

Executive Cotton Update

U.S. Macroeconomic Indicators &
the Cotton Supply Chain



February 2021

www.cottoninc.com

Macroeconomic Overview: The U.S. economy is estimated to have grown at a 4.0% annualized rate in the fourth quarter. This followed record growth in the third quarter (33.4%) and record contraction in the second quarter (-31.4%). As a highly aggregated number, such volatility in GDP is unprecedented. Excluding the third quarter, the rate of growth in the fourth quarter ranks as the strongest since 2014.

Annually, U.S. GDP was -3.5% lower in 2020. Year-over-year, GDP was -2.5% lower in the fourth quarter (was +0.3% in Q1, -9.0% in Q2, -2.8 in Q3). A recent report from the Congressional Budget Office predicted that economic activity will return to pre-pandemic levels by the middle of 2021. COVID and its emerging mutations remain a threat, but daily case rates have been declining and vaccines are being distributed.

U.S. consumer spending weakened with the surge in COVID cases in November and December. Year-over-year, overall spending has been negative every month since March. In November and December, overall spending declined successively month-over-month (-0.7% in November and another -0.6% lower in December). These government figures align with reports that holiday sales withered as the season progressed. If progress against the pandemic improves as expected with vaccines, savings accumulated from the combination of lower spending and additional income from stimulus may contribute to spending growth in 2021.

The International Monetary Fund (IMF) recently released updated estimates and forecasts for GDP growth around the world. Globally, GDP is estimated to have contracted -3.5% in 2020. Due to stronger than expected activity in the second half of the year, this is nearly a full percentage point better than the figure released in October (-4.4%). For 2021, the current projection is that the world's economy will grow +5.5%. For 2022, the projection is +4.2%. If realized, each of these years would represent the highest growth rates since the recovery that followed the financial crisis (+5.4% in 2010 and +4.3% in 2011).

China was among the few major economies to enjoy GDP growth in 2020 (+2.3%) and is expected to experience one of the strongest rates of growth in 2021 (+8.3%). The IMF estimates that U.S. GDP contracted -3.4% in 2020, but forecasts expansion of +5.1% in 2021. For the Euro Area, the IMF estimated a contraction of -7.2% in 2020. In 2021, the Euro Area is forecast to grow +4.2%.

Employment: In January, the U.S. economy was estimated to have added +49,000 jobs. Revisions to previous months lowered figures for November (-72,000 to +264,000) and December (-87,000 to -227,000). The net change in jobs since the pandemic hit the U.S. in March is -9.9 million.

The unemployment rate fell from 6.7% to 6.3% from December to January. With marginal job gains last month, the decrease in the unemployment rate was driven by a reduction in the labor force. In January, the labor force was estimated to have decreased by about 400,000 people.

Consumer Confidence & Spending: The Conference Board's Index of Consumer Confidence increased slightly in January, rising from 87.1 to 89.3. One year ago, the value was 130.4. The long-term average is near 93.

Overall consumer spending was down -0.6% month-over-month in December (latest month with available data). Year-over-year, overall spending was down -3.3%. This represents the largest year-over-year decline since July.

Spending on apparel was down -3.8% month-over-month in December and was down -5.2% year-over-year. Unlike overall spending, there have been months during the pandemic when clothing spending was higher year-over-year (+6.5% in September and +3.3% in October).

Consumer Prices & Import Data: Consumer retail prices for apparel increased +1.7% in December and may have been a factor slowing consumer spending on clothing that month. Year-over-year, prices remained lower, and were down -4.6%.

Annual import data just became available. In 2020, the square-meter equivalence of U.S. cotton-dominant apparel imports was down 16.8% year-over-year. This was roughly even with the 17.0% decline in apparel imports of all fibers. In terms of weight volume, imports of all fibers were down 18.6% year-over-year and cotton imports were down 17.8%.

These annual declines mask steep decreases in certain months. Between March and June, the weight of apparel shipments of all-fiber content was down more than 50% year-over-year. More recently, there has been growth year-over-year (+6% in October and +10% in November for both cotton and all-fiber content). In the most recent data (December), shipment weight was nearly even with year-ago levels for cotton apparel, but was down -4.2% for all fibers.

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	

Executive Cotton Update

U.S. Macroeconomic Indicators & Cotton Prices
February 2021



Macroeconomic Data

Quarterly Data	Recent Averages				Values in Recent Quarters			Unit	Source
	5-year	1-year	6-month	3-month	Q2 : 2020	Q3 : 2020	Q4 : 2020		
Growth in US Real GDP	1.8%	1.7%	1.0%	33.4%	-31.4%	33.4%	4.0%	% Chg. Quarter/Quarter	Department of Commerce

Macroeconomic 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		
ISM Index of Manufacturing Activity	54.2	54.2	57.0	59.0	57.7	60.5	58.7	Index	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	56.1	56.2	57.0	56.9	56.8	57.7	58.7	Index	Institute for Supply Management
Consumer Confidence	116.0	119.8	93.5	93.8	92.9	87.1	89.3	Index	The Conference Board
Change in Non-Farm Payrolls	-8.6	-139.1	790.3	239.0	264	-227	49	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	5.0%	5.2%	7.8%	6.8%	6.7%	6.7%	6.3%	Rate	Bureau of Labor Statistics
US Interest Rates									
Federal Funds	1.2%	1.5%	0.1%	0.1%	0.1%	0.1%	0.1%	Interest rate	Federal Reserve
10-year Treasury Bill	2.0%	2.0%	0.8%	0.9%	0.9%	0.9%	1.1%	Interest rate	Federal Reserve

Macroeconomic Series with Latest Data for December

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	November	December	December		
Index of Leading Economic Indicators	106.3	109.1	107.7	109.0	108.4	109.2	109.5	Index	The Conference Board
Housing Starts	12.7	13.1	15.2	16.2	1.5	1.6	1.7	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.5	5.4	6.6	6.7	6.7	6.7	6.8	Annual pace, millions of units	National Association of Realtors

Industrial & Textile Data

Industrial & Textile 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 Industrial Production	105.4	106.7	103.7	104.9	104.1	105.7	105.7	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	107.1	95.0	95.2	92.8	98.2	97.9	98.2	Index, December 2003=100	Bureau of Labor Statistics

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		
Bale Equivalence of US Cotton Yarn & Fabric Exports	3.3	2.0	2.0	2.4	2.4	2.4	2.3	million 480lb bales	USDA ERS

Industrial & Textile 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	1.38	1.41	1.38	1.37	1.37	1.36	1.37	Ratio	Department of Commerce

Retail Data

Retail 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	1.3%	0.4%	-2.5%	-3.0%	-1.9%	-2.7%	-3.3%	% Chg. Year/Year	Department of Commerce
Clothing	0.7%	-0.1%	0.7%	-2.8%	3.3%	-0.5%	-5.2%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	1.8%	1.8%	1.3%	1.2%	1.2%	1.2%	1.3%	% Chg Year/Year	Bureau of Labor Statistics
Clothing	-1.5%	-2.4%	-5.9%	-5.3%	-6.2%	-6.0%	-4.6%	% Chg. Year/Year	Bureau of Labor Statistics

Retail 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		
Retail Inventory/Sales Ratio									
Clothing and Clothing Accessory Stores	2.8	3.0	2.5	2.6	2.3	2.4	2.6	Ratio	Department of Commerce
Department Stores	2.2	2.2	2.2	2.4	2.0	2.2	2.4	Ratio	Department of Commerce

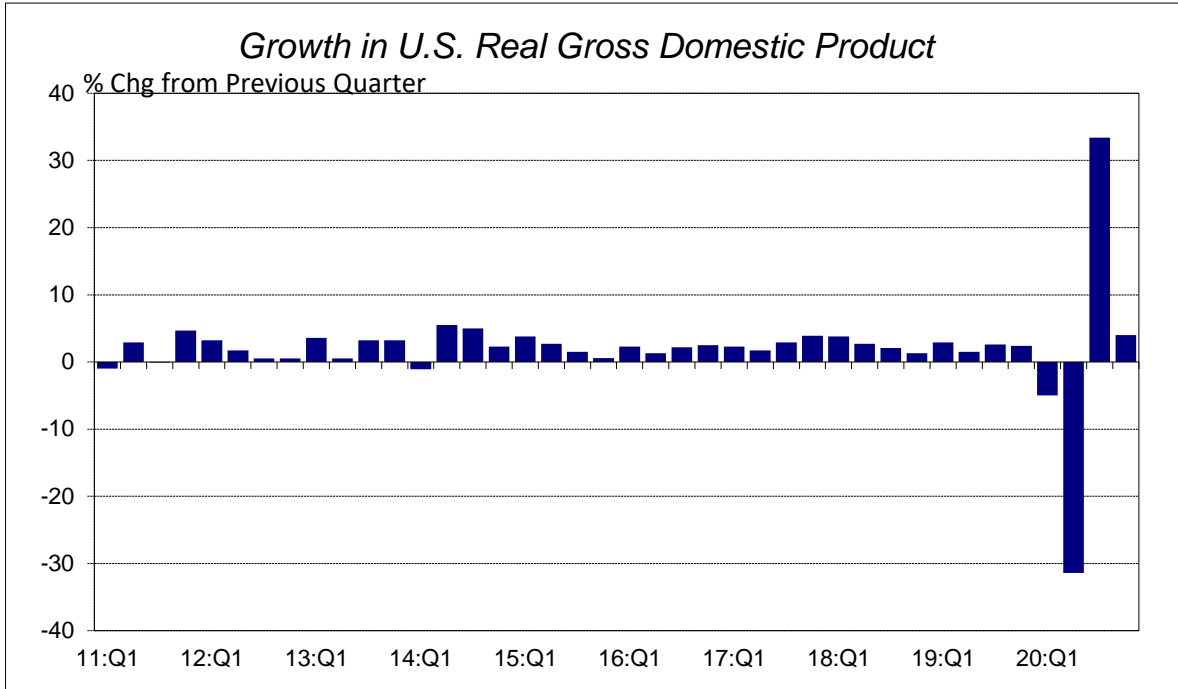
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Daily Cotton Price and Currency Data

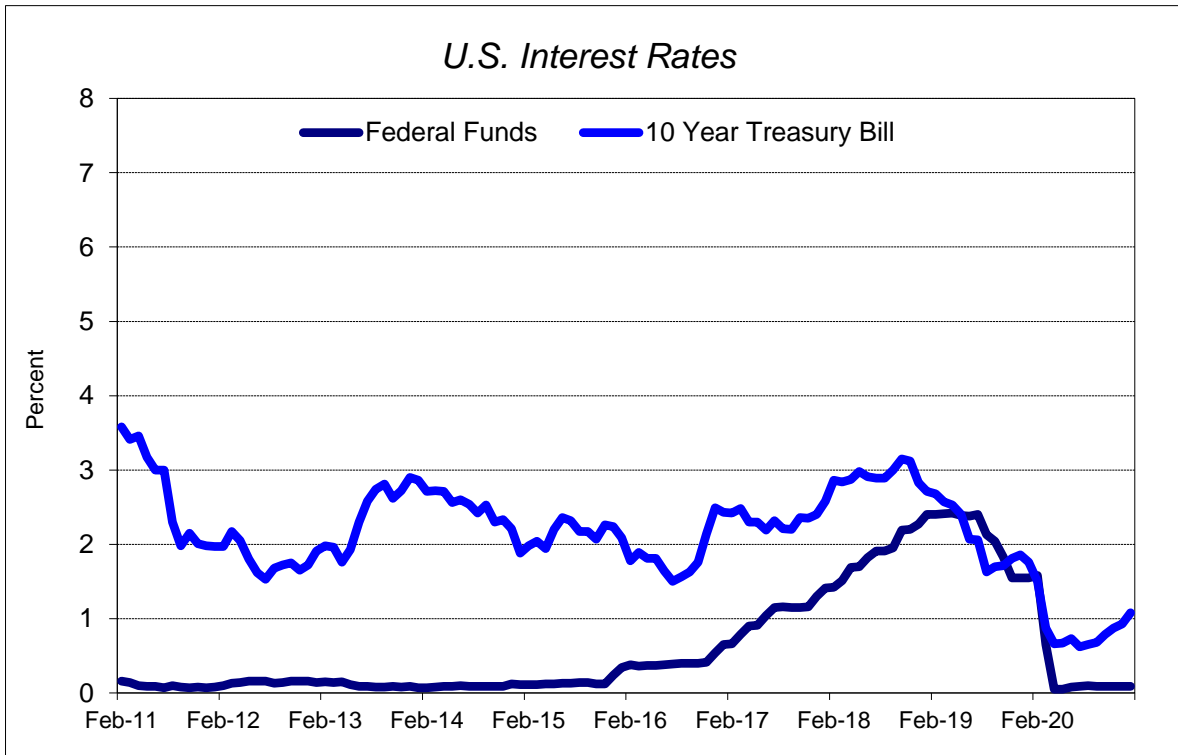
February 2021



Daily Cotton Price Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	November	December	January		
NY Nearby	69.7	70.7	69.3	67.7	70.6	74.8	80.7	cents/pound	ICE
A Index	78.6	79.9	78.2	76.6	77.7	81.2	87.1	cents/pound	Cotlook
Daily Currency Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	November	December	January		
Dollar Trade Weighted Exchange Index	114.2	115.2	115.1	113.1	115.5	112.1	111.5	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.76	6.81	6.72	6.57	6.71	6.53	6.46	Chinese Renminbi/US dollar	Reuters
Indian Rupee	69.04	71.08	73.81	73.85	74.74	73.80	73.02	Indian Rupee/US dollar	Reuters
Japanese Yen	109.22	108.50	104.91	103.94	104.49	104.20	103.13	Japanese Yen/US dollar	Reuters
Pakistani Rupee	128.90	144.79	162.91	159.93	159.78	160.05	159.98	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	3.88	4.27	5.38	5.35	5.67	5.17	5.21	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.31	1.32	1.31	1.29	1.31	1.28	1.27	Canadian dollar/US dollar	Reuters
Mexican Peso	19.54	20.02	21.14	20.25	21.10	19.78	19.86	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.77	0.77	0.76	0.75	0.77	0.74	0.74	British Pound/US dollar	Reuters
Euro	0.88	0.87	0.84	0.83	0.85	0.82	0.81	Euro/US dollar	Reuters
Swiss Franc	0.97	0.97	0.91	0.89	0.91	0.89	0.88	Swiss Franc/US dollar	Reuters
Turkish Lira	4.88	5.90	7.64	7.88	8.42	7.81	7.42	Turkish Lira/US dollar	Reuters



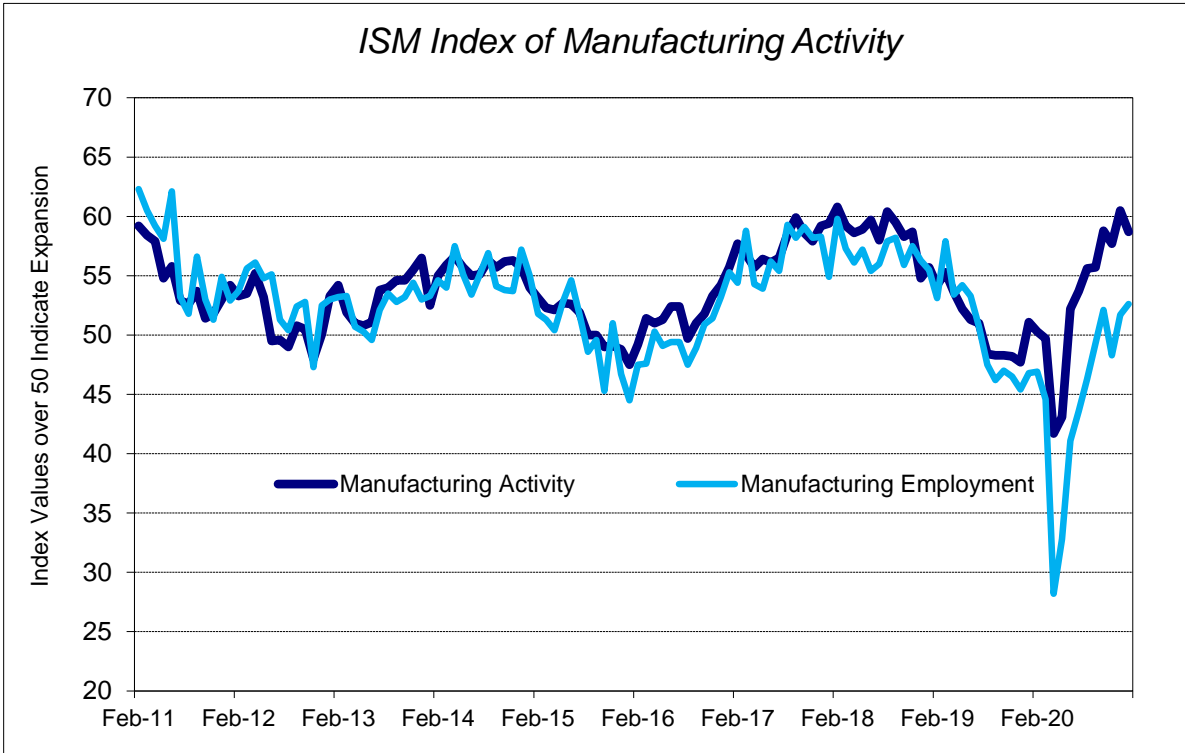
Seasonally Adjusted Annual Rate; Source: Department of Commerce
 *Based on chained 2005\$.



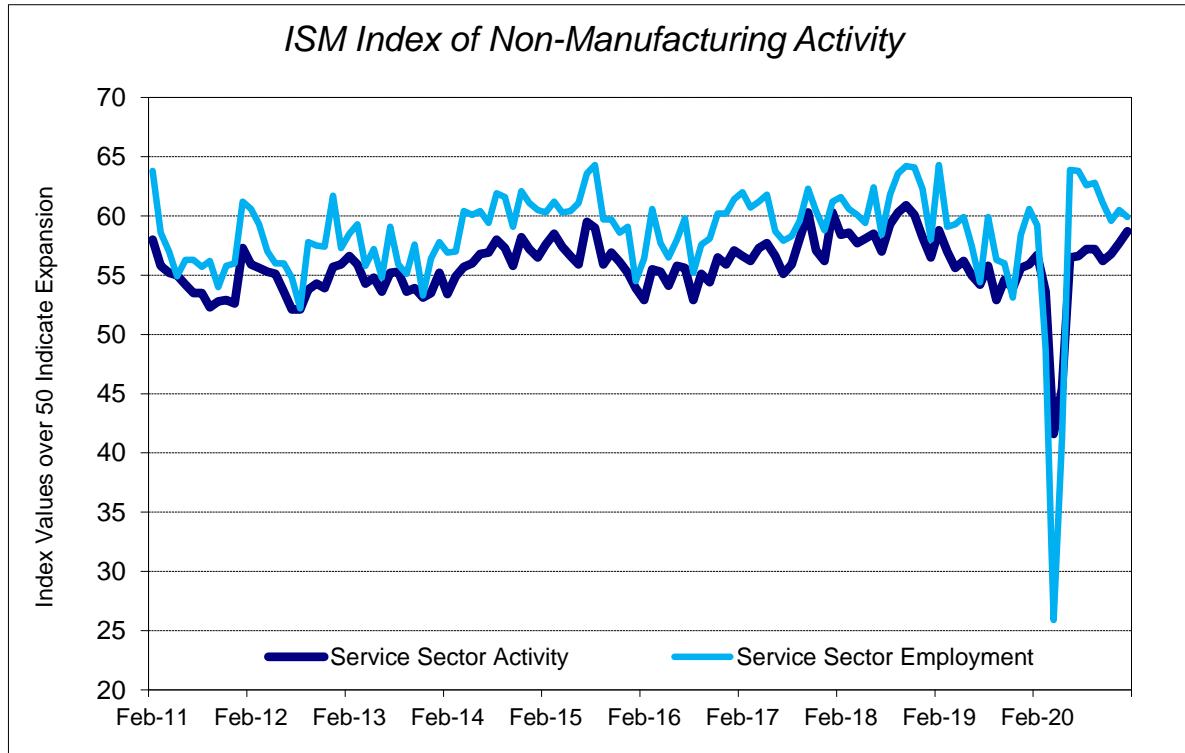
Source: Federal Reserve

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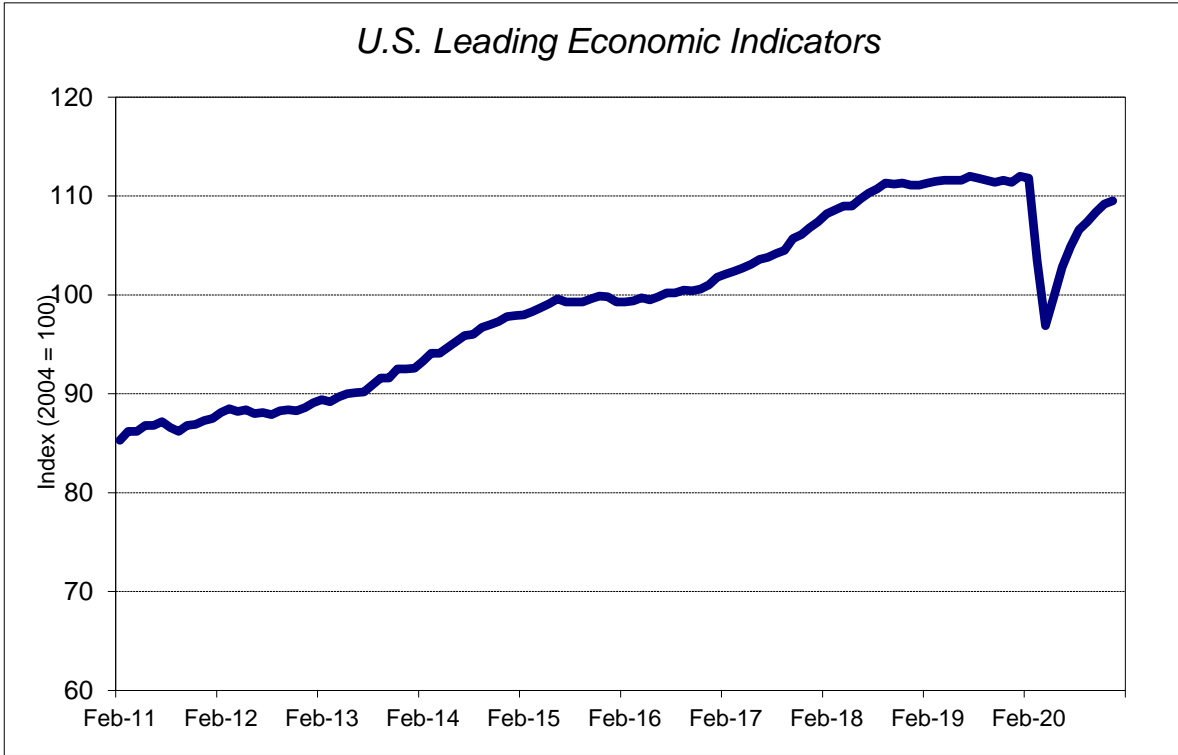
Source: Institute for Supply Chain Management



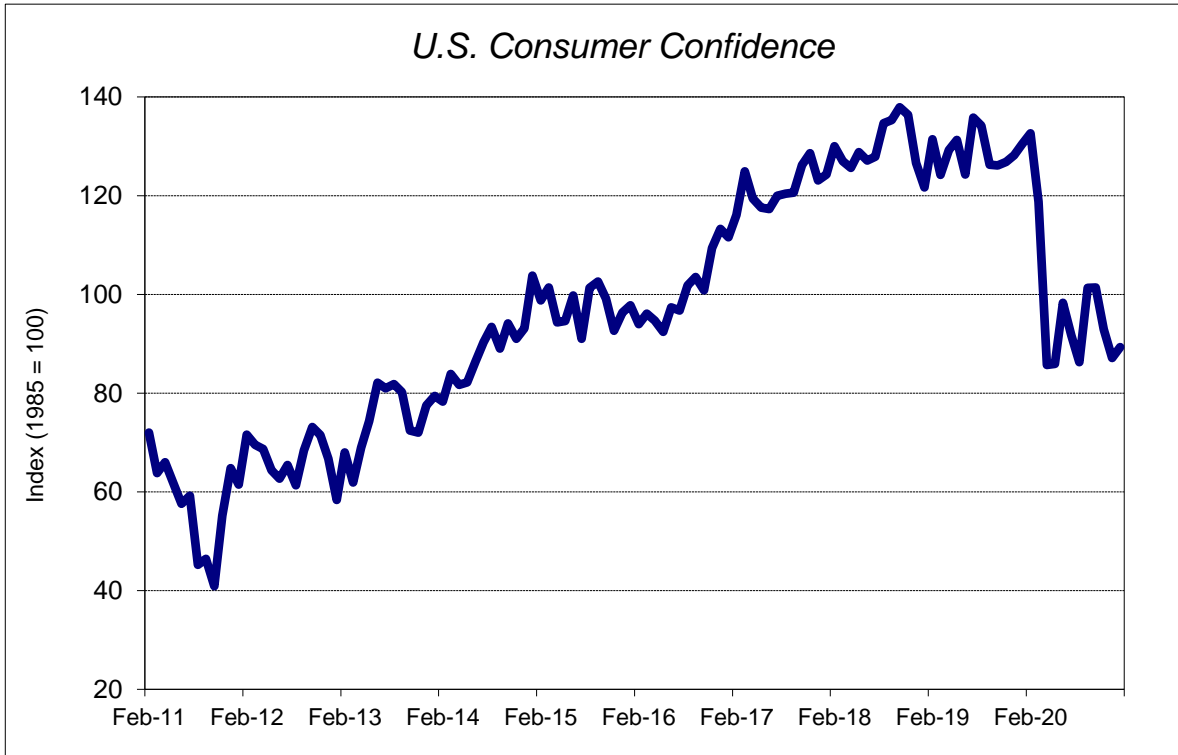
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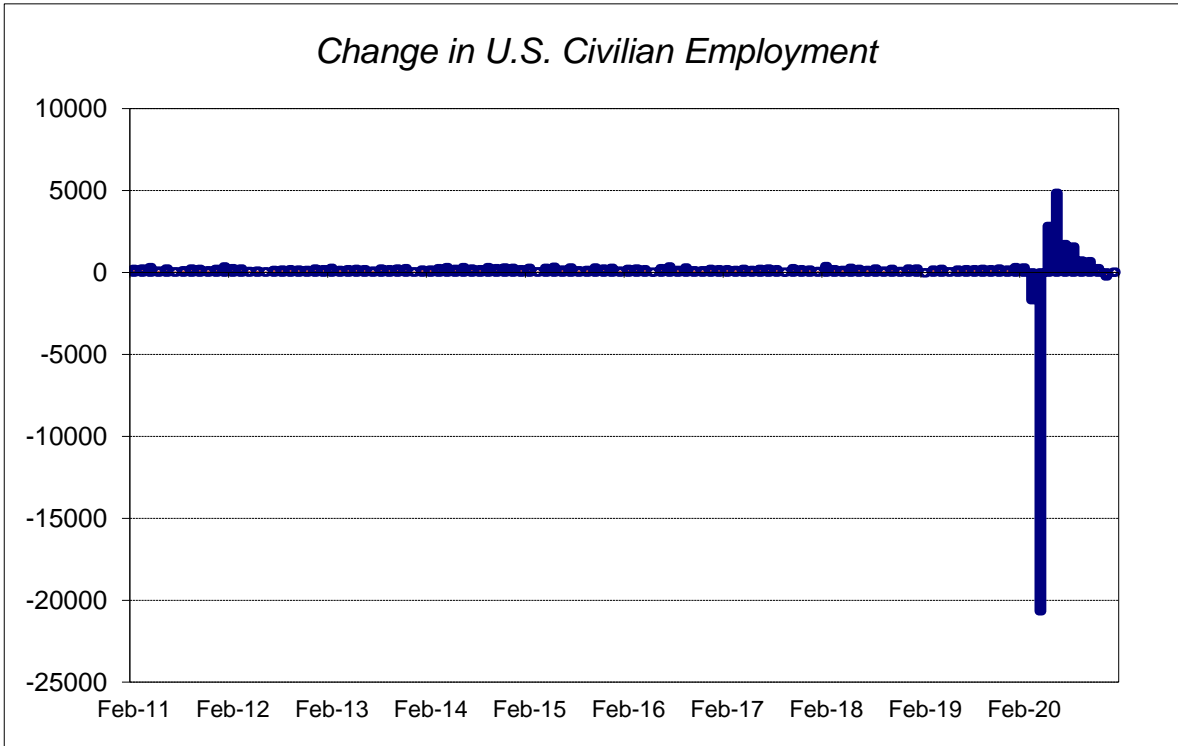
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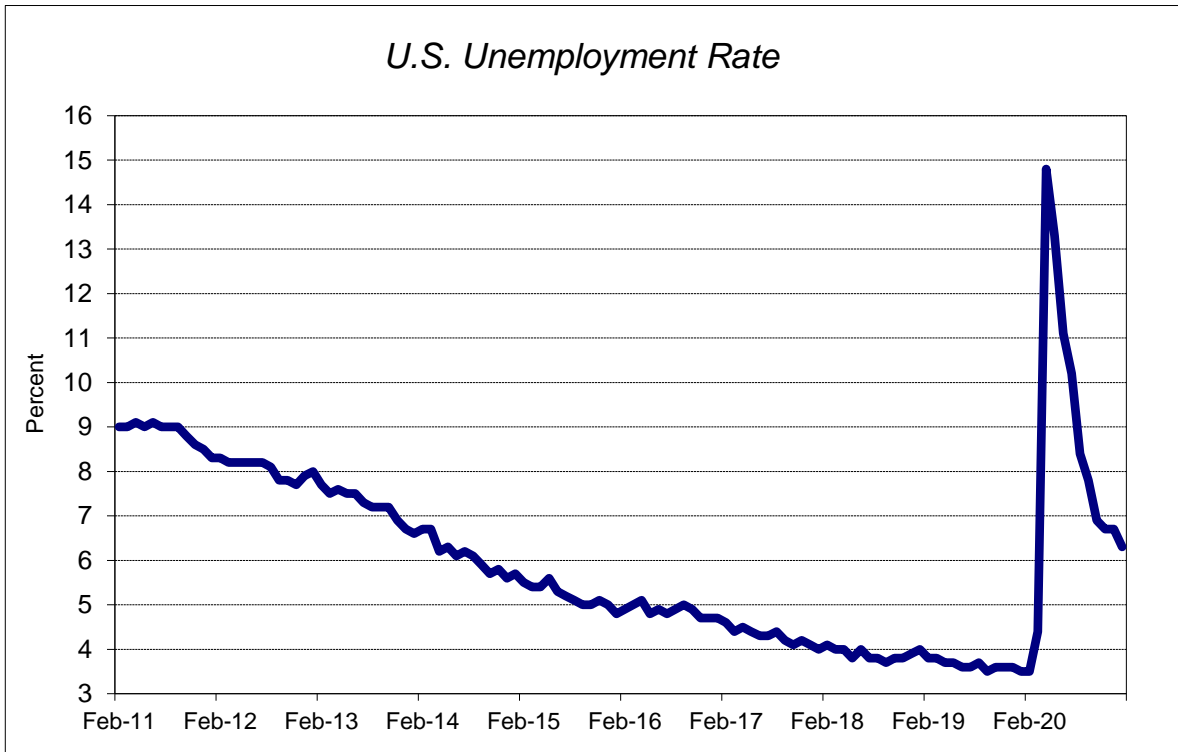
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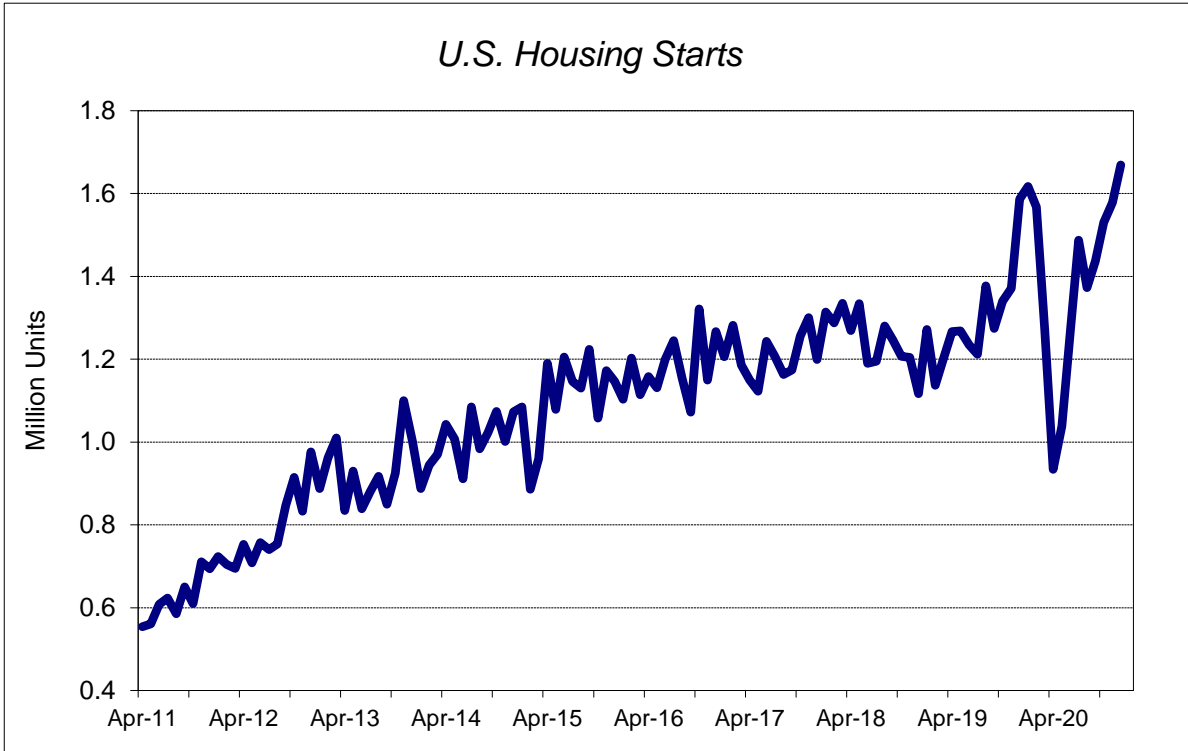
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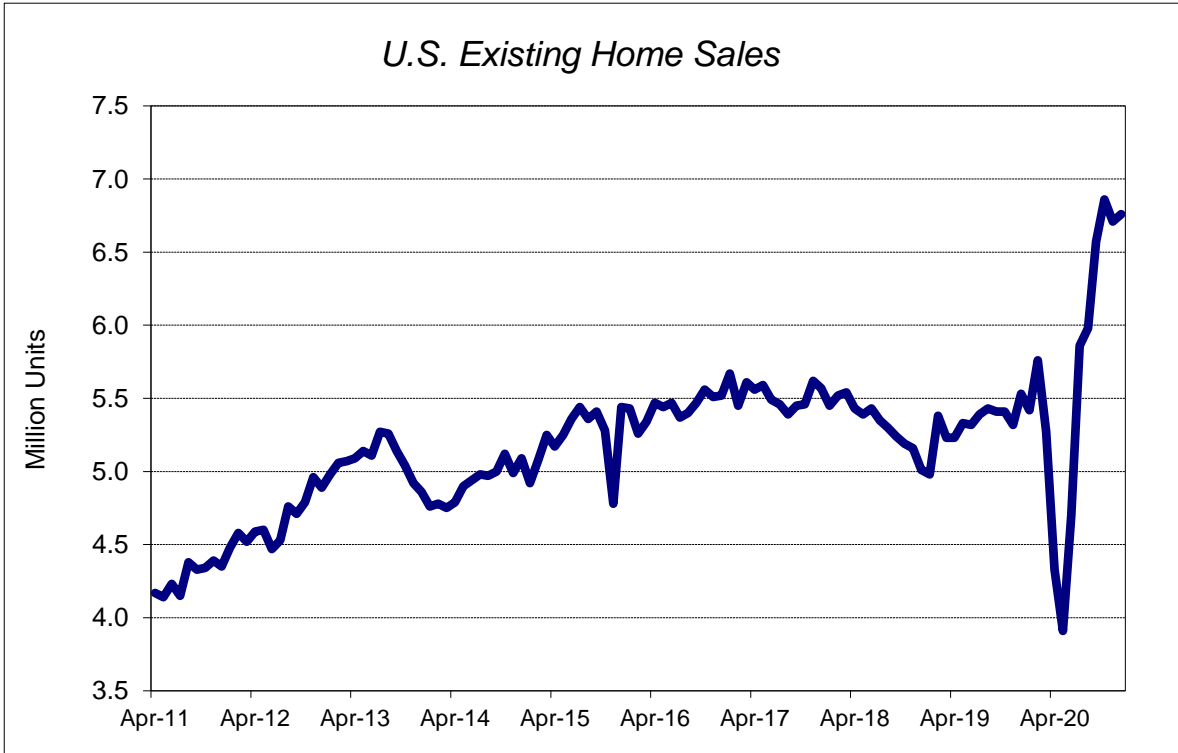
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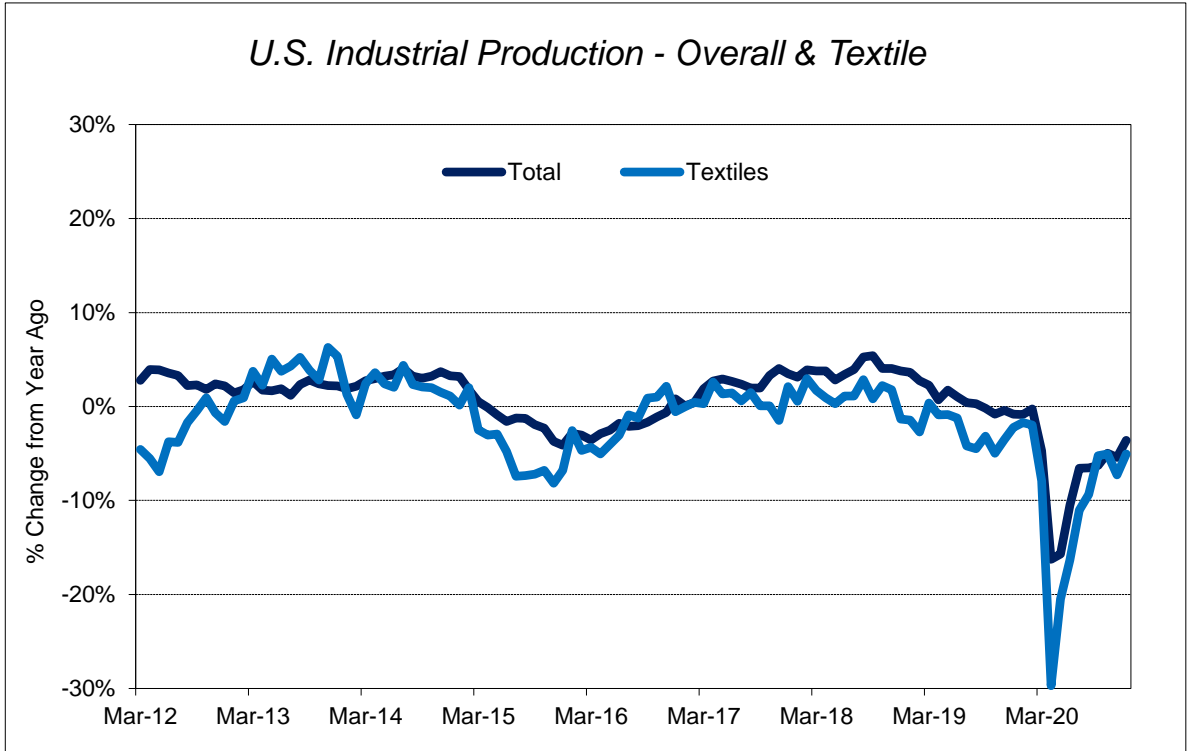
Seasonally Adjusted Annual Rate; Source: Department of Commerce



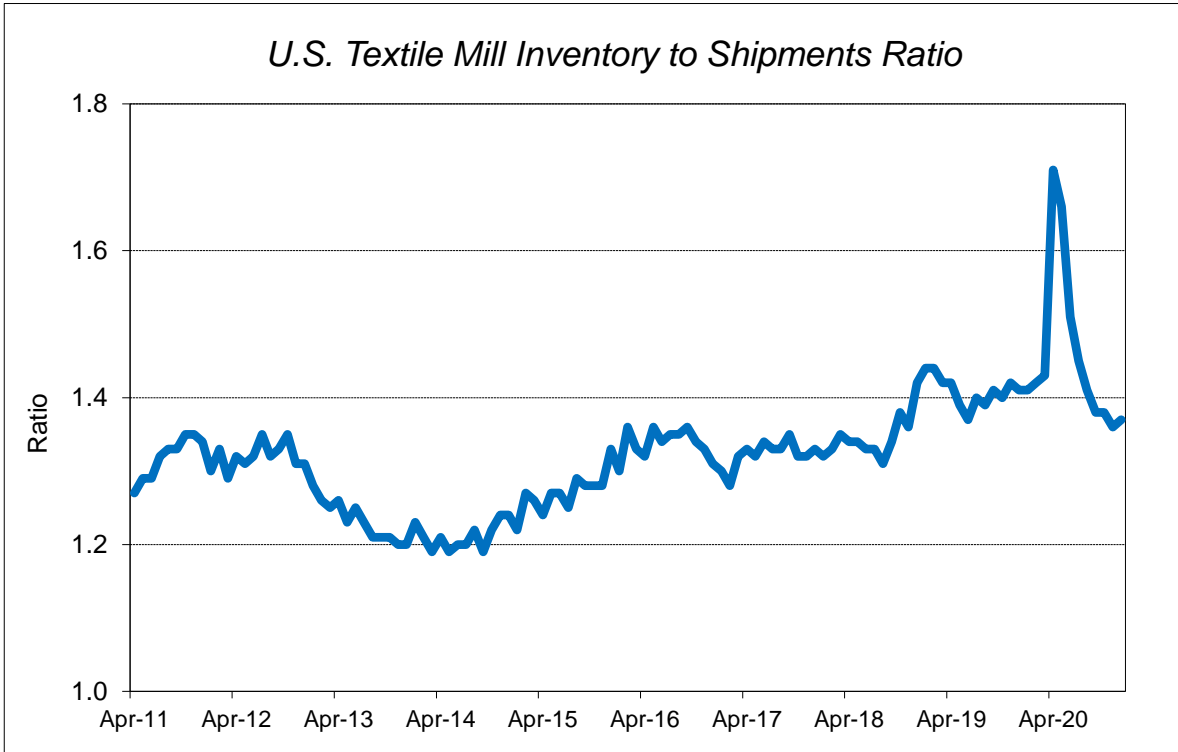
Seasonally Adjusted Annual Rate; Source: National Association of Realtors

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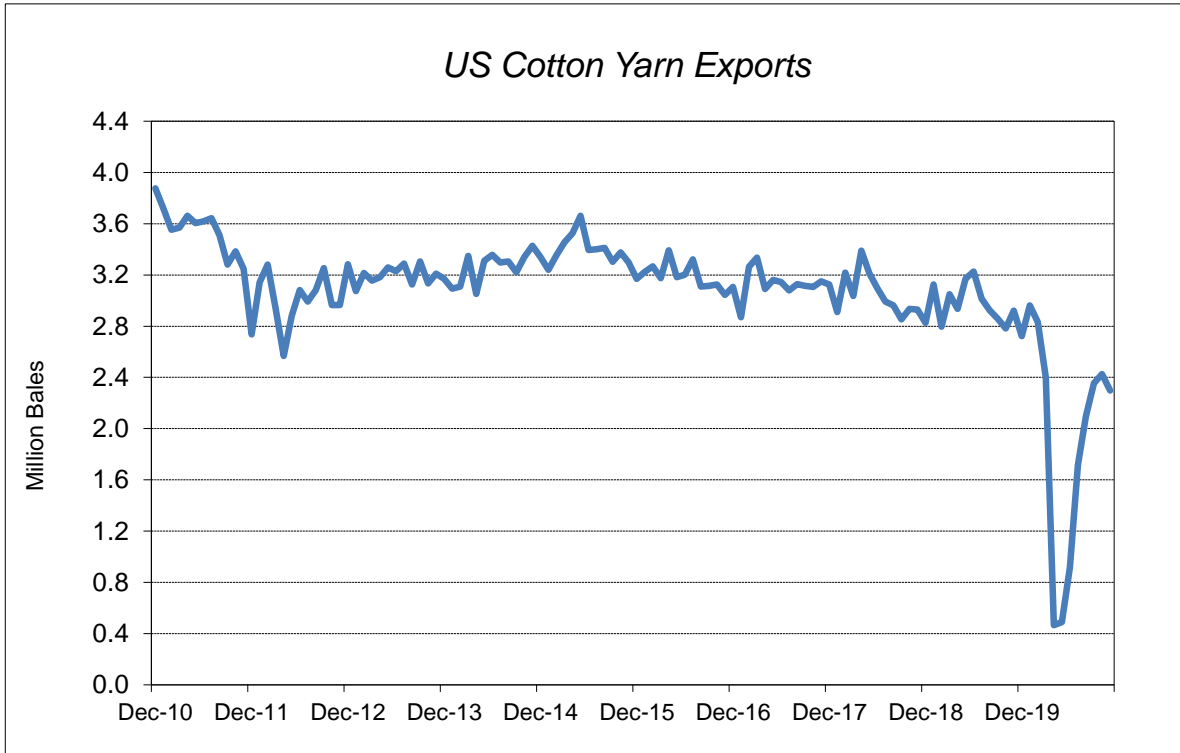
Source: Federal Reserve. Historical data revised to 1997 baseline.



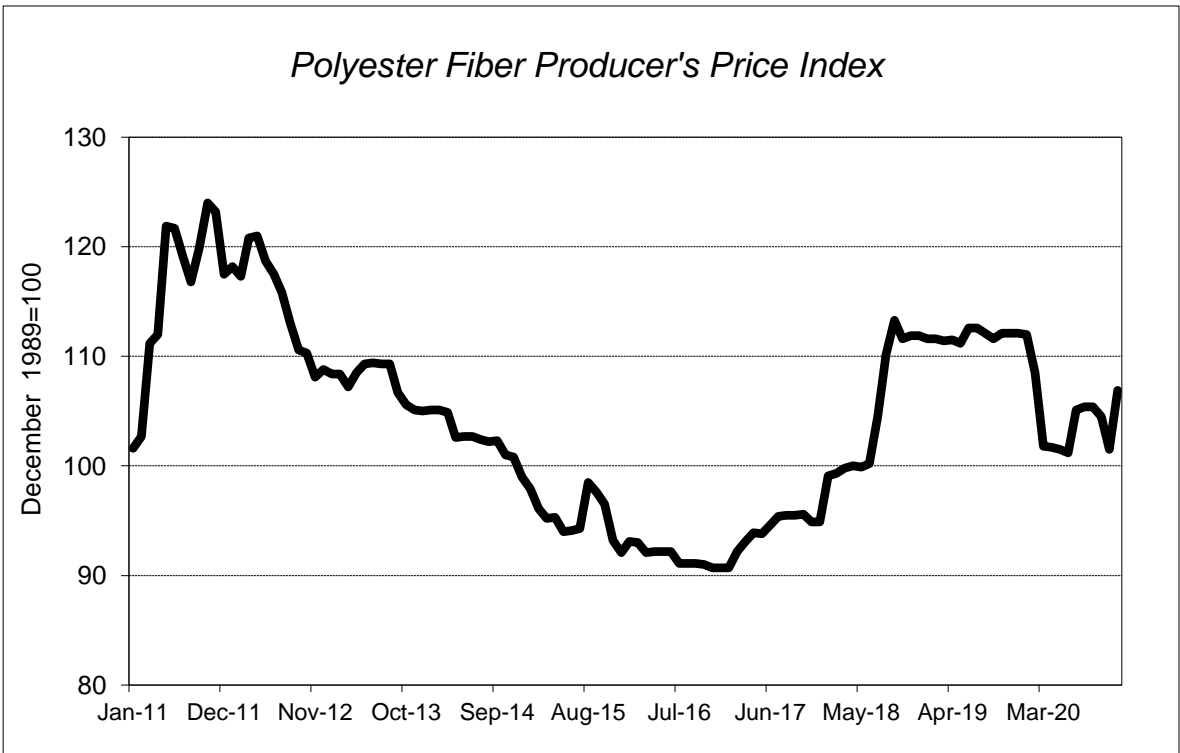
Seasonally Adjusted; Source: Department of Commerce

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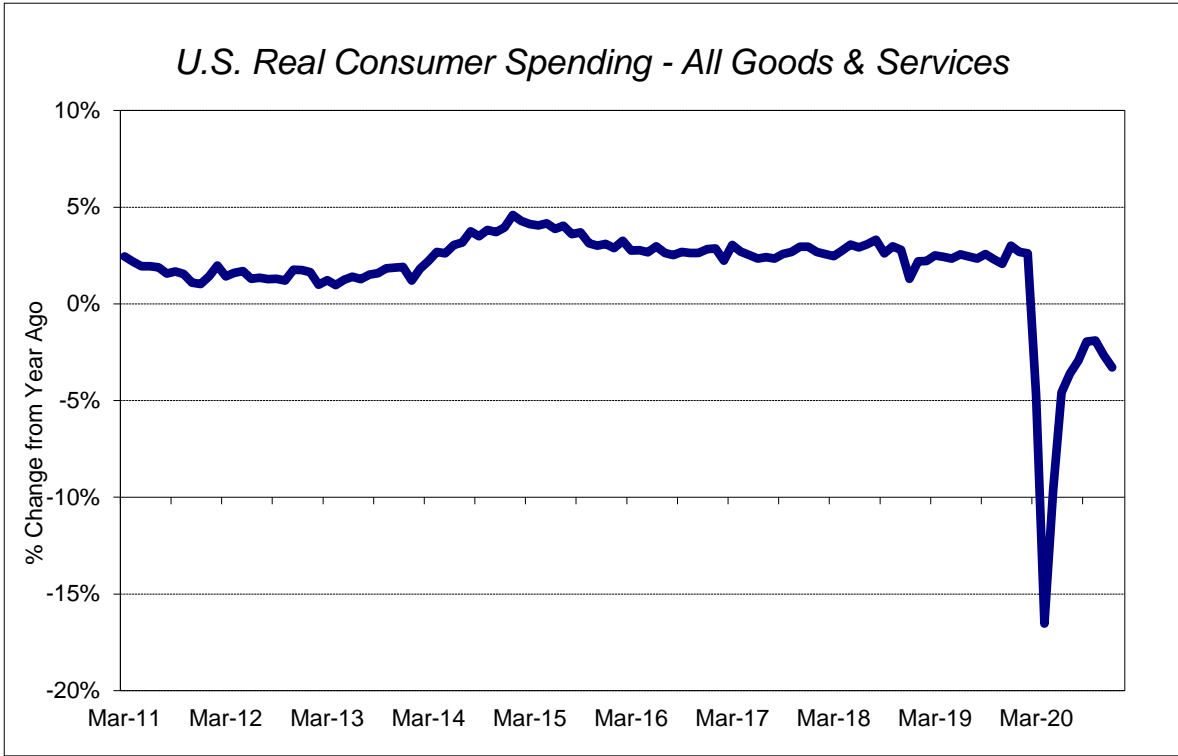
Seasonally Adjusted Annual Rate
 Source: USDA ERS



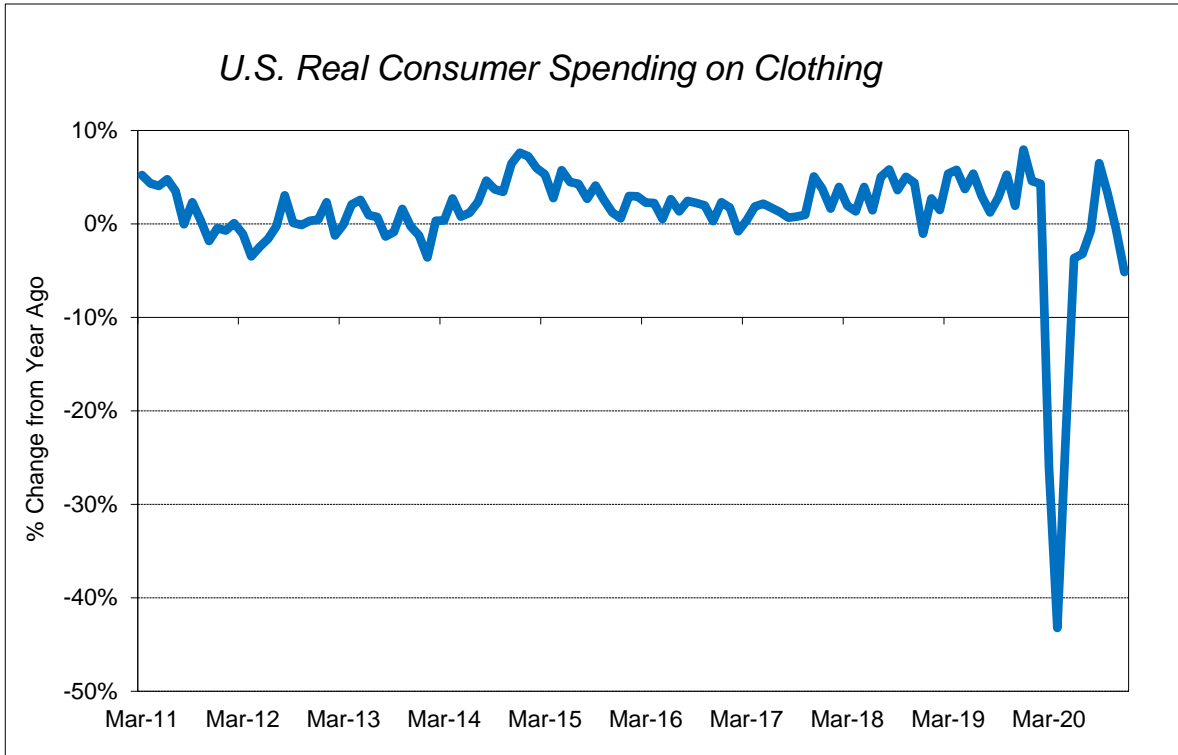
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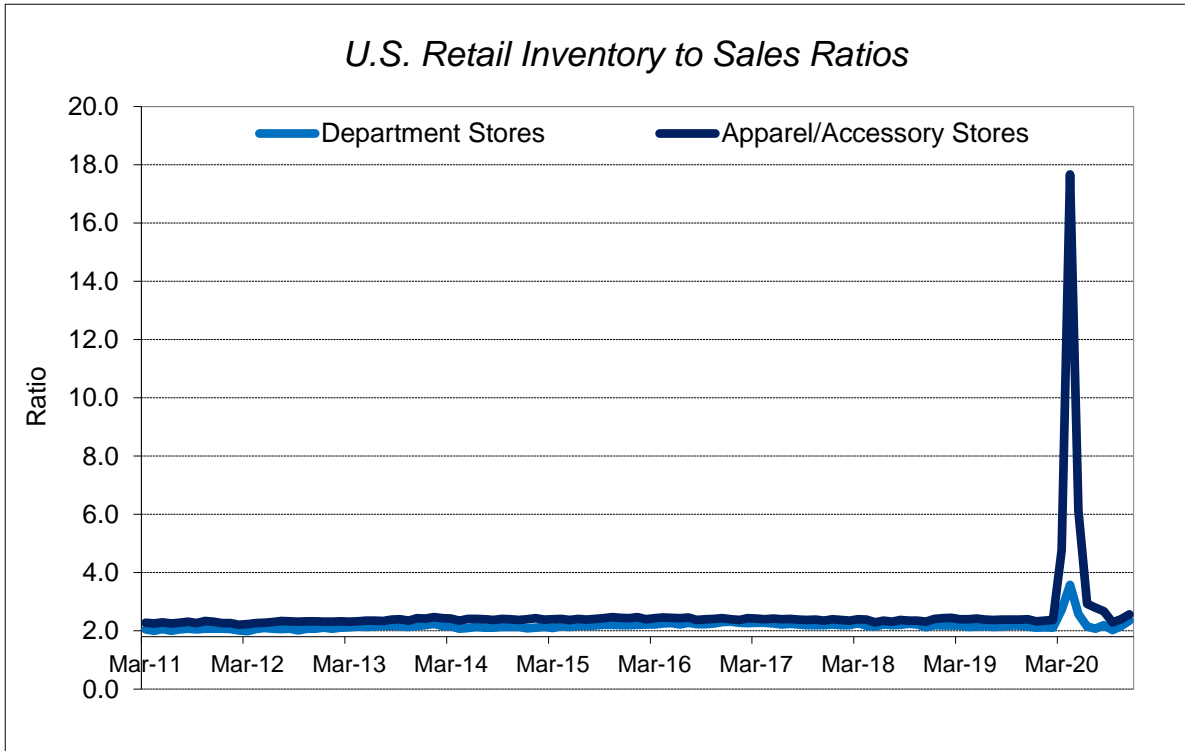
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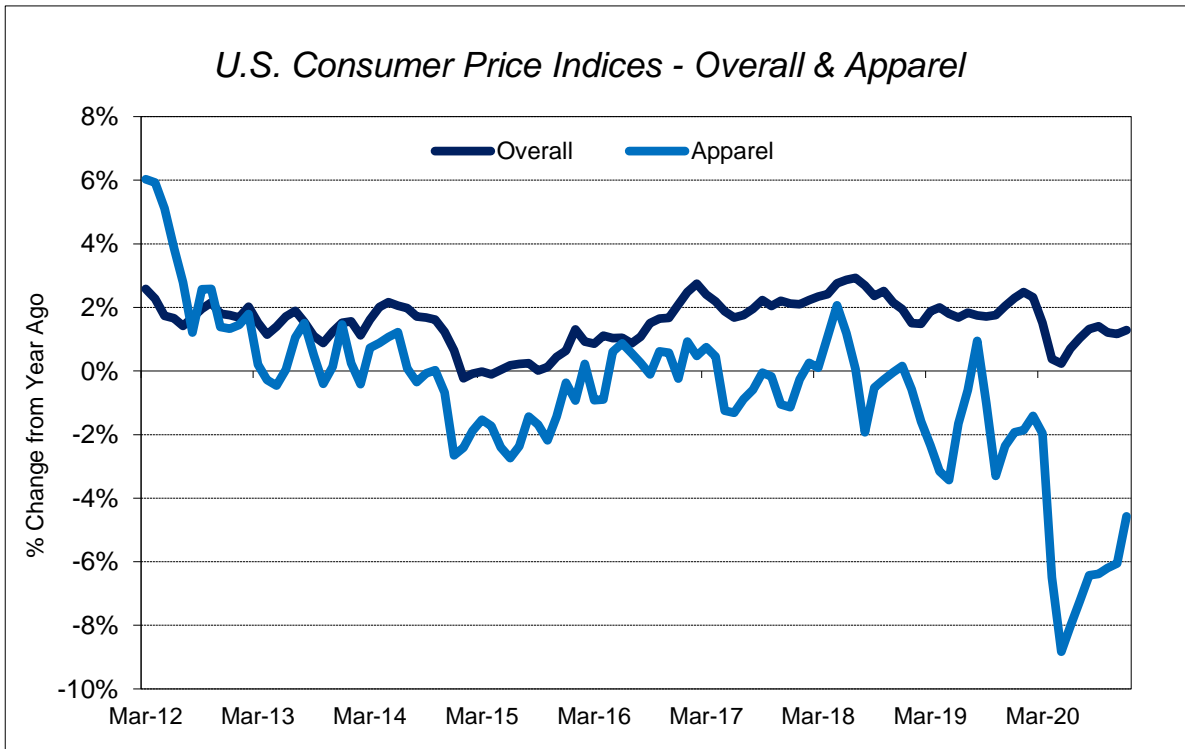
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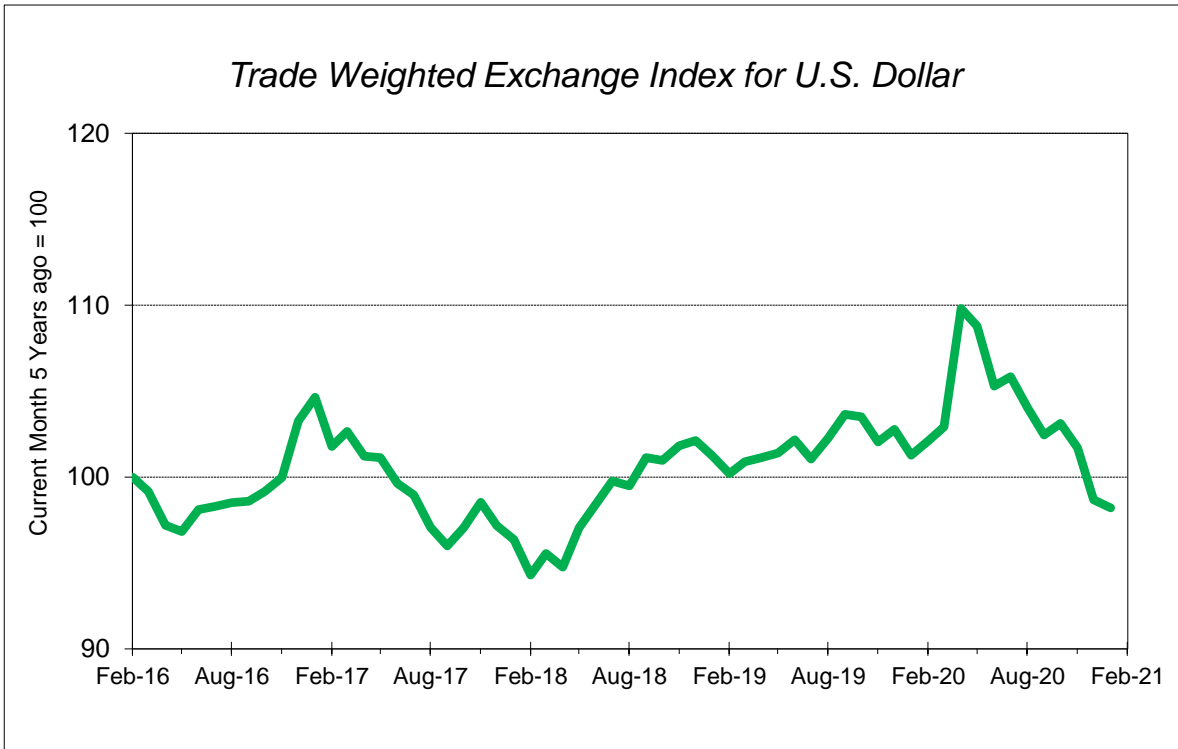
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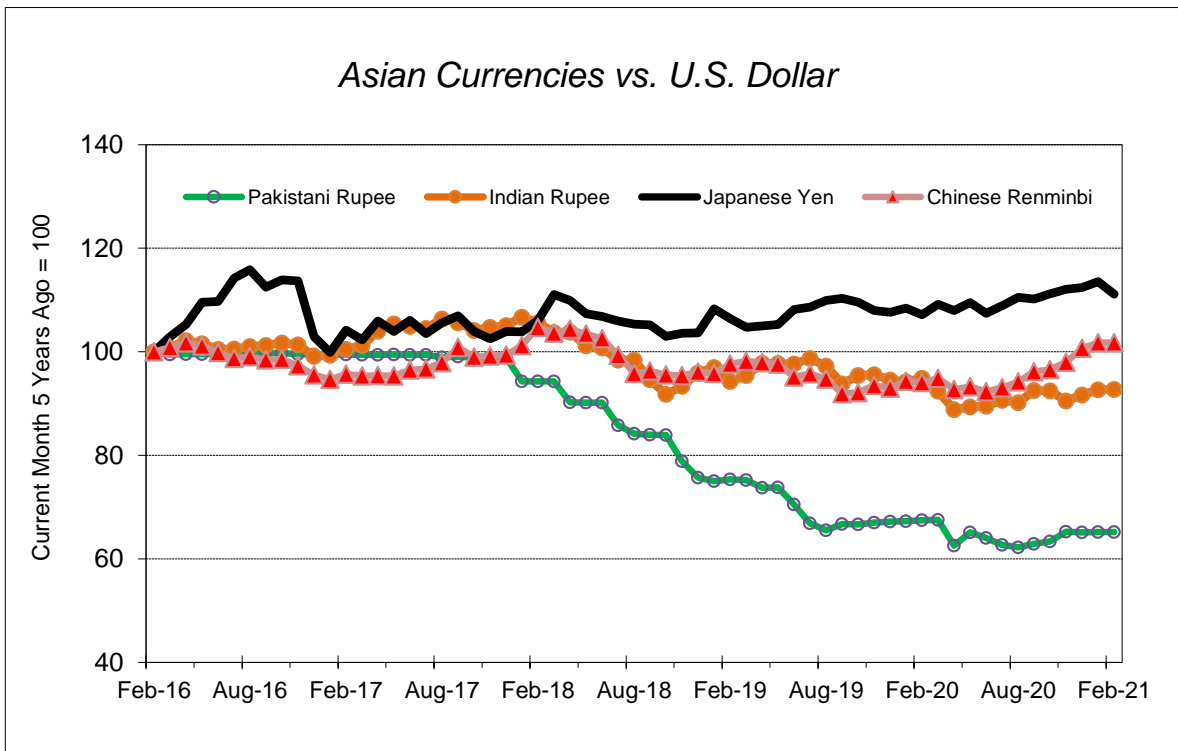
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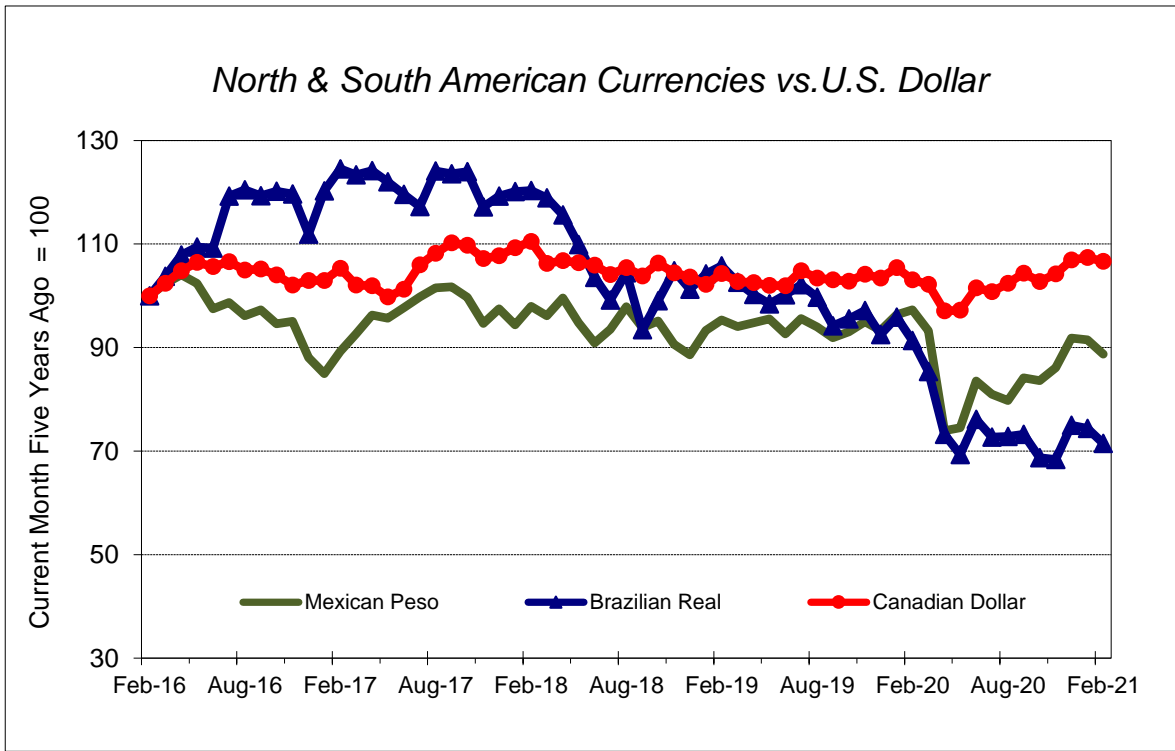
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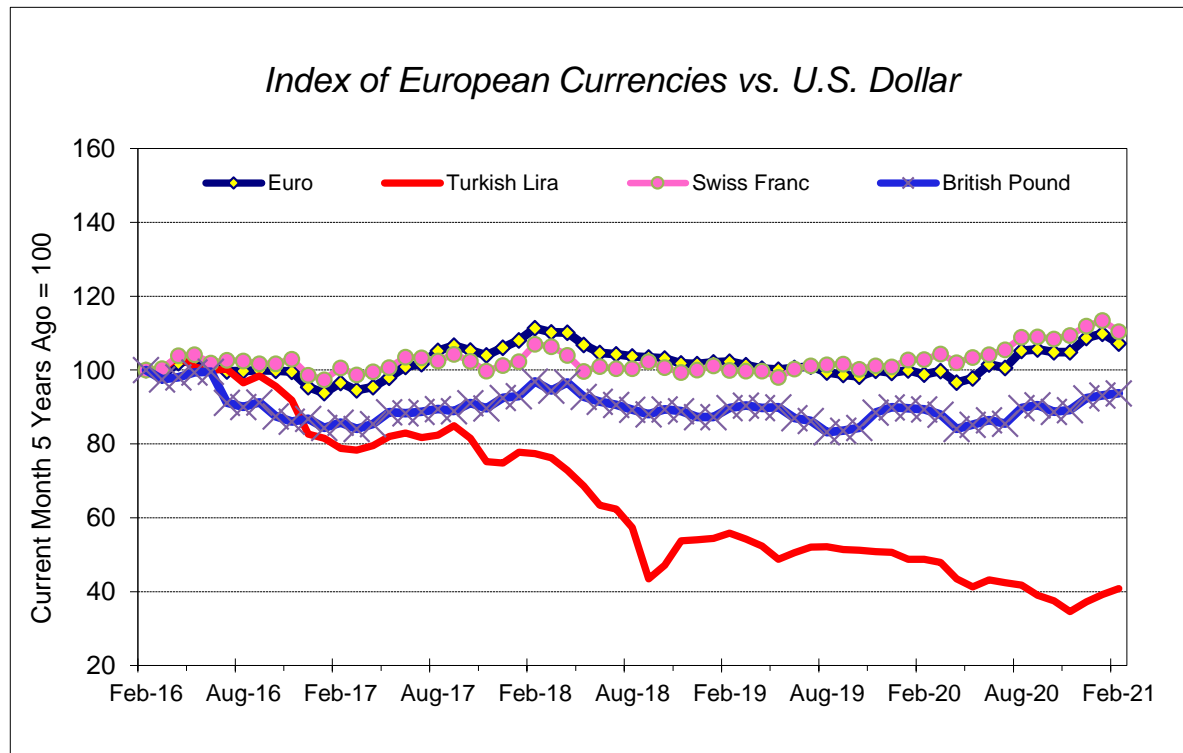
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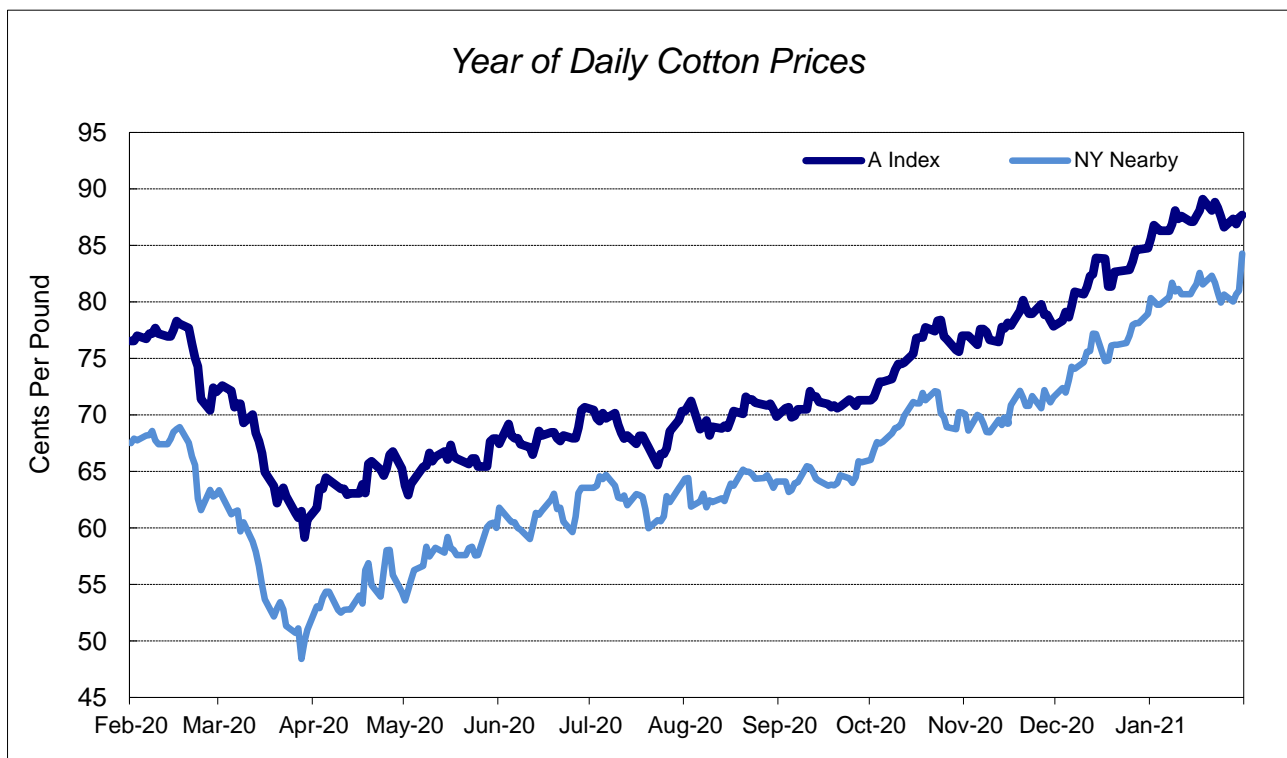
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U.S. Balance Sheet

million 480 lb. bales	2016/17	2017/18	2018/19	2019/20	2020/21 December	2020/21 January
Beginning Stocks	3.8	2.8	4.2	4.9	7.3	7.3
Production	17.2	20.9	18.4	19.9	15.9	15.0
Imports	0.0	0.0	0.0	0.0	0.0	0.0
Supply	21.0	23.7	22.6	24.8	23.2	22.2
Mill-Use	3.3	3.2	3.0	2.2	2.5	2.4
Exports	14.9	16.3	14.8	15.5	15.0	15.3
Demand	18.2	19.5	17.8	17.7	17.5	17.7
Ending Stocks	2.8	4.2	4.9	7.3	5.7	4.6
Stocks/Use Ratio	15.1%	21.5%	27.2%	41.0%	32.6%	26.1%



Sources: ICE Futures U.S. & Cotton Outlook

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