

# Executive Cotton Update

U.S. Macroeconomic Indicators &  
the Cotton Supply Chain



March 2021

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

**Macroeconomic Overview:** The U.S. Senate narrowly approved a third set of stimulus measures. This package features another round of direct payments, an extension of supplemental unemployment payments, support for state and local governments, and assistance for low-income children. The package will still need to pass in the House of Representatives, but it is expected that that could happen this week (week of March 8<sup>th</sup>).

Direct payments under the second round of stimulus were made in December and January. This corresponded with a surge in COVID cases and a wave of restrictions on consumer activity. The combination of increased income and decreased spending resulted in another rise in the savings rate. In January, the savings rate reached 20.5%. This is nearly triple the values near 7.5% that were common before COVID-19. Since the onset of the pandemic, the savings rate has been above 10% every month. Accumulated savings may serve as a source of strength for U.S. economic growth as the country makes further progress against the health crisis and as pent-up demand is released.

The savings rate is one piece of economic data that supports optimism about U.S. economic growth in 2021. Private forecasters have suggested that the U.S. economy could grow 7.0% this year. This is well above the 5.1% estimate released by the International Monetary Fund (IMF) in late January. Maintenance of low-interest rates and easy money policies are also expected to help growth.

The COVID-driven recession is unique. Other recessions are commonly a result of a crisis in a given sector of the financial world, and the specific financial weakness that triggers recessions can impede recovery. For the current recession, there is no underlying financial problem to serve as a headwind. The series of vaccines that have been approved and injected over the past several months promise to help, if not resolve, the health problem that caused the current recession.

**Employment:** In February, the U.S. economy was estimated to have added +379,000 jobs. Revisions to previous months lowered the figure for December (-79,000 to -306,000) but lifted the estimate for January (+117,000 to +166,000). The net change in jobs since the pandemic hit the U.S. in March is -9.5 million. For context, the current size of the U.S. labor force is 160.2 million.

A drag on the labor market is the persistently high number of job losses. After spiking to levels near seven million for several weeks in late March and April of 2020, readings for initial claims for unemployment insurance have come down. Nonetheless, values have remained above 700,000 each week since the pandemic. During the last recession (global financial crisis of 2008-09), the worst figures for initial claims were around 650,000.

In February, the unemployment rate declined slightly, from 6.3% to 6.2%. The high level of weekly job losses may be linked to the decline in the labor force participation rate (ratio of those wanting to work over working-age population). Since the pandemic, the labor force participation rate dropped about two percentage points. This represents about four million people who are no longer interested in working. If the recovery cannot bring those people back into the labor market, it can reduce economic growth over the longer-term.

**Consumer Confidence & Spending:** The Conference Board's Index of Consumer Confidence increased slightly in February, rising from 88.9 to 91.3. One year ago (February 2020 was the month before COVID-19 hit the U.S.), the value was 132.6. The long-term average is near 93.

Overall consumer spending rose +2.0% month-over-month in January (latest month with available data). Year-over-year, overall spending was down -1.9%. Overall spending has been negative year-over-year for every month since the pandemic.

Spending on apparel was up +8.0% month-over-month in January. Year-over-year, apparel spending was +3.4% higher. This represents the third month that spending on clothing has been higher year-over-year since the pandemic (September +6.5%, October +2.8%, January +3.4%). There were months with year-over-year decreases (November -0.4% and December -5.1%) mixed within those months of growth. These contractions coincided with the surge in COVID cases late in the year.

**Consumer Prices & Import Data:** Retail prices for apparel increased for the third consecutive month and were +2.5% higher in January. Despite the string of monthly increases, prices remained lower year-over-year and were down -2.7%.

Before the pandemic, the average import cost per square-meter-equivalent (SME) of cotton-dominant apparel was near \$3.45/SME. With the pandemic, values fell to \$3.00/SME (-13%) but appear to be stabilizing. Since November, landed unit values have been between \$3.00/SME and \$3.04/SME (seasonally-adjusted).

## 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	
	Industrial Production			
	Inventory/Shipments			
	U.S. Yarn Exports			
	Polyester PPI			

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U.S. Macroeconomic Indicators & Cotton Prices  
March 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%	4.1%	% Chg. Quarter/Quarter	Department of Commerce

### Macroeconomic 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	54.4	54.2	57.8	59.0	60.5	58.7	60.8	Index	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	56.2	56.2	57.3	57.7	57.7	58.7	55.3	Index	Institute for Supply Management
Consumer Confidence	115.8	118.8	93.0	89.6	87.1	88.9	91.3	Index	The Conference Board
Change in Non-Farm Payrolls	-8.9	-138.9	517.2	41.3	-306	166	379	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	5.0%	5.3%	7.1%	6.6%	6.7%	6.3%	6.2%	Rate	Bureau of Labor Statistics
US Interest Rates									
Federal Funds	1.1%	1.4%	0.1%	0.1%	0.1%	0.1%	0.1%	Interest rate	Federal Reserve
10-year Treasury Bill	2.0%	1.9%	0.8%	1.0%	0.9%	1.1%	1.3%	Interest rate	Federal Reserve

### Macroeconomic Series with Latest Data for January

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	December	January	January		
Index of Leading Economic Indicators	106.5	109.2	108.6	109.8	109.3	109.7	110.3	Index	The Conference Board
Housing Starts	12.7	13.2	15.6	16.3	1.6	1.7	1.6	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.5	5.5	6.6	6.7	6.7	6.7	6.7	Annual pace, millions of units	National Association of Realtors

## Industrial & Textile Data

### Industrial & Textile 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	105.5	106.8	105.0	106.7	106.2	107.2	107.2	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	107.0	94.7	94.3	92.7	98.2	97.9	98.2	Index, December 2003=100	Bureau of Labor Statistics

### 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		
Bale Equivalence of US Cotton Yarn & Fabric Exports	3.3	2.0	2.2	2.4	2.4	2.3	2.6	million 480lb bales	USDA ERS

### Industrial & Textile 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	1.37	1.41	1.36	1.34	1.34	1.36	1.32	Ratio	Department of Commerce

## Retail Data

### Retail 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	1.2%	0.2%	-2.3%	-2.6%	-2.6%	-3.4%	-1.9%	% Chg. Year/Year	Department of Commerce
Clothing	0.7%	-0.1%	1.4%	-0.9%	-0.4%	-5.1%	3.3%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	1.8%	1.8%	1.3%	1.3%	1.1%	1.3%	1.4%	% Chg Year/Year	Bureau of Labor Statistics
Clothing	-1.5%	-2.5%	-5.2%	-3.7%	-5.9%	-4.7%	-2.7%	% Chg. Year/Year	Bureau of Labor Statistics

### 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		
Retail Inventory/Sales Ratio									
Clothing and Clothing Accessory Stores	2.8	3.1	2.4	2.5	2.4	2.6	2.5	Ratio	Department of Commerce
Department Stores	2.2	2.2	2.2	2.4	2.2	2.4	2.4	Ratio	Department of Commerce

# Executive Cotton Update

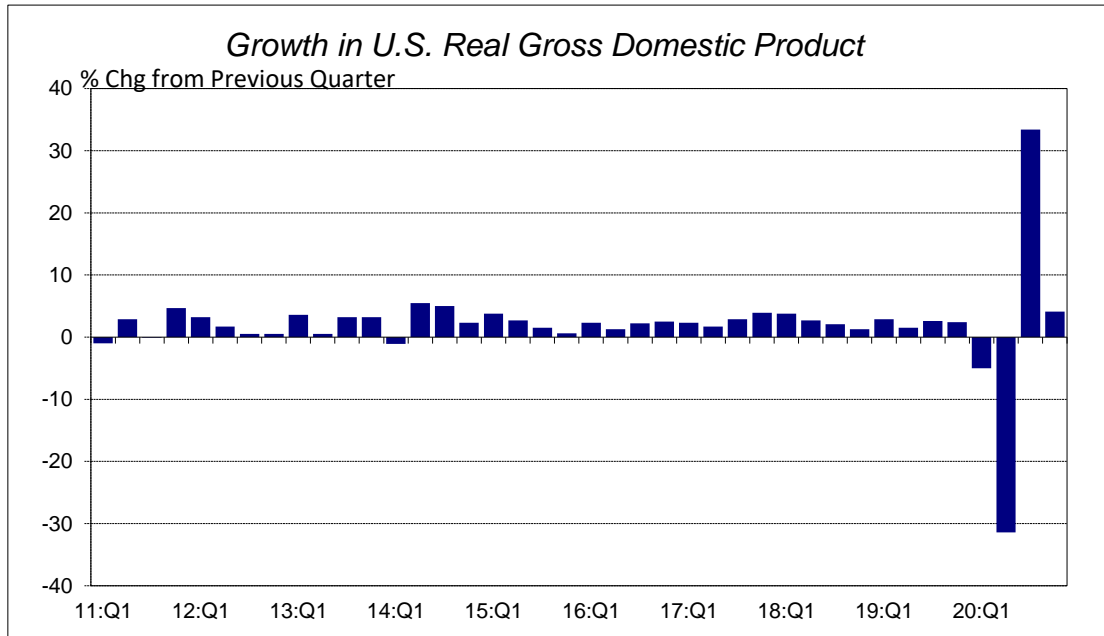
Daily Cotton Price and Currency Data  
March 2021



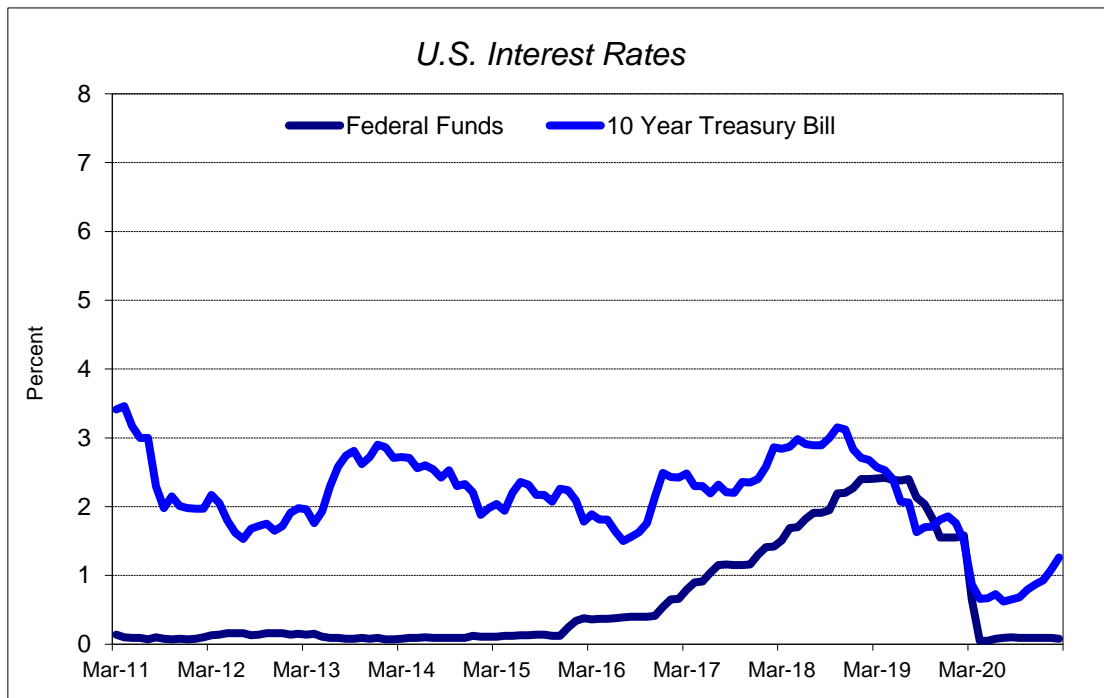
Daily Cotton Price Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	December	January	February		
NY Nearby	70.1	71.0	69.8	68.4	74.8	80.7	86.9	cents/pound	ICE
A Index	79.0	80.1	78.7	77.2	81.2	87.1	92.6	cents/pound	Cotlook

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	114.2	115.3	113.9	112.0	112.1	111.3	112.5	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.76	6.81	6.63	6.49	6.53	6.46	6.48	Chinese Renminbi/US dollar	Reuters
Indian Rupee	69.14	71.35	73.45	73.30	73.80	73.18	72.93	Indian Rupee/US dollar	Reuters
Japanese Yen	109.04	108.43	104.68	104.15	104.20	102.79	105.47	Japanese Yen/US dollar	Reuters
Pakistani Rupee	129.92	146.23	161.60	160.08	160.05	160.25	159.95	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	3.91	4.33	5.38	5.28	5.17	5.31	5.36	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.31	1.32	1.30	1.28	1.28	1.27	1.28	Canadian dollar/US dollar	Reuters
Mexican Peso	19.55	20.02	20.58	19.94	19.78	19.92	20.13	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.77	0.77	0.75	0.74	0.74	0.74	0.73	British Pound/US dollar	Reuters
Euro	0.88	0.87	0.84	0.82	0.82	0.81	0.83	Euro/US dollar	Reuters
Swiss Franc	0.97	0.97	0.90	0.89	0.89	0.88	0.90	Swiss Franc/US dollar	Reuters
Turkish Lira	4.95	5.99	7.65	7.42	7.81	7.39	7.06	Turkish Lira/US dollar	Reuters



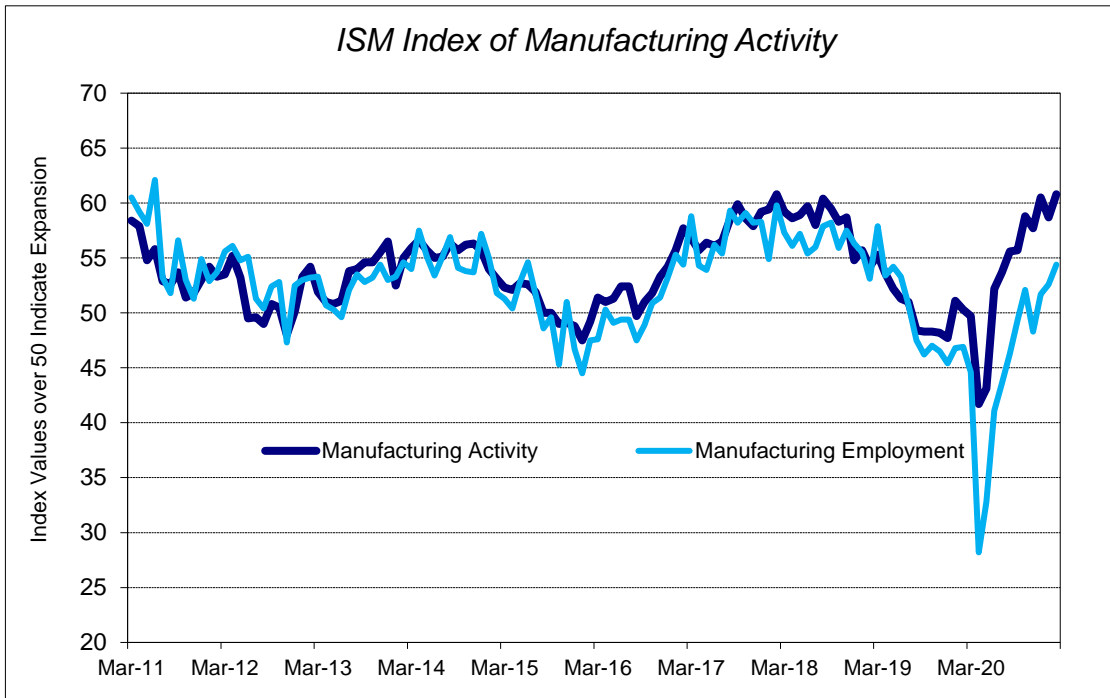
Seasonally Adjusted Annual Rate; Source: Department of Commerce  
 \*Based on chained 2005\$.



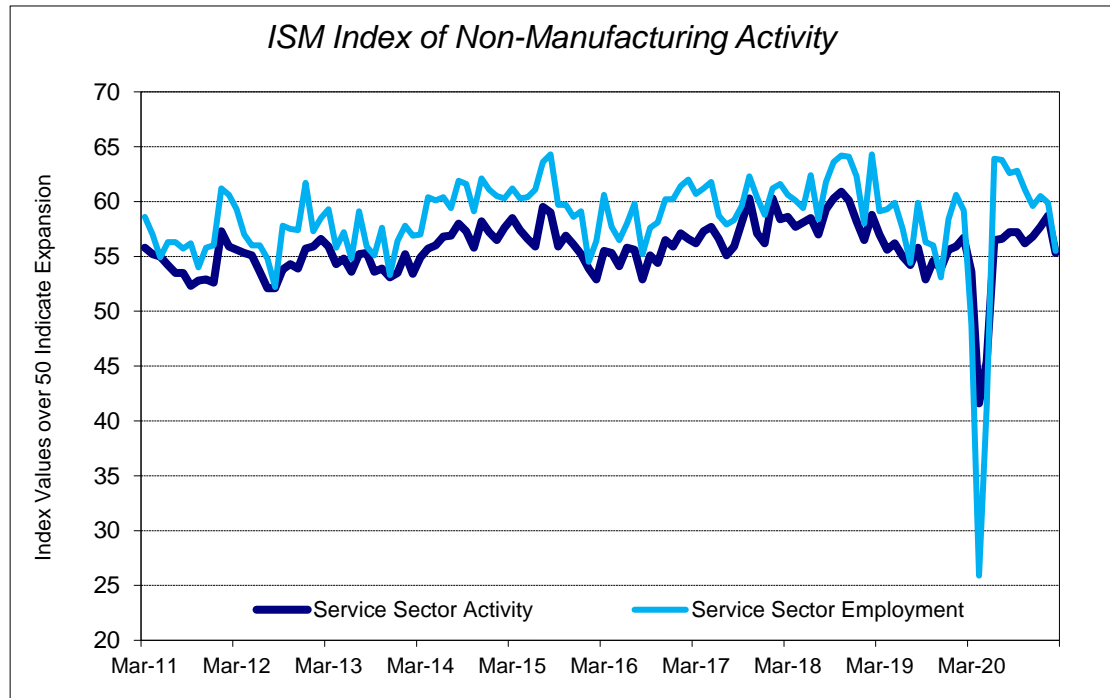
Source: Federal Reserve

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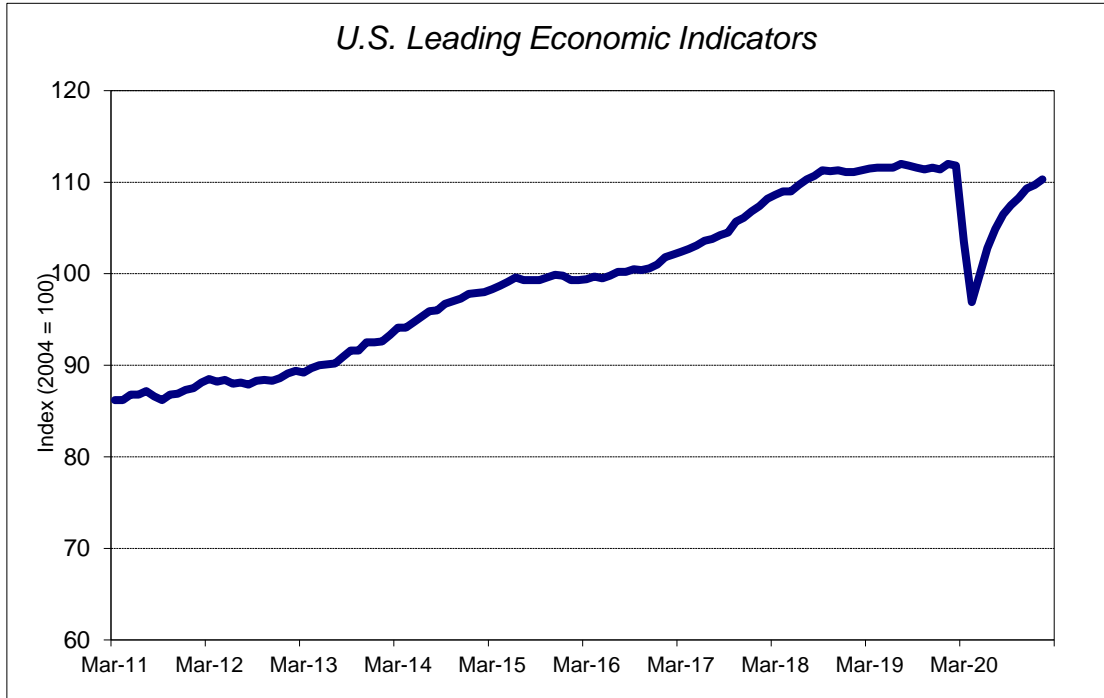
Source: Institute for Supply Chain Management



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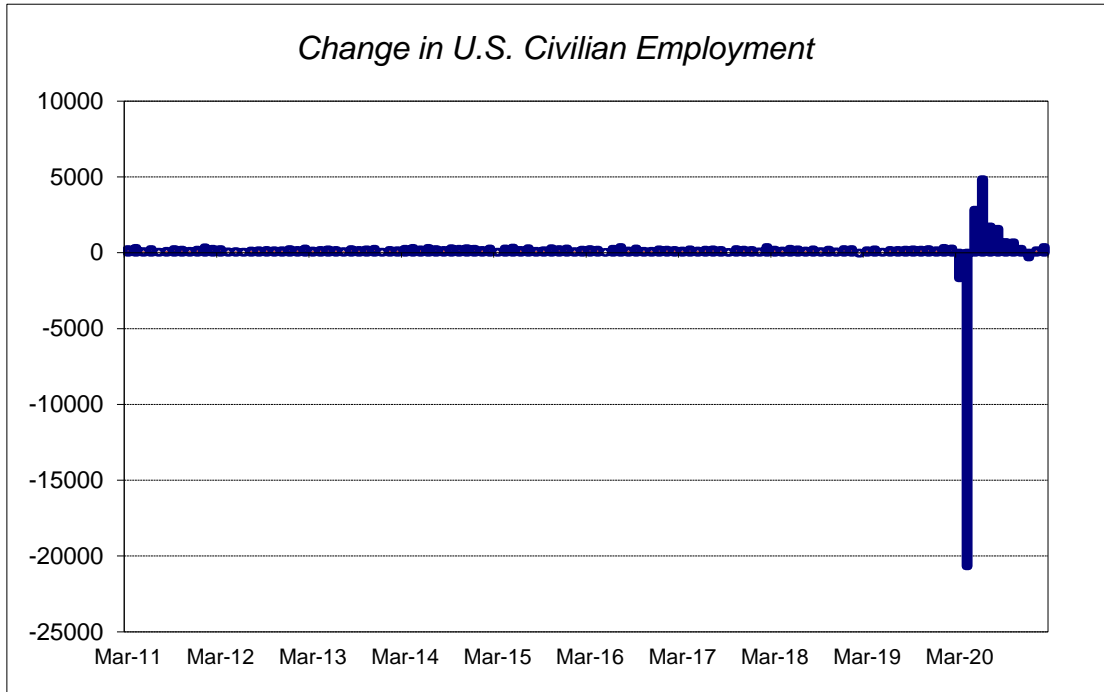
Source: The Conference Board



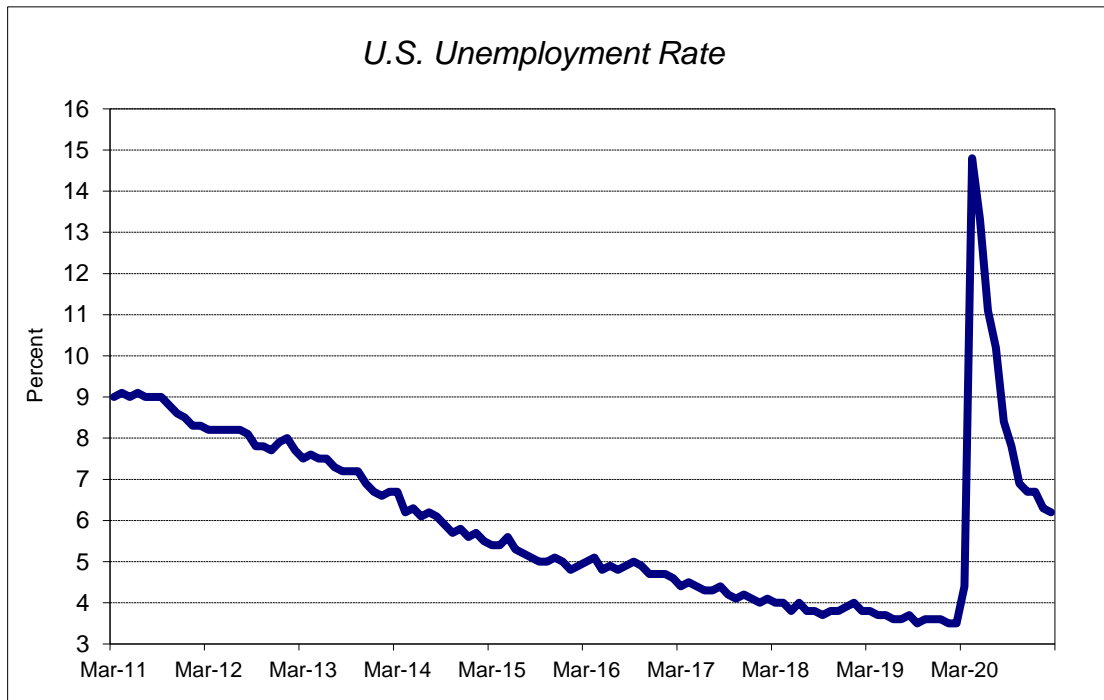
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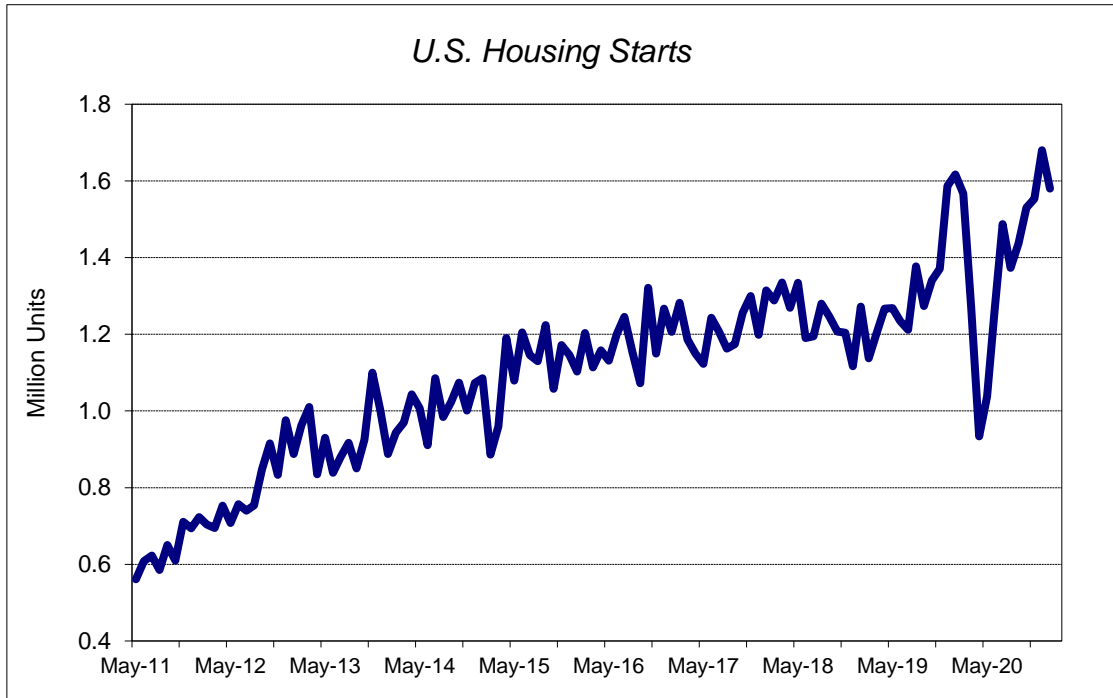
Source: Bureau of Labor Statistics



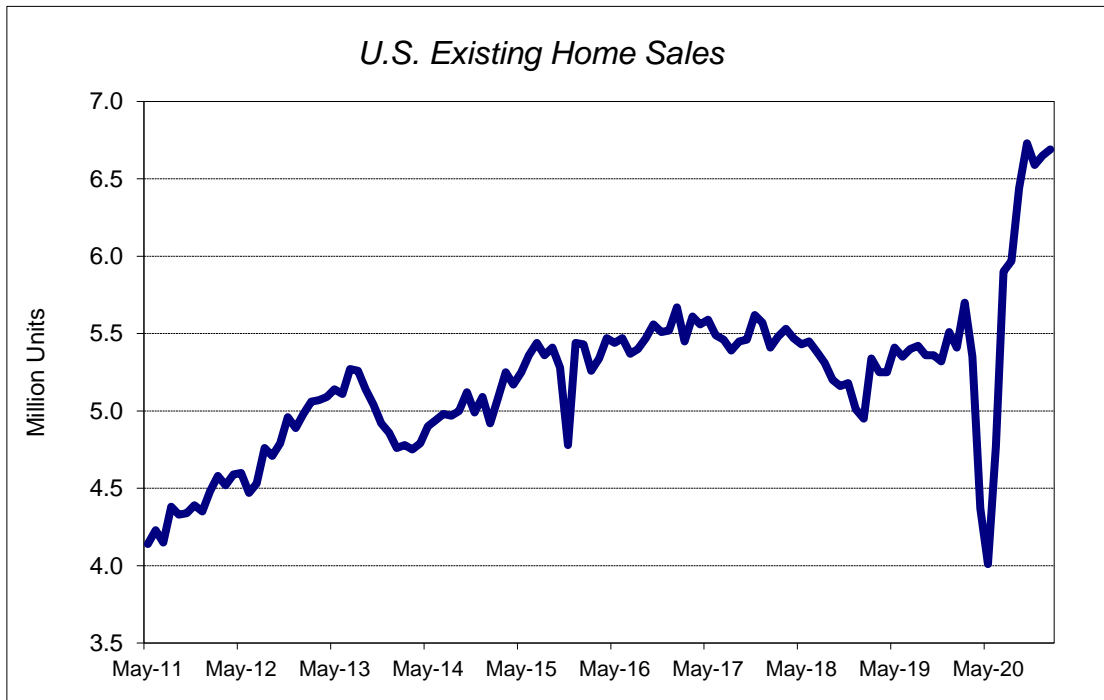
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Seasonally Adjusted Annual Rate; Source: Department of Commerce

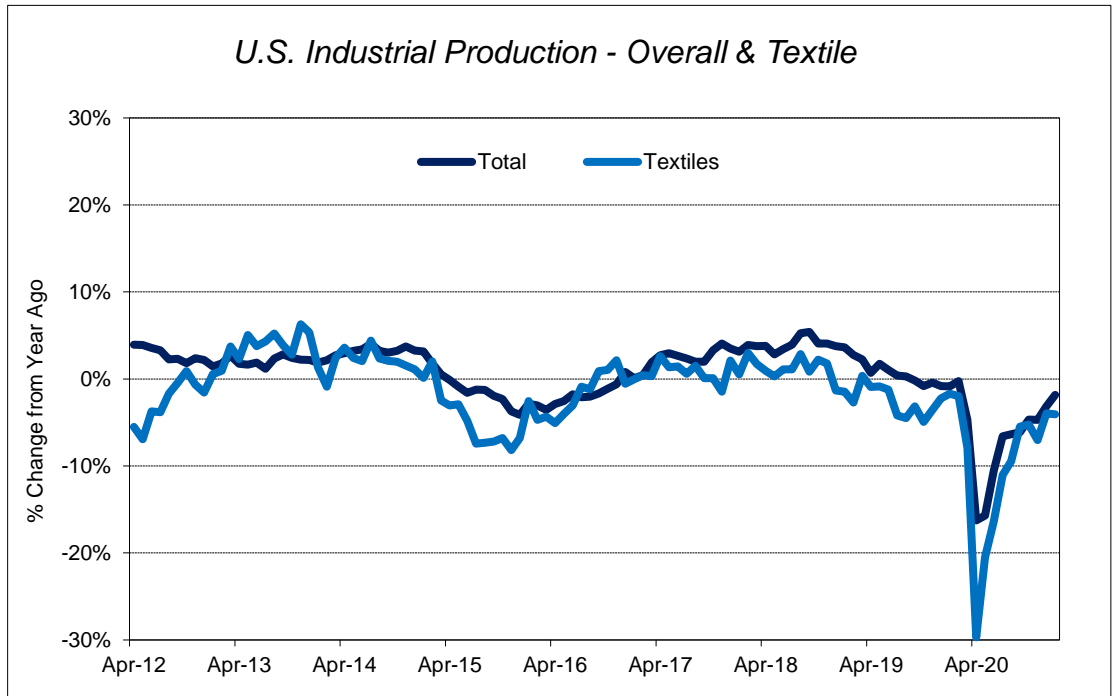


Seasonally Adjusted Annual Rate; Source: National Association of Realtors

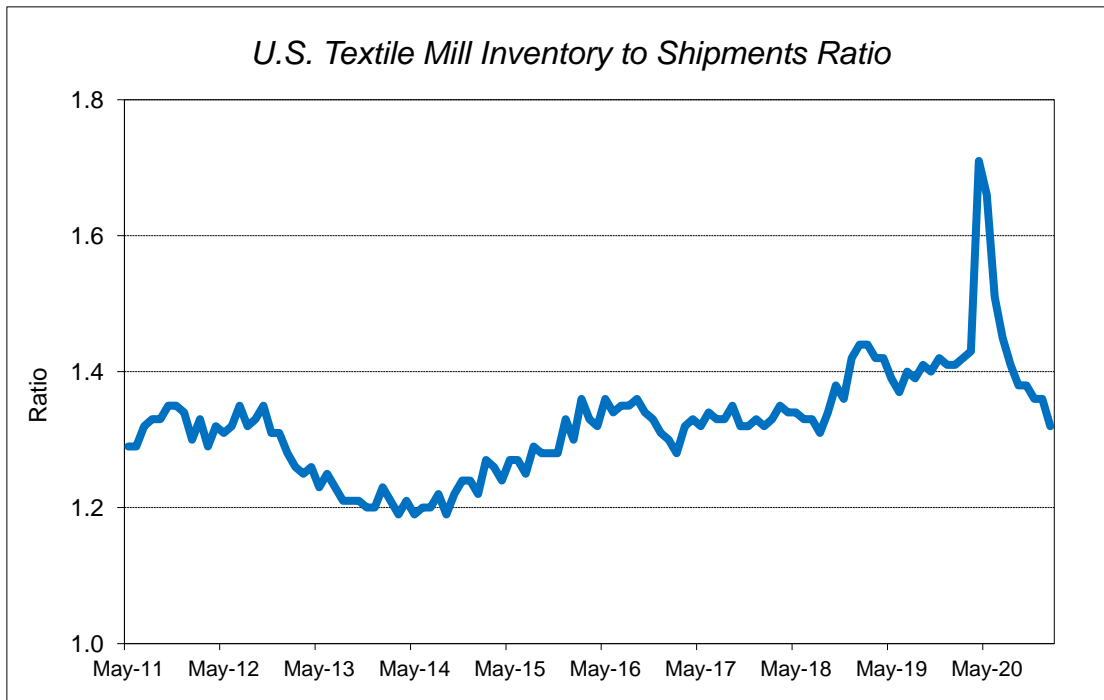
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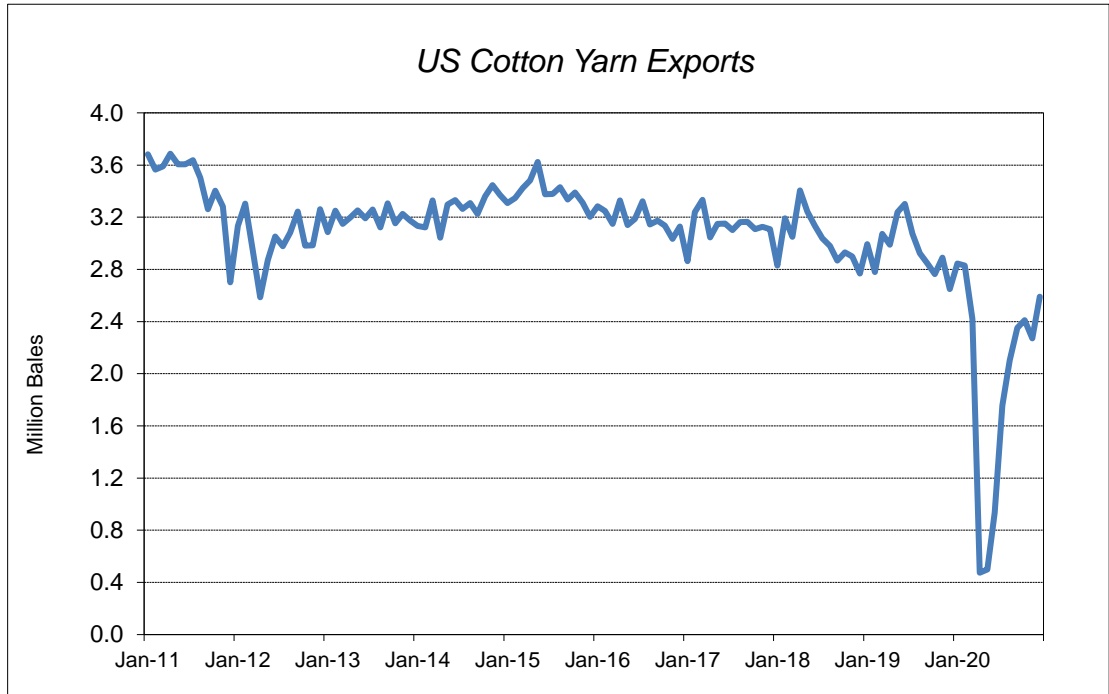
Source: Federal Reserve. Historical data revised to 1997 baseline.



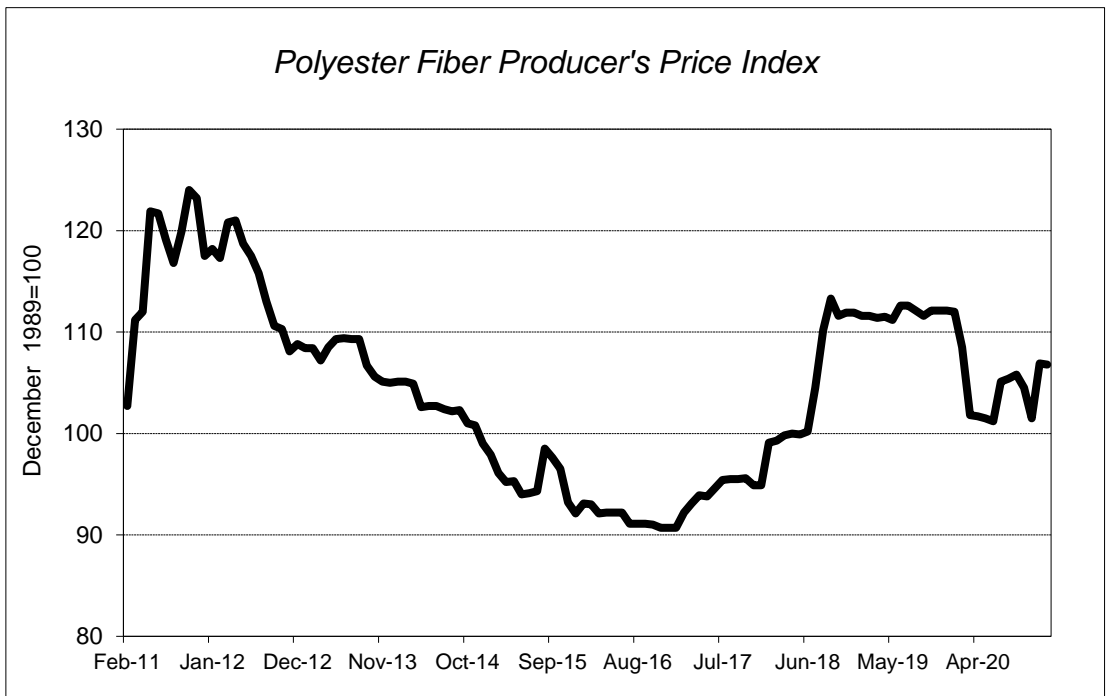
Seasonally Adjusted; Source: Department of Commerce

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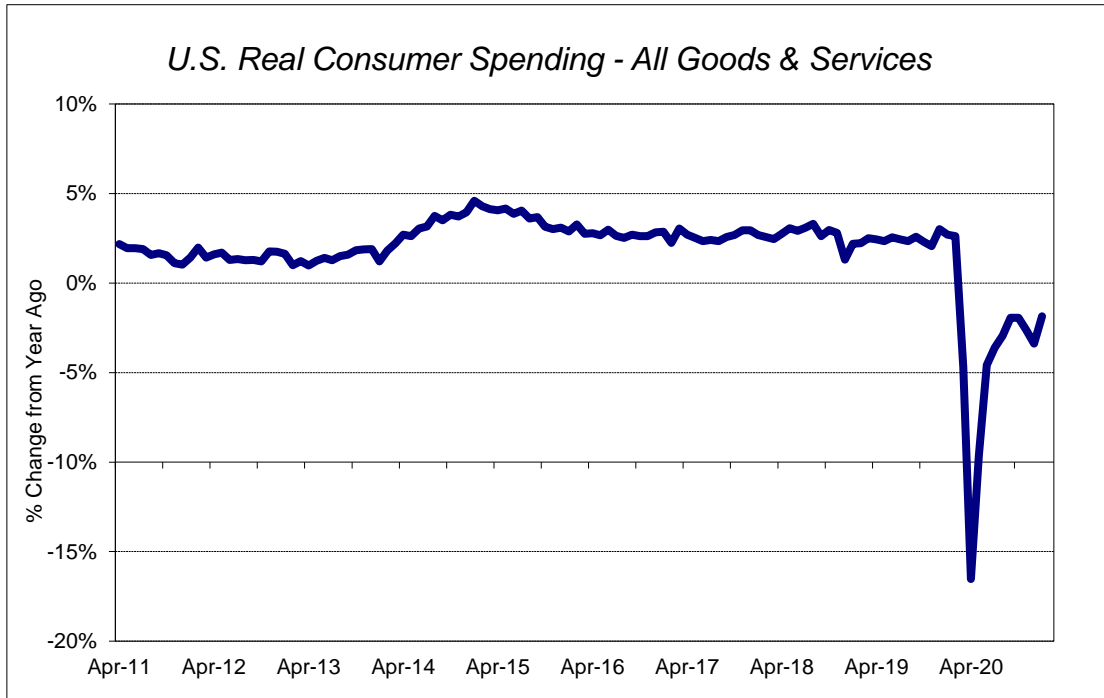
Seasonally Adjusted Annual Rate  
 Source: USDA ERS



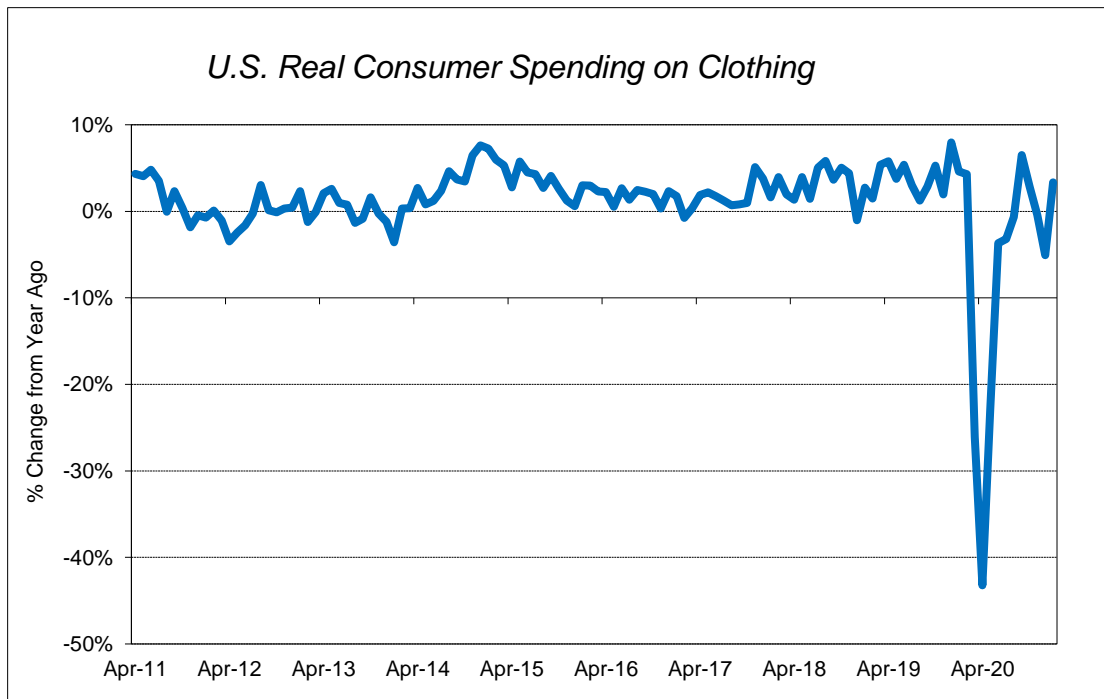
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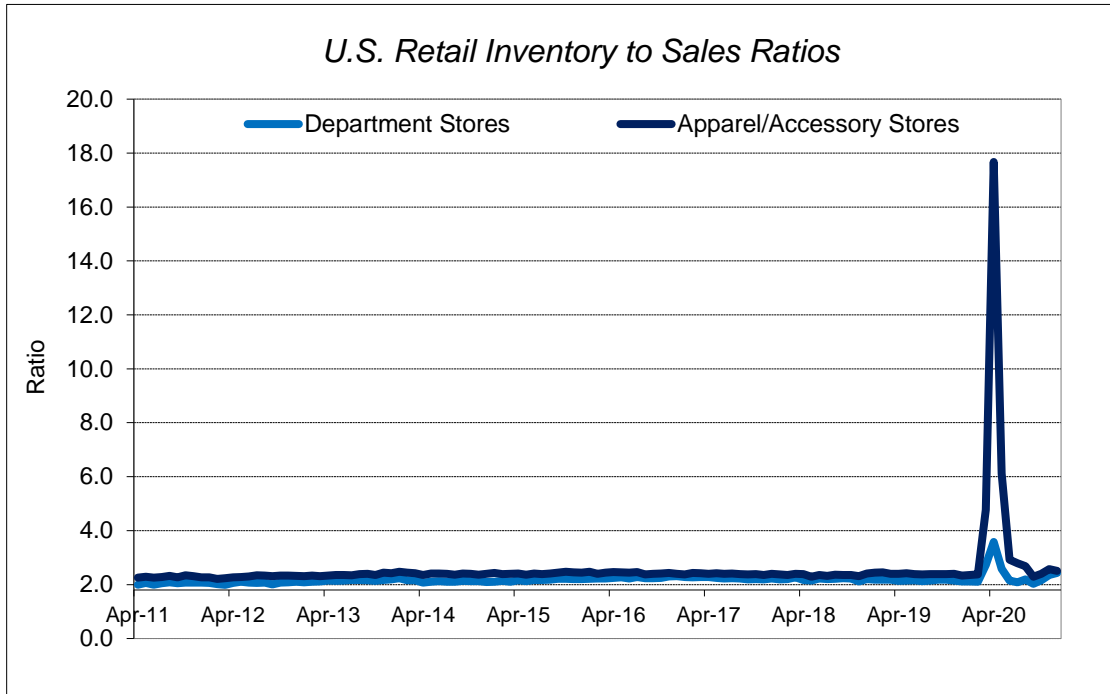
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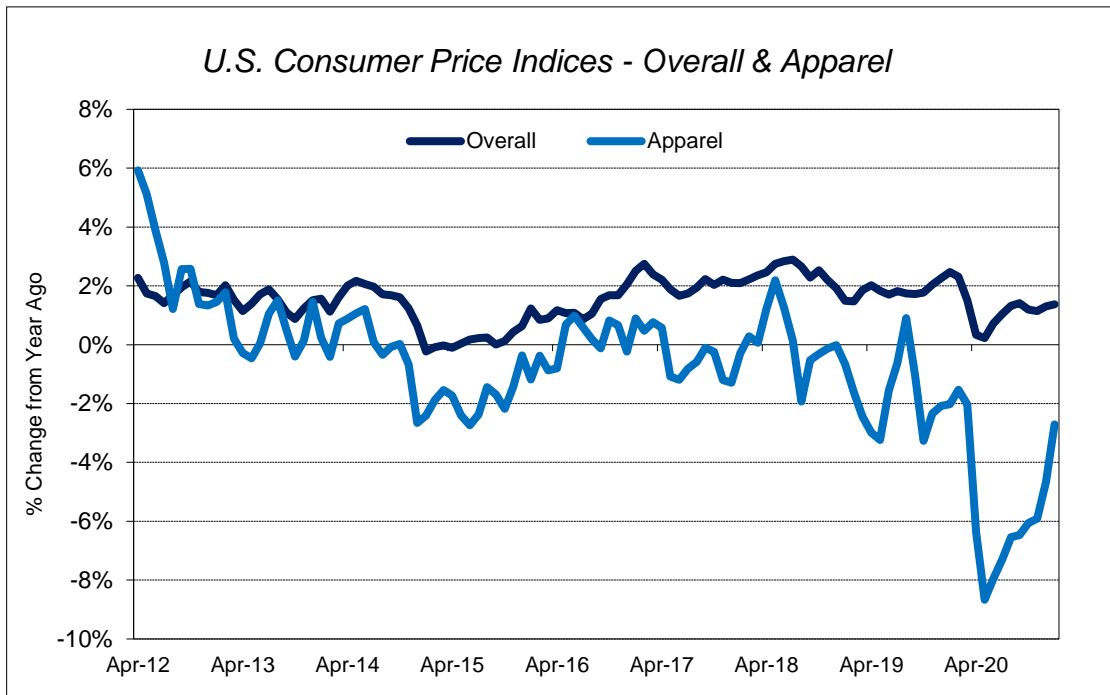
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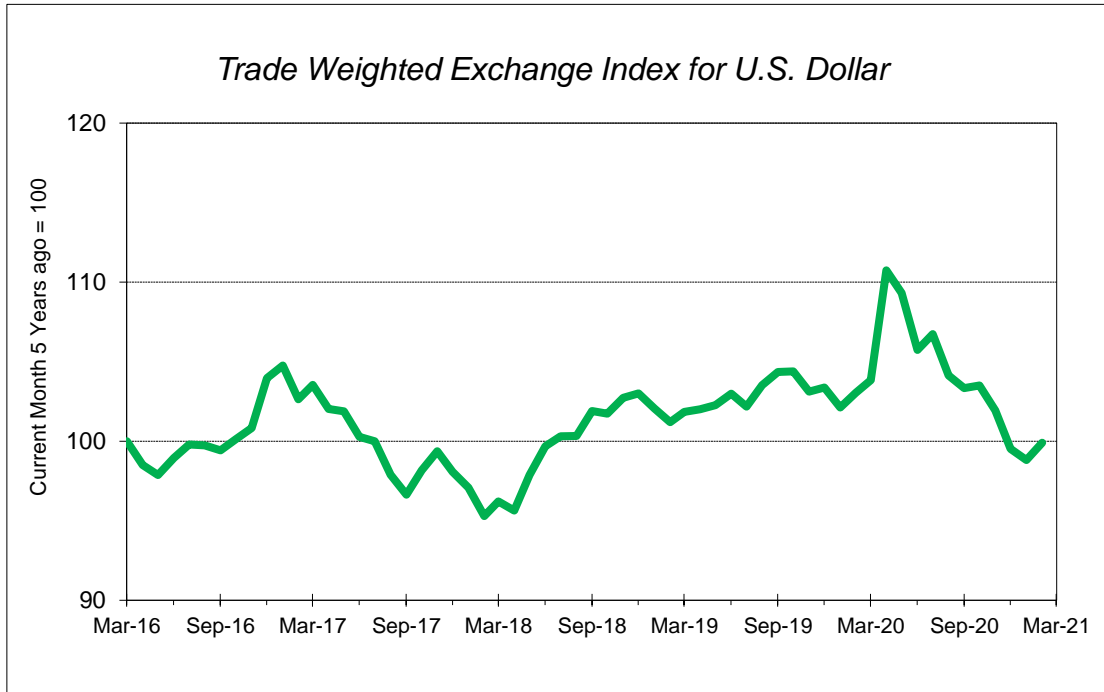
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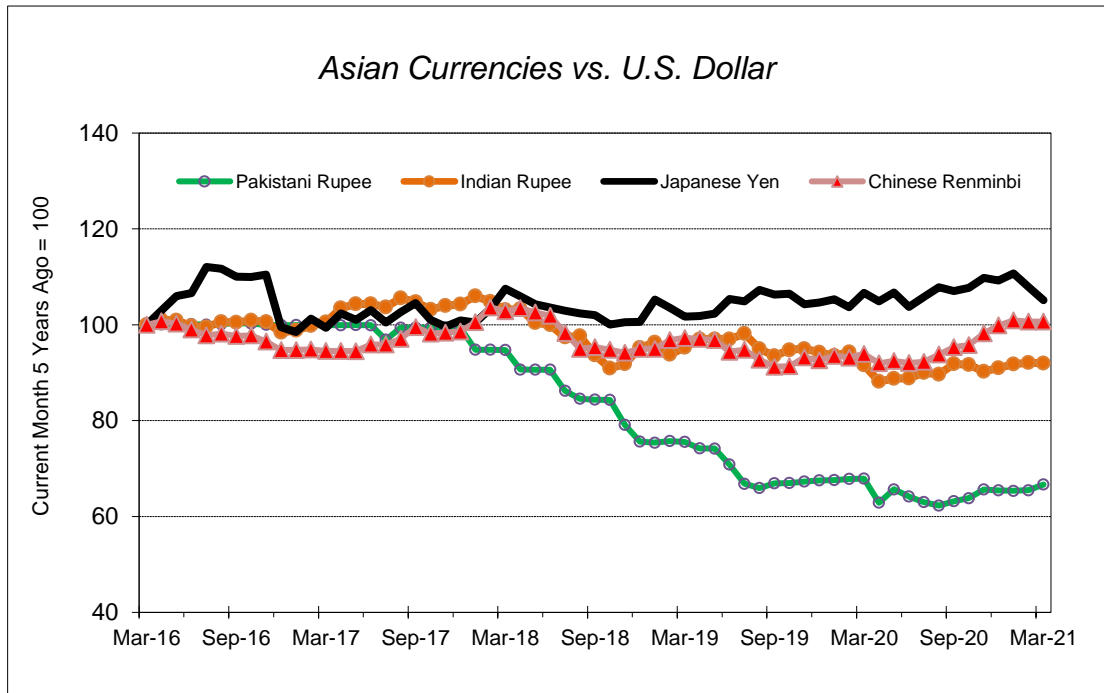
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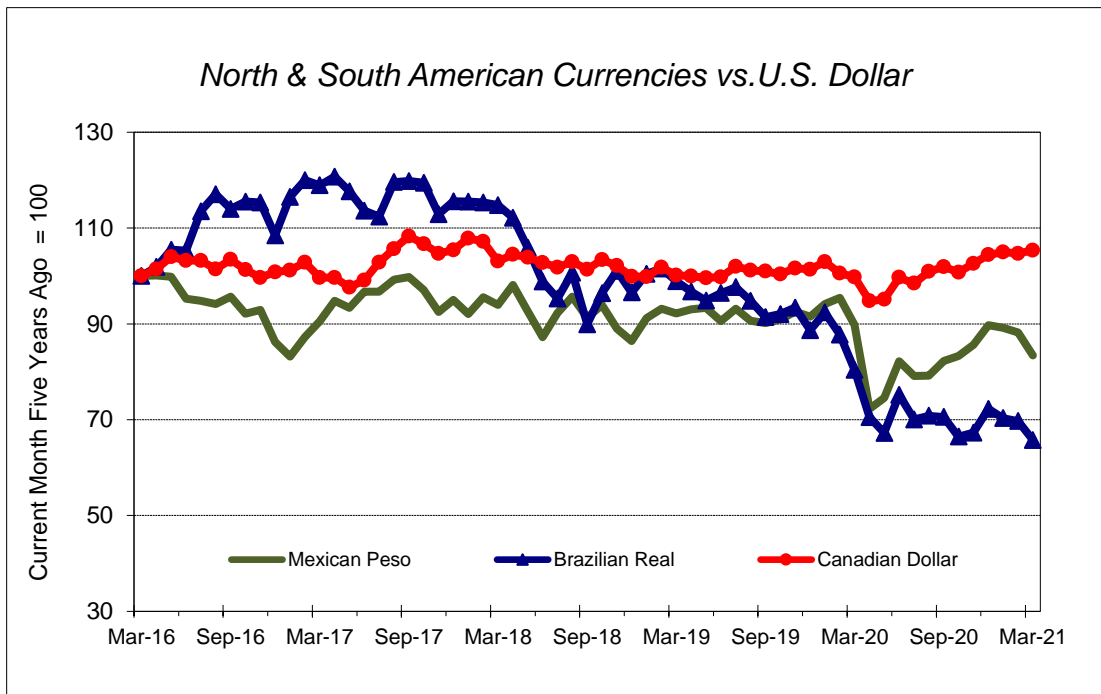
Source: Federal Reserve



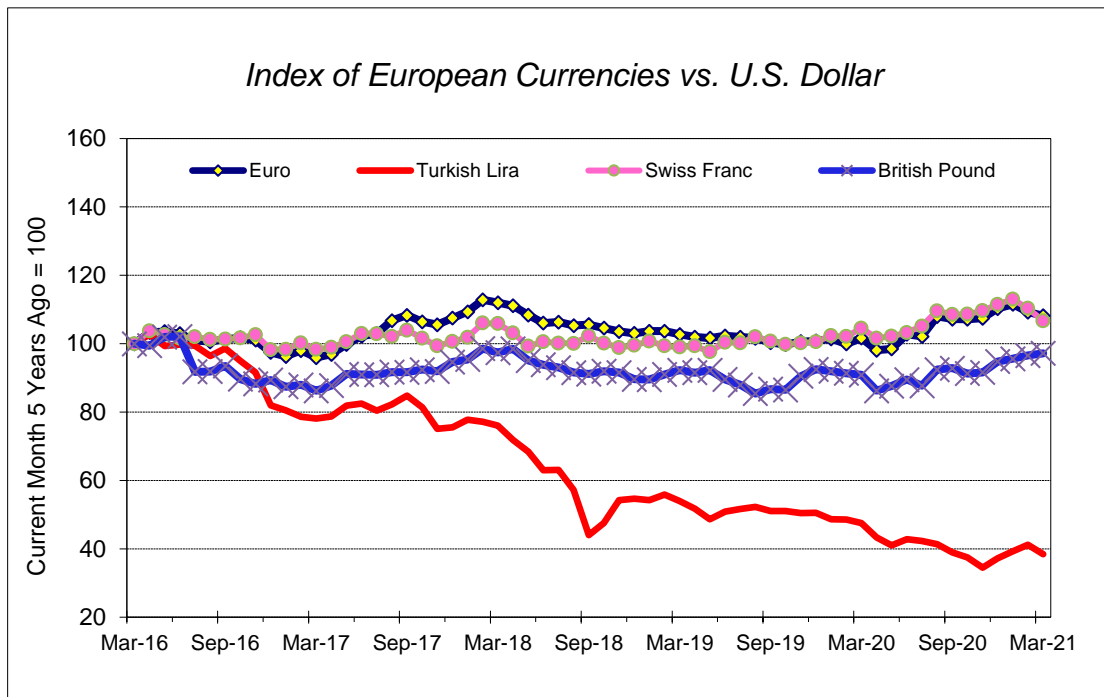
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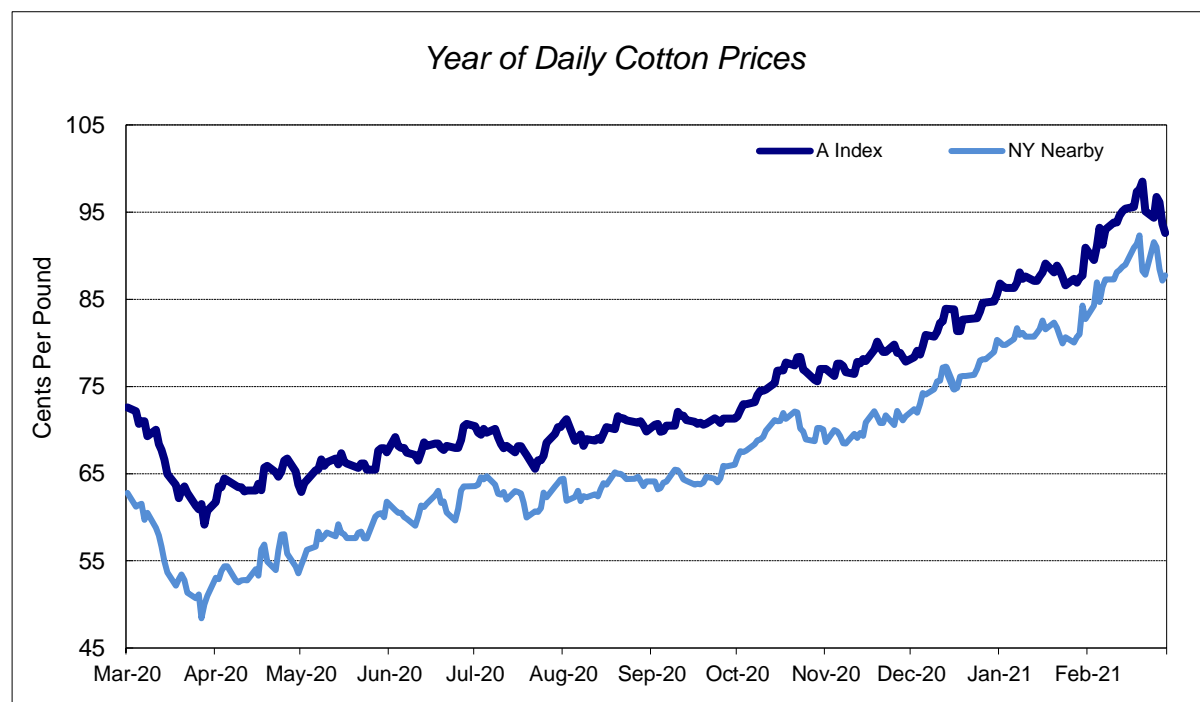
Source: Reuters

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## U.S. Balance Sheet

million 480 lb. bales	2016/17	2017/18	2018/19	2019/20	2020/21 January	2020/21 February
Beginning Stocks	3.8	2.8	4.2	4.9	7.3	7.3
Production	17.2	20.9	18.4	19.9	15.0	15.0
Imports	0.0	0.0	0.0	0.0	0.0	0.0
Supply	21.0	23.7	22.6	24.8	22.2	22.2
Mill-Use	3.3	3.2	3.0	2.2	2.4	2.4
Exports	14.9	16.3	14.8	15.5	15.3	15.5
Demand	18.2	19.5	17.8	17.7	17.7	17.9
Ending Stocks	2.8	4.2	4.9	7.3	4.6	4.3
Stocks/Use Ratio	15.1%	21.5%	27.2%	41.0%	26.1%	24.0%



Sources: ICE Futures U.S. & Cotton Outlook

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