
Beginning Stocks	3.7	3.8	2.8	4.2	4.9	7.1
Production	12.9	17.2	20.9	18.4	19.9	19.5
Imports	0.0	0.0	0.0	0.0	0.0	0.0
Supply	16.6	21.0	23.7	22.6	24.8	26.6
Mill-Use	3.5	3.3	3.2	3.0	2.7	2.9
Exports	9.2	14.9	16.3	14.8	15.0	16.0
Demand	12.6	18.2	19.5	17.7	17.7	18.9
Ending Stocks	3.8	2.8	4.2	4.9	7.1	7.7
Stocks/Use Ratio	30.2%	15.1%	21.5%	27.3%	40.1%	40.7%



Sources: ICE Futures U.S. & Cotton Outlook

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