

Executive Cotton Update

U.S. Macroeconomic Indicators &
the Cotton Supply Chain



August 2021

www.cottoninc.com

Macroeconomic Overview: In their latest update, the Bureau of Economic Analysis (BEA) indicated that the U.S. economy surpassed its pre-COVID peak of activity in the second quarter. The data are more challenging to aggregate at the global level, but there are estimates the world may have also surpassed its pre-COVID peak last quarter. Full recoveries only a year after the spread of the worst pandemic in a century are remarkable. However, the virus has had meaningful negative impacts. Pulling slightly beyond previous volumes of activity means that stronger growth that could have been enjoyed in the absence of the pandemic was missed.

In the third quarter and beyond, the U.S. economy faces cross-directional influences. Consumer demand should support further economic growth. Consumer confidence has returned to the near-record levels registered before the pandemic. Alongside recent wage growth and the savings accumulated during the pandemic, optimism could be expected to contribute to healthy rates of spending growth into the future.

A resurgence in COVID and its associated constraints on the supply side may impede some of that growth in spending. The Delta variant has already caused restrictions in several important manufacturing countries. A current hotspot is Vietnam (the second-largest source for U.S. cotton-dominant apparel imports), and there are concerns that the virus may also lead China to reimpose regulations (top source for U.S. cotton-dominant apparel imports).

The shuttering of factories compounds complications posed by shipping bottlenecks. U.S. inventory-to-sales ratios across a range of industries have been setting record lows, and the cost of getting goods to market has been rising. To the extent that these costs are passed through to consumers, higher prices could eventually affect retail demand. For apparel, prices have increased month-over-month in each of the past three months. However, COVID caused a price drop, and recent increases have not been enough to lift price levels above those before the pandemic.

Concerns about inflation can prompt the Federal Reserve to increase interest rates, which can slow economic growth. Recent statements from officials with the central bank suggest that rate increases could start in early 2023. Markets can be forward-looking, but this timeframe would still allow for borrowing to occur at rates near zero for more than a year.

Employment: In July, the U.S. economy was estimated to have added +943,000 jobs. This is the largest monthly increase since August 2020. Revisions to figures for previous months were positive, with the estimate for May rising +31,000 positions to +583,000 and the estimate for June rising +88,000 positions to +938,000. The 12-month average for job gains is 605,000. Since COVID, there has been a net loss of 5.7 million positions.

The unemployment rate fell 0.5 points to 5.4%. At the worst point following the onset of COVID, the unemployment rate was 14.8%. Before COVID, in February 2020, the unemployment rate was 3.5%, which was the lowest level in more than 50 years.

The spread of the Delta variant of the COVID virus may prompt additional restrictions on consumer activity and threaten to reverse some recent improvements in the labor market. However, that threat has yet to materialize in data. Initial claims for unemployment insurance have set new post-pandemic lows in recent months and have been below 400,000/week in five of the past six weeks.

Consumer Confidence & Spending: The Conference Board's Index of Consumer Confidence was nearly unchanged in July. The current value of 129.1 is the highest since the pandemic and is nearly equal to the values posted before its onset (132.6 in February 2020).

Overall consumer spending increased 0.5% month-over-month in June, while spending on apparel increased 2.0%. Year-over-year comparisons are affected by the sharp contraction that occurred one year ago. Overall spending was up 9.2% relative to June 2020, and spending on clothing was up 24.1%.

Consumer Prices & Import Data: Retail prices for apparel increased 0.8% month-over-month in June. Year-over-year, clothing prices were 4.4% higher. However, the current value for the CPI for apparel is still below values before COVID (113.1 in June 2021, 115.7 in February 2020).

Average prices for cotton-dominant apparel imports have also been rising. In terms of USD per square-meter equivalent, the average cost was \$3.14/SME in June. This is 6.5% higher than the record low registered in March (\$2.95/SME) but 7.6% below the levels near \$3.40/SME that were common before the pandemic.

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
August 2021



Macroeconomic Data

Quarterly Data

	Recent Averages				Values in Recent Quarters			Unit	Source
	5-year	1-year	6-month	3-month	Q4 : 2020	Q1 : 2021	Q2 : 2021		
Growth in US Real GDP	2.2%	2.1%	5.4%	6.3%	4.5%	6.3%	6.5%	% Chg. Quarter/Quarter	Department of Commerce

Macroeconomic Series with Latest Data for July

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	May	June	July		
ISM Index of Manufacturing Activity	55.3	54.5	61.1	60.8	61.2	60.6	59.5	Index	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	56.7	56.6	60.8	62.3	64.0	60.1	64.1	Index	Institute for Supply Management
Consumer Confidence	117.5	117.1	110.6	122.1	120.0	128.9	129.1	Index	The Conference Board
Change in Non-Farm Payrolls	28.8	-83.4	562.5	607.0	614	938	943	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	5.1%	5.6%	6.1%	5.9%	5.8%	5.9%	5.4%	Rate	Bureau of Labor Statistics
US Interest Rates									
Federal Funds	1.1%	1.2%	0.1%	0.1%	0.1%	0.1%	0.1%	Interest rate	Federal Reserve
10-year Treasury Bill	2.0%	1.8%	1.5%	1.6%	1.6%	1.5%	1.3%	Interest rate	Federal Reserve

Macroeconomic Series with Latest Data for June

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	May	June	June		
Index of Leading Economic Indicators	107.5	109.7	112.4	114.1	113.0	114.3	115.1	Index	The Conference Board
Housing Starts	13.1	13.7	15.8	15.9	1.5	1.5	1.6	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.5	5.5	5.9	5.8	5.8	5.8	5.9	Annual pace, millions of units	National Association of Realtors

Industrial & Textile Data

Industrial & Textile Series with Latest Data for June

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	April	May	June		
US Industrial Production	99.9	99.5	98.8	99.9	99.7	100.1	100.1	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	105.2	93.7	92.1	91.8	98.2	97.9	98.2	Index, December 2003=100	Bureau of Labor Statistics

Industrial & Textile 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		
Bale Equivalence of US Cotton Yarn & Fabric Exports	3.2	2.3	2.6	2.8	2.8	2.8	2.9	million 480lb bales	USDA ERS

Industrial & Textile Series with Latest Data for June

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	April	May	June		
US Textile Mill Inventory/Shipments Ratio	1.39	1.42	1.36	1.37	1.37	1.37	1.37	Ratio	Department of Commerce

Retail Data

Retail Series with Latest Data for June

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	April	May	June		
US Real Consumer Spending									
All Goods and Services	1.9%	1.5%	11.4%	12.1%	25.5%	15.0%	9.2%	% Chg. Year/Year	Department of Commerce
Clothing	5.7%	8.2%	53.9%	40.1%	118.6%	56.1%	24.1%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	2.0%	2.0%	3.7%	5.1%	4.2%	4.9%	5.3%	% Chg Year/Year	Bureau of Labor Statistics
Clothing	-1.5%	-2.5%	0.7%	4.7%	1.3%	5.1%	4.3%	% Chg. Year/Year	Bureau of Labor Statistics

Retail Series with Latest Data for May

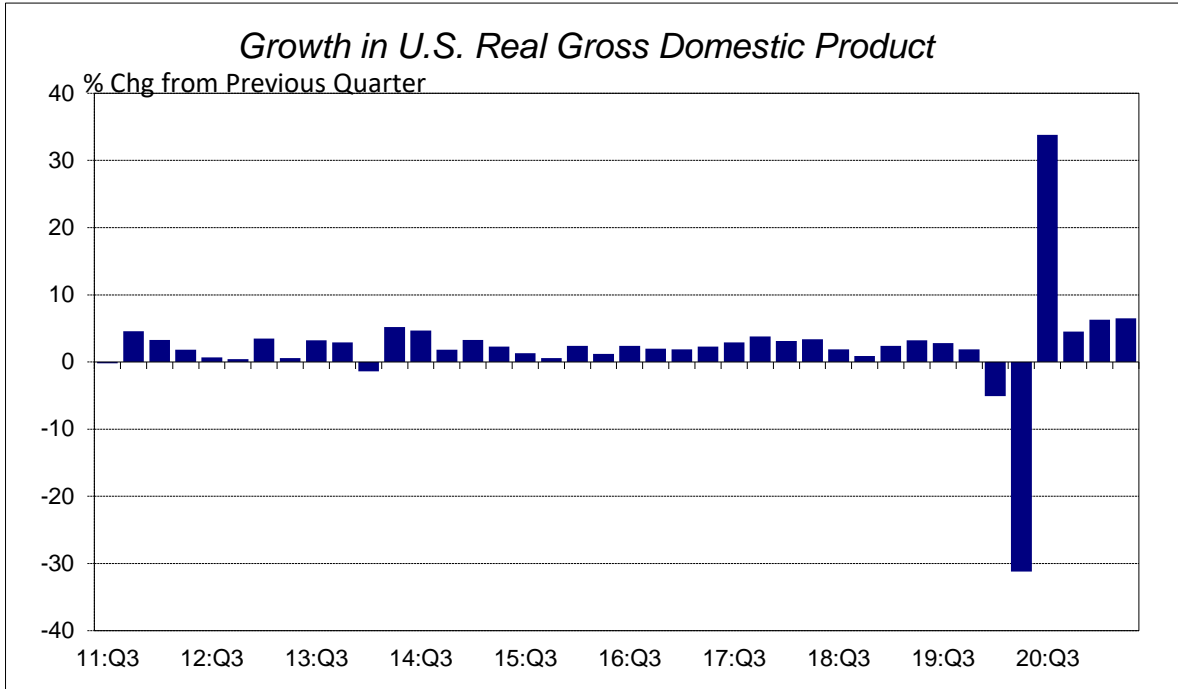
	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	March	April	May		
Retail Inventory/Sales Ratio									
Clothing and Clothing Accessory Stores	2.8	3.1	2.1	1.9	1.9	2.0	1.9	Ratio	Department of Commerce
Department Stores	2.1	2.1	1.8	1.8	1.8	1.8	1.8	Ratio	Department of Commerce

Executive Cotton Update

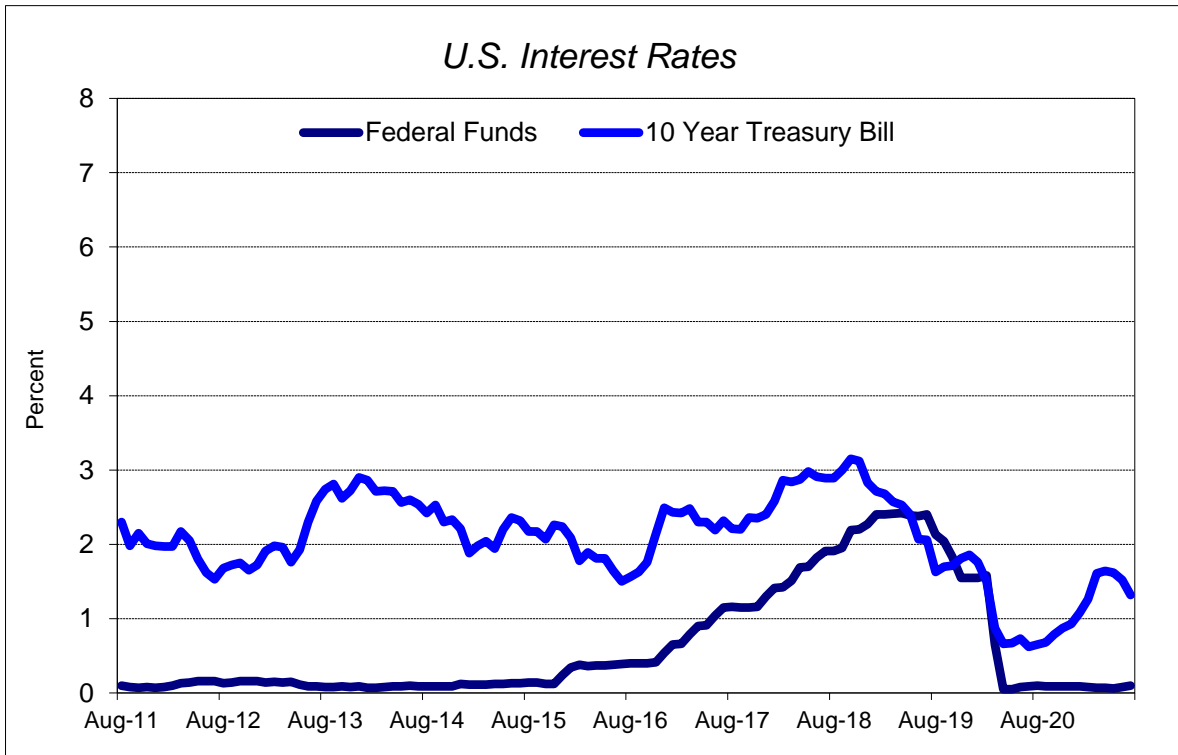
Daily Cotton Price and Currency Data
August 2021



Daily Cotton Price Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	May	June	July		
NY Nearby	71.5	72.1	72.0	70.9	84.9	85.7	89.1	cents/pound	ICE
A Index	80.4	81.1	80.6	79.5	90.9	94.6	97.8	cents/pound	Cotlook
Daily Currency Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	May	June	July		
Dollar Trade Weighted Exchange Index	114.3	115.7	112.7	112.1	112.1	111.0	113.2	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.75	6.82	6.48	6.45	6.47	6.41	6.46	Chinese Renminbi/US dollar	Reuters
Indian Rupee	69.70	72.35	73.45	73.78	73.77	73.01	74.55	Indian Rupee/US dollar	Reuters
Japanese Yen	109.06	108.49	108.77	109.72	109.08	109.52	110.57	Japanese Yen/US dollar	Reuters
Pakistani Rupee	134.08	151.67	155.91	155.08	152.25	154.63	158.38	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	4.06	4.58	5.36	5.17	5.26	5.07	5.20	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.31	1.31	1.25	1.23	1.22	1.21	1.25	Canadian dollar/US dollar	Reuters
Mexican Peso	19.75	20.19	20.29	20.04	20.19	19.95	19.99	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.77	0.77	0.72	0.72	0.72	0.71	0.72	British Pound/US dollar	Reuters
Euro	0.87	0.87	0.84	0.83	0.83	0.82	0.85	Euro/US dollar	Reuters
Swiss Franc	0.97	0.96	0.92	0.91	0.91	0.90	0.92	Swiss Franc/US dollar	Reuters
Turkish Lira	5.41	6.57	8.07	8.55	8.28	8.67	8.69	Turkish Lira/US dollar	Reuters



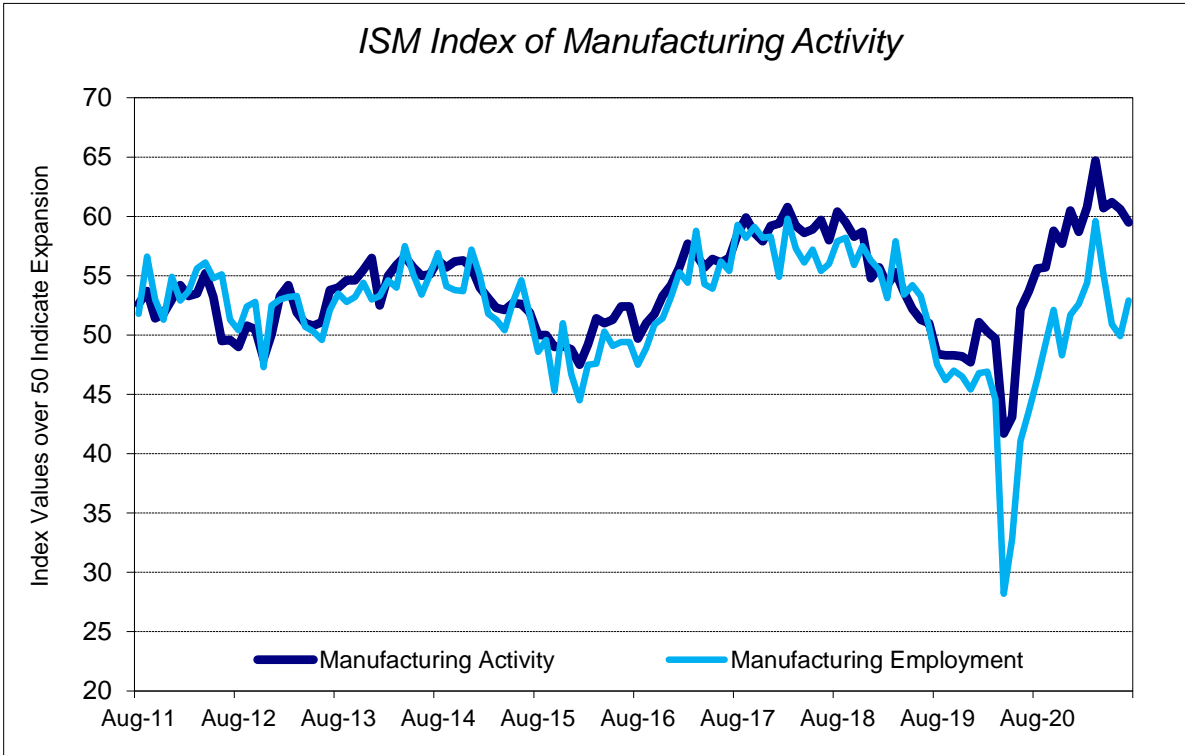
Seasonally Adjusted Annual Rate; Source: Department of Commerce
 *Based on chained 2005\$.



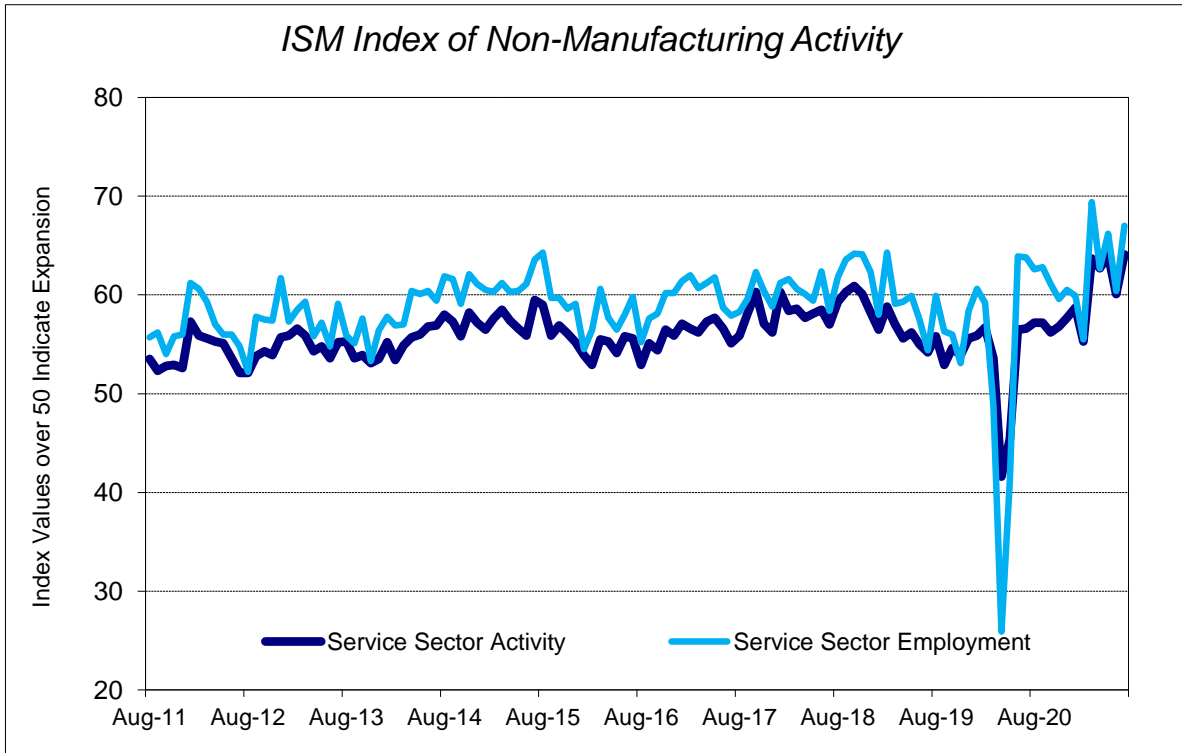
Source: Federal Reserve

[return to text](#)





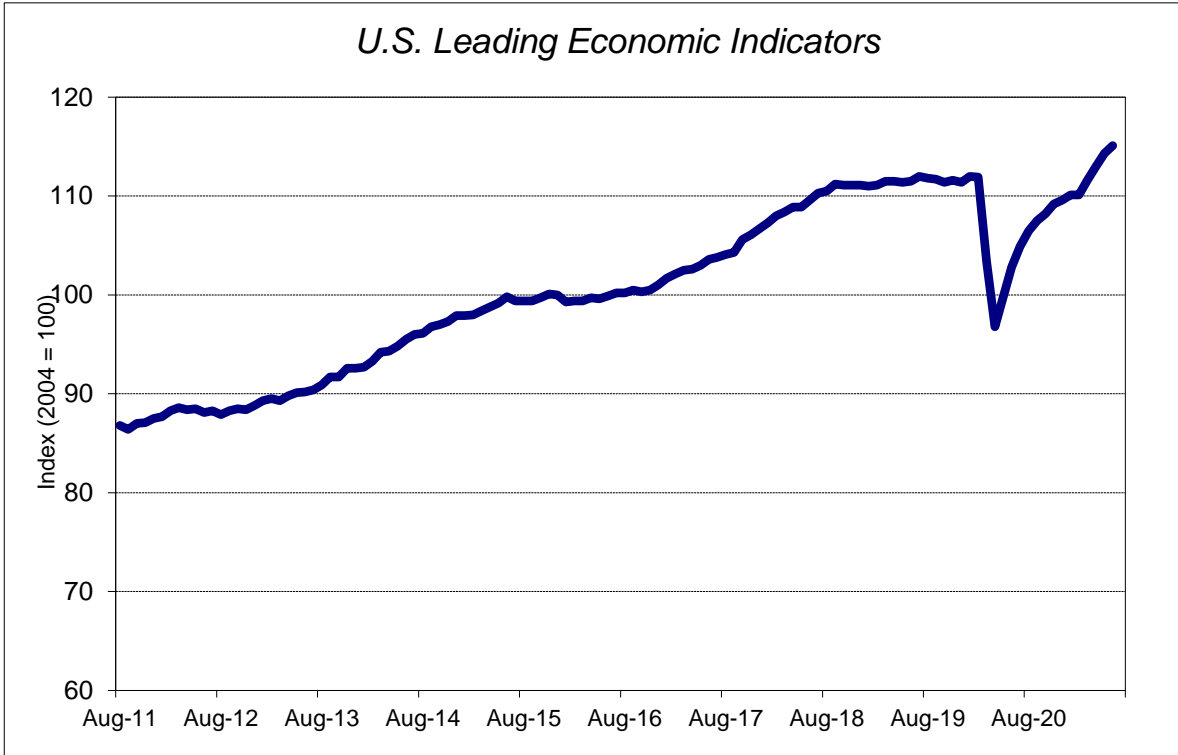
Source: Institute for Supply Chain Management



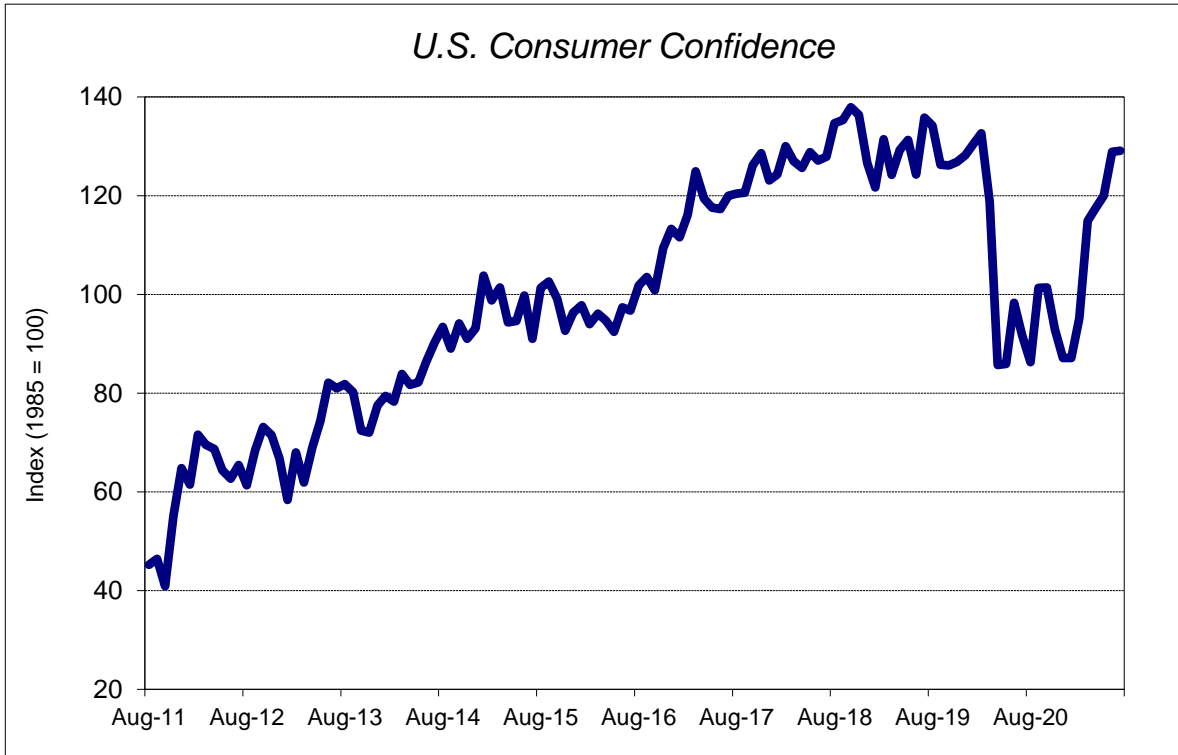
Source: Institute for Supply Chain Management

[return to text](#)





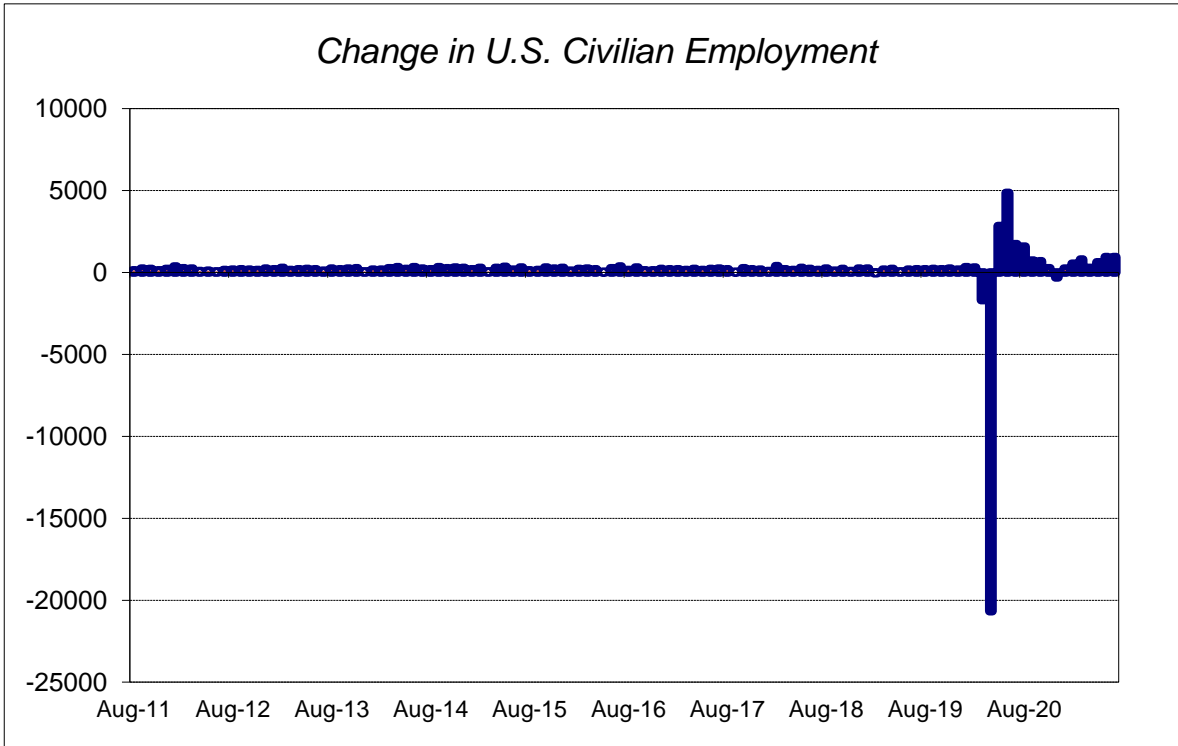
Source: The Conference Board



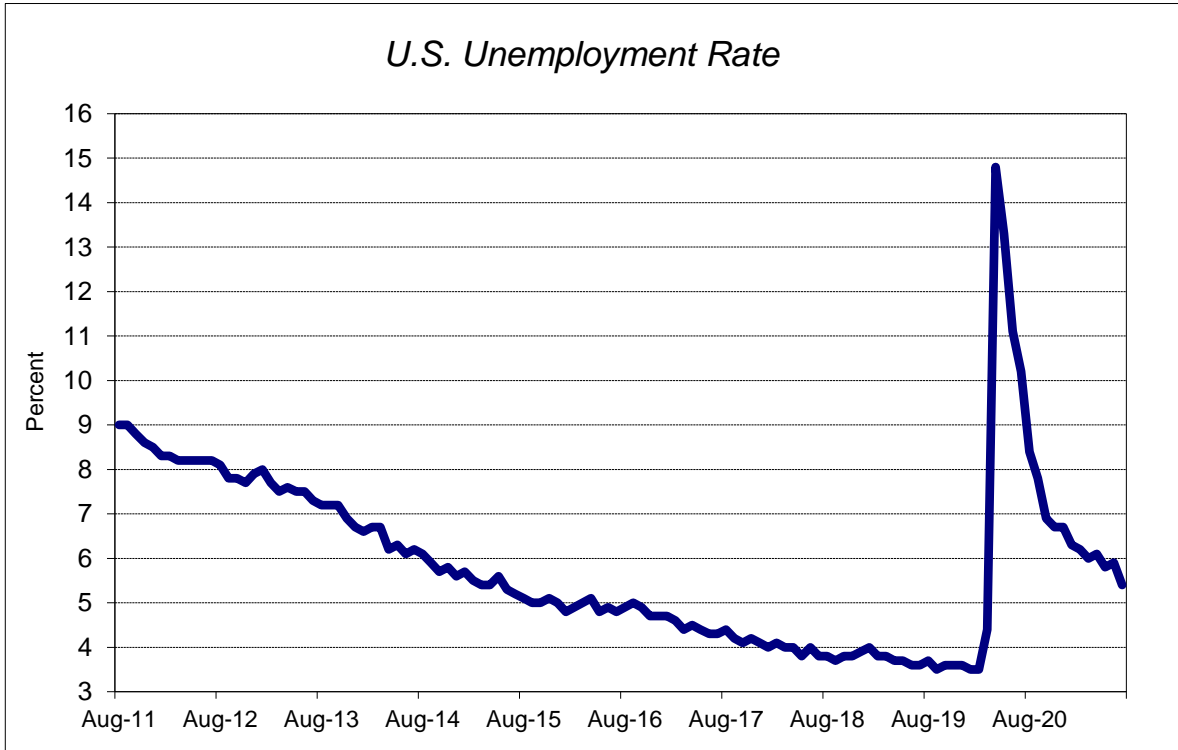
Source: The Conference Board

[return to text](#)





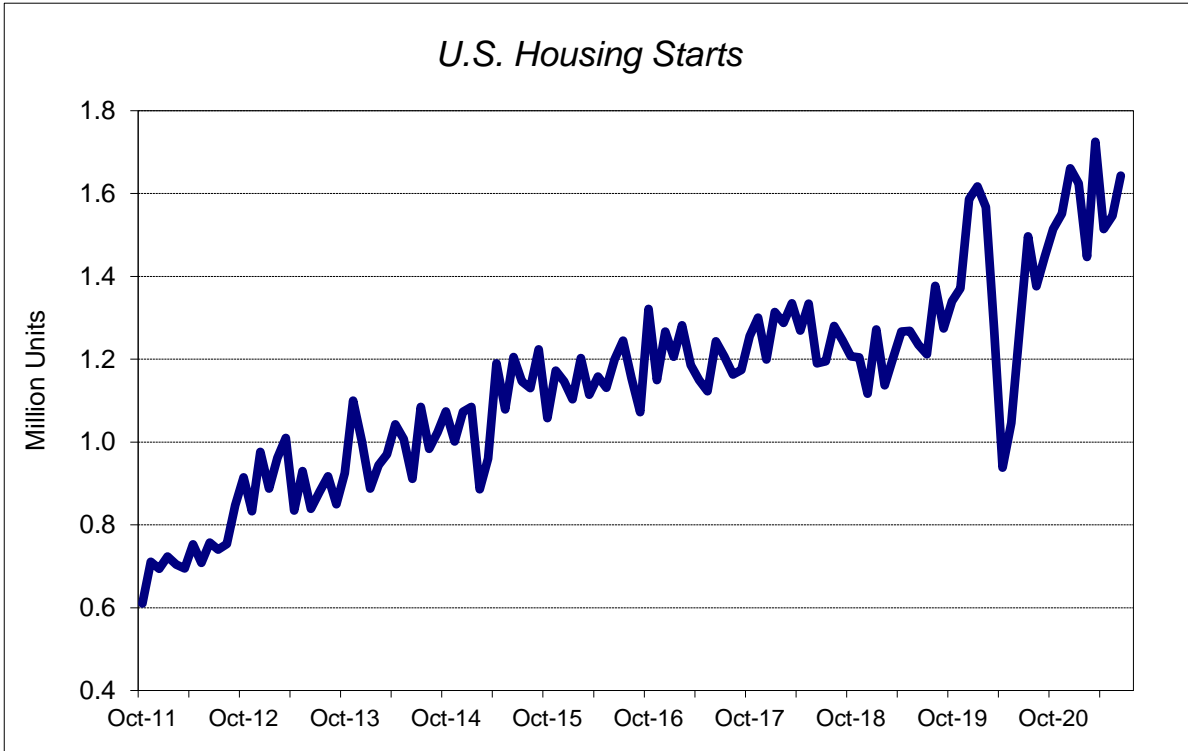
Source: Bureau of Labor Statistics



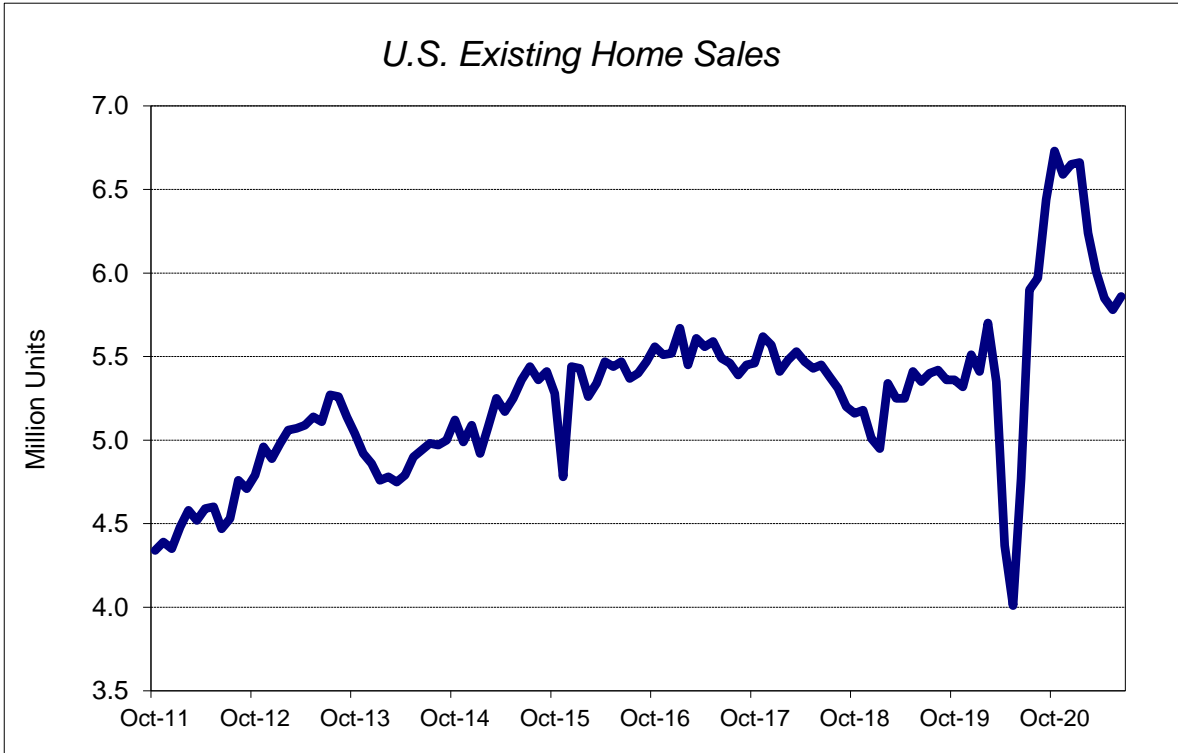
Source: Bureau of Labor Statistics

[return to text](#)





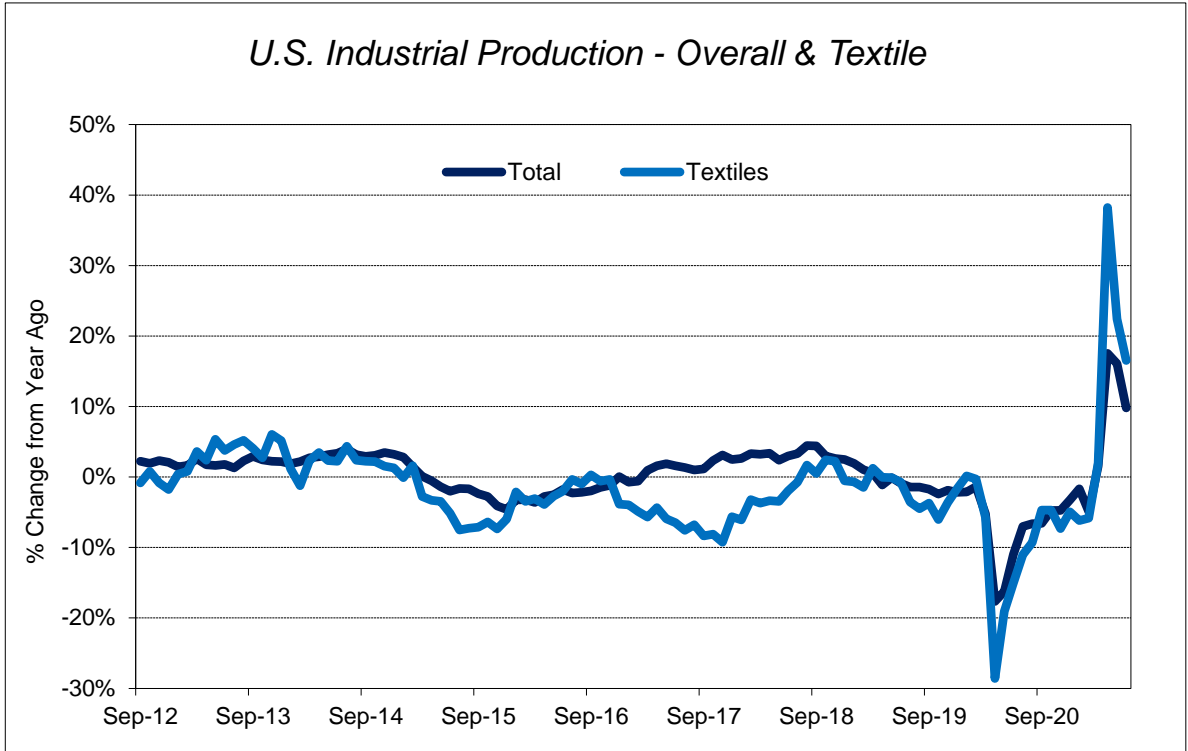
Seasonally Adjusted Annual Rate; Source: Department of Commerce



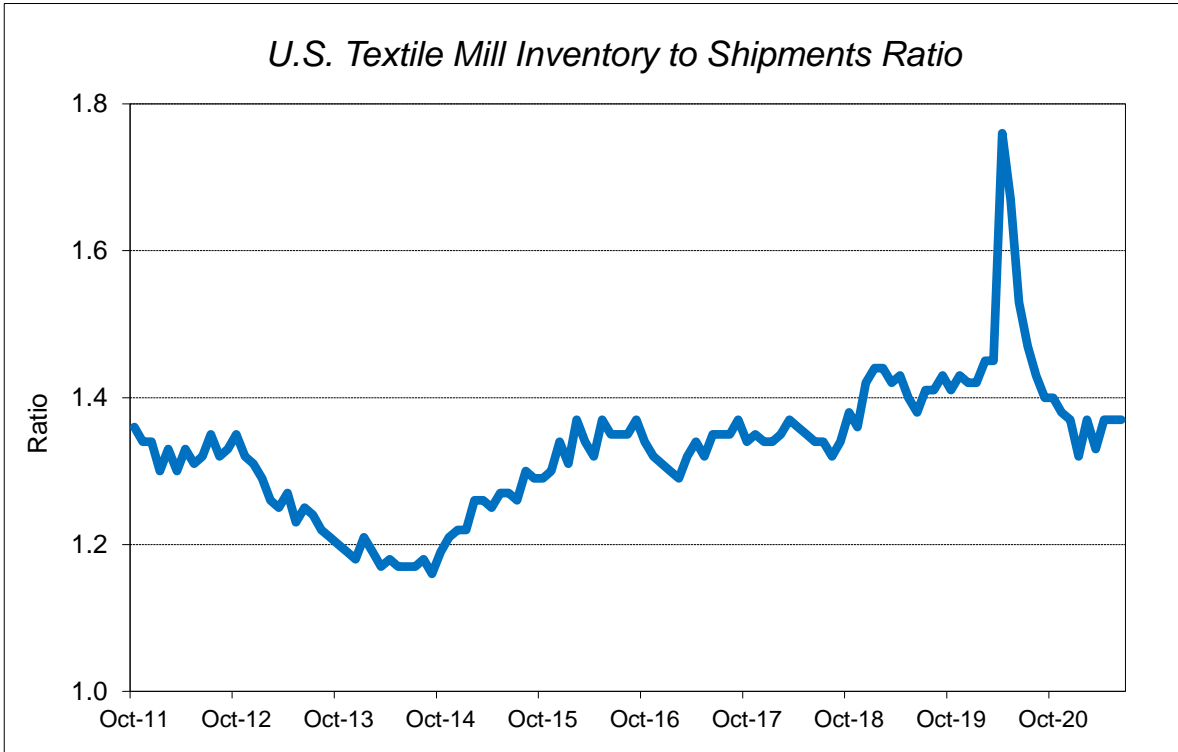
Seasonally Adjusted Annual Rate; Source: National Association of Realtors

[return to text](#)





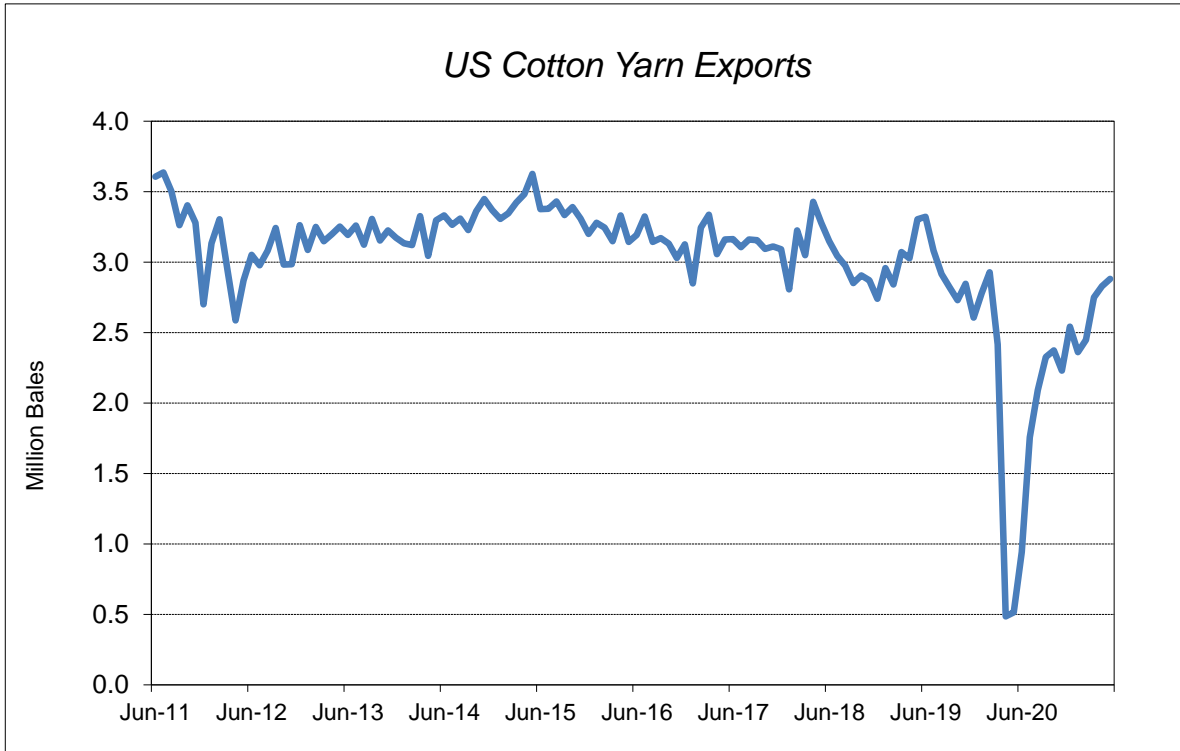
Source: Federal Reserve. Historical data revised to 1997 baseline.



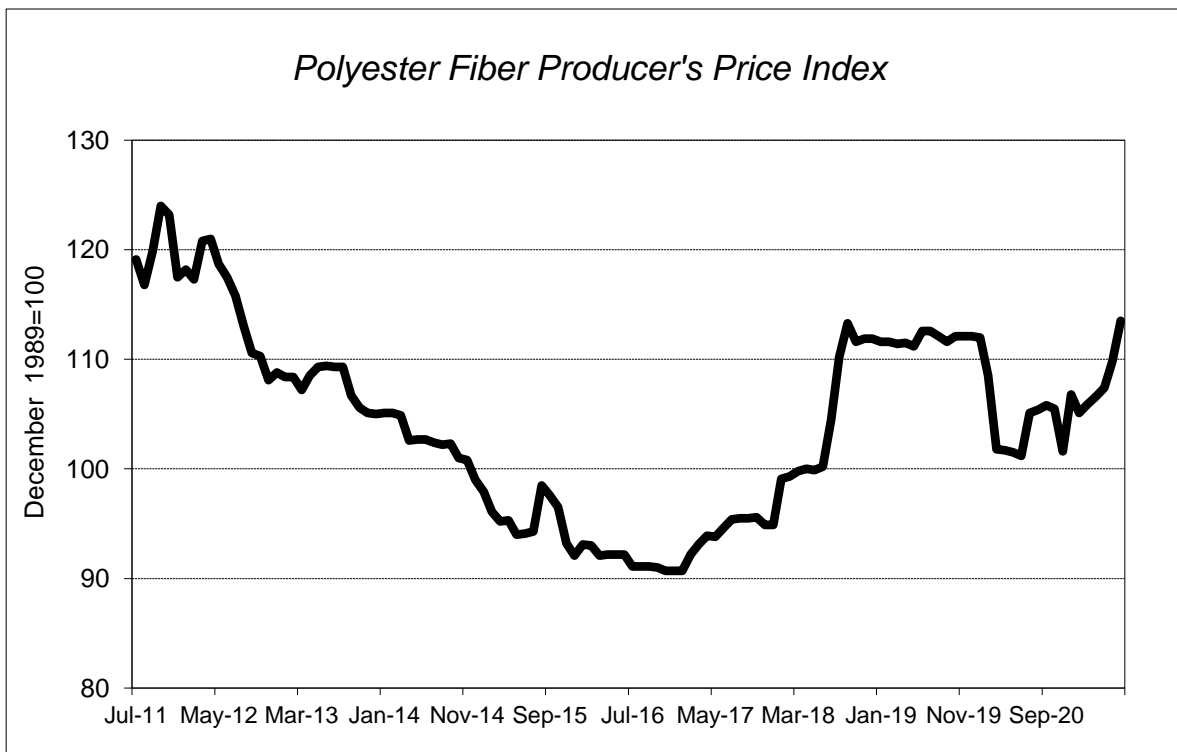
Seasonally Adjusted; Source: Department of Commerce

[return to text](#)





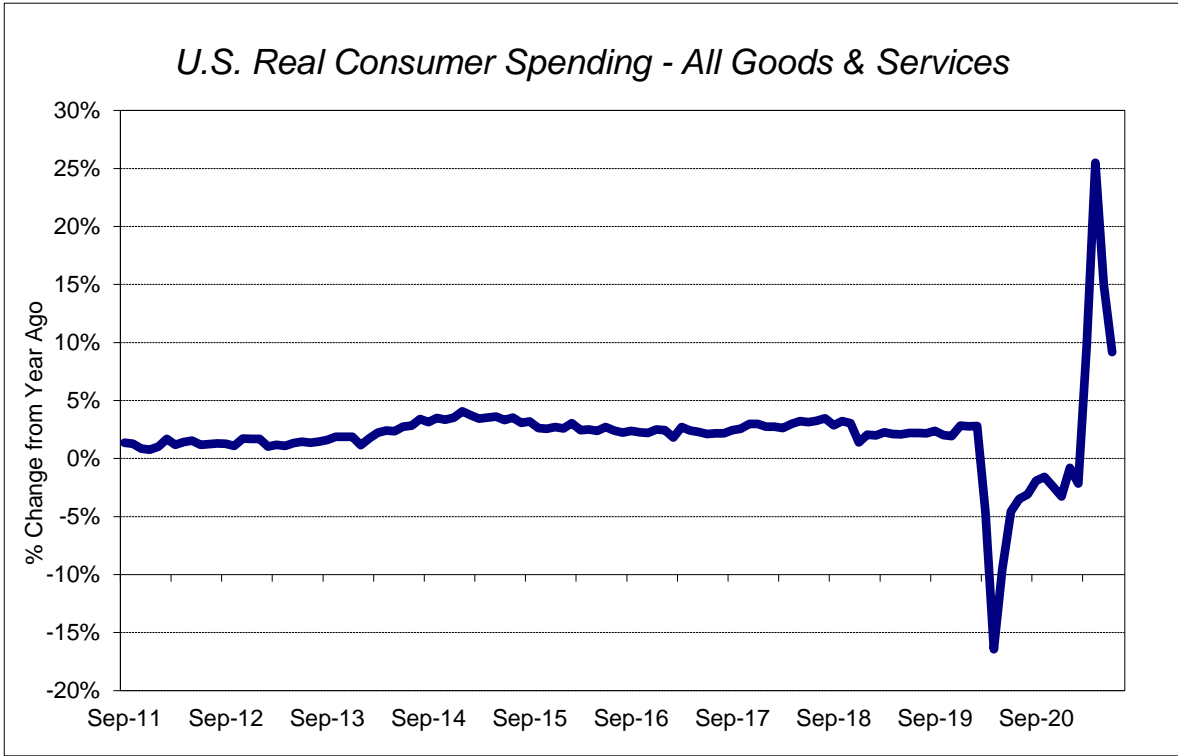
Seasonally Adjusted Annual Rate
 Source: USDA ERS



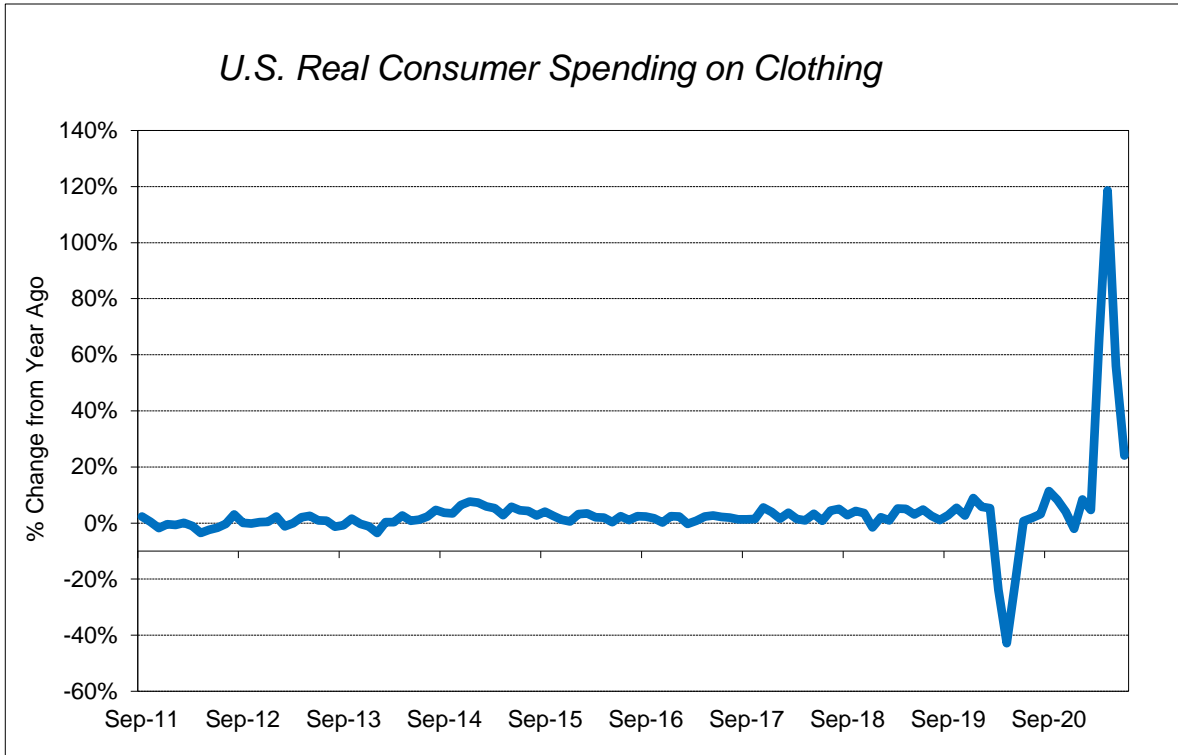
Source: Bureau of Labor Statistics

[return to text](#)





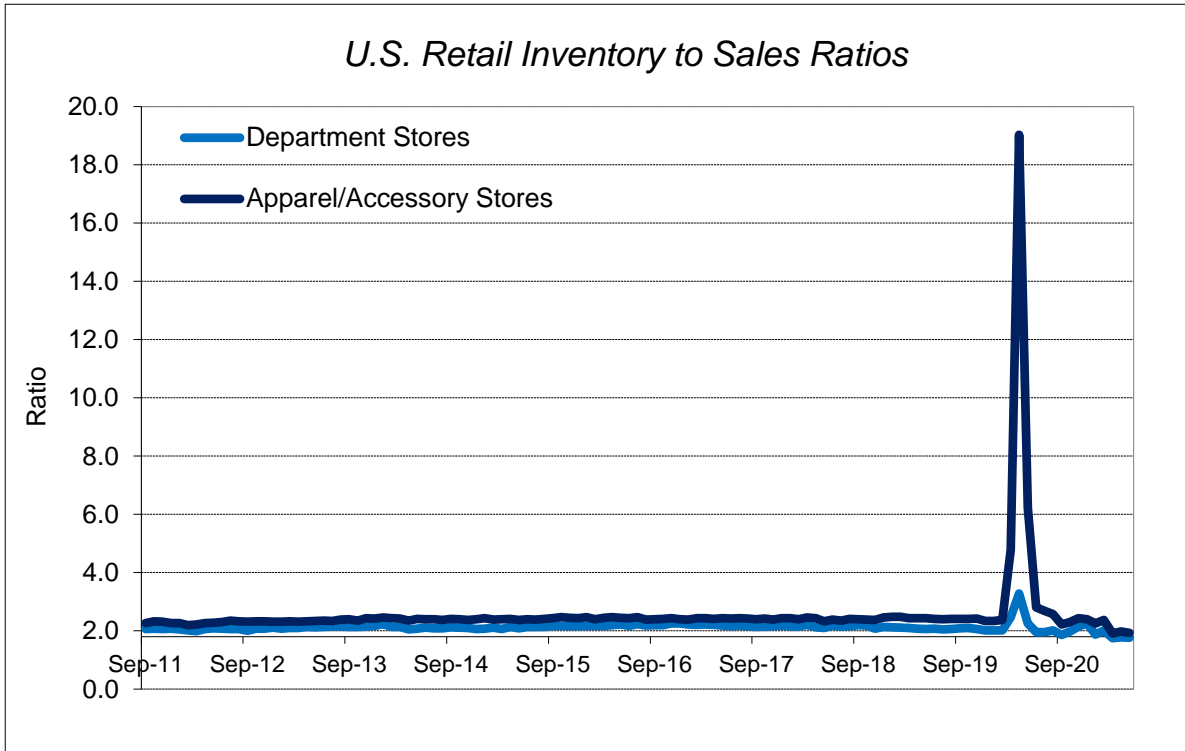
*Based on chained 2005\$.



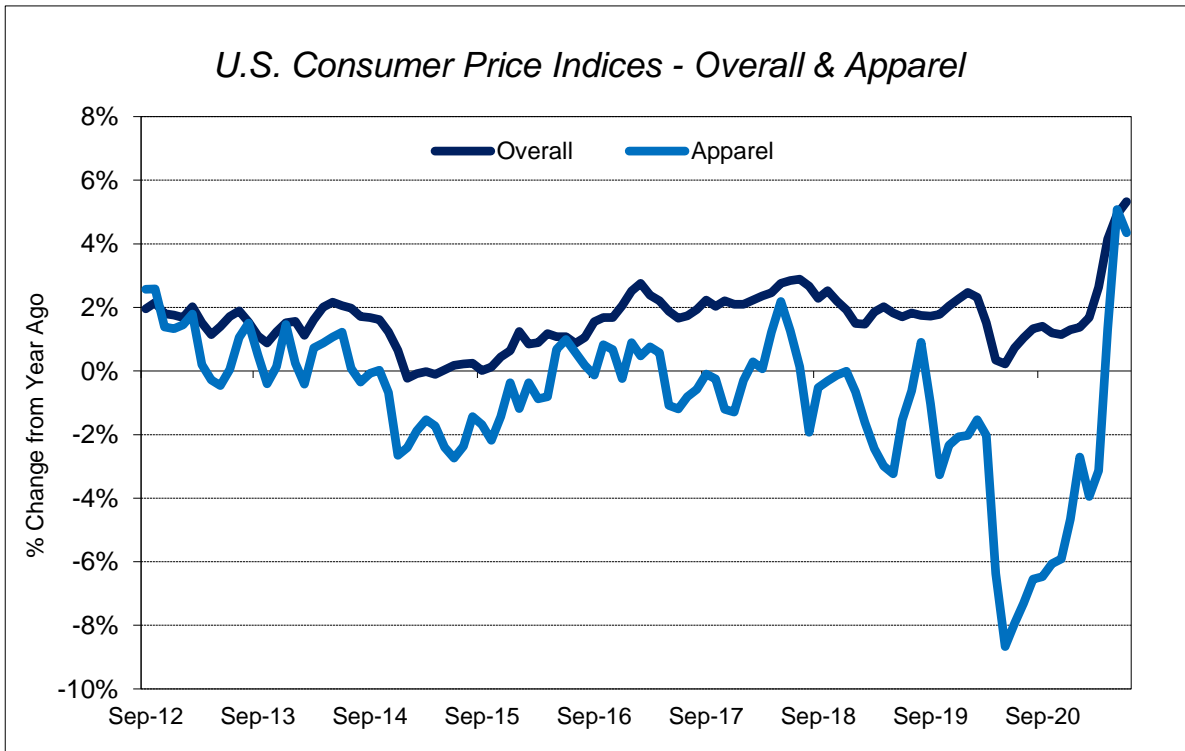
*Based on chained 2005\$.

[return to text](#)





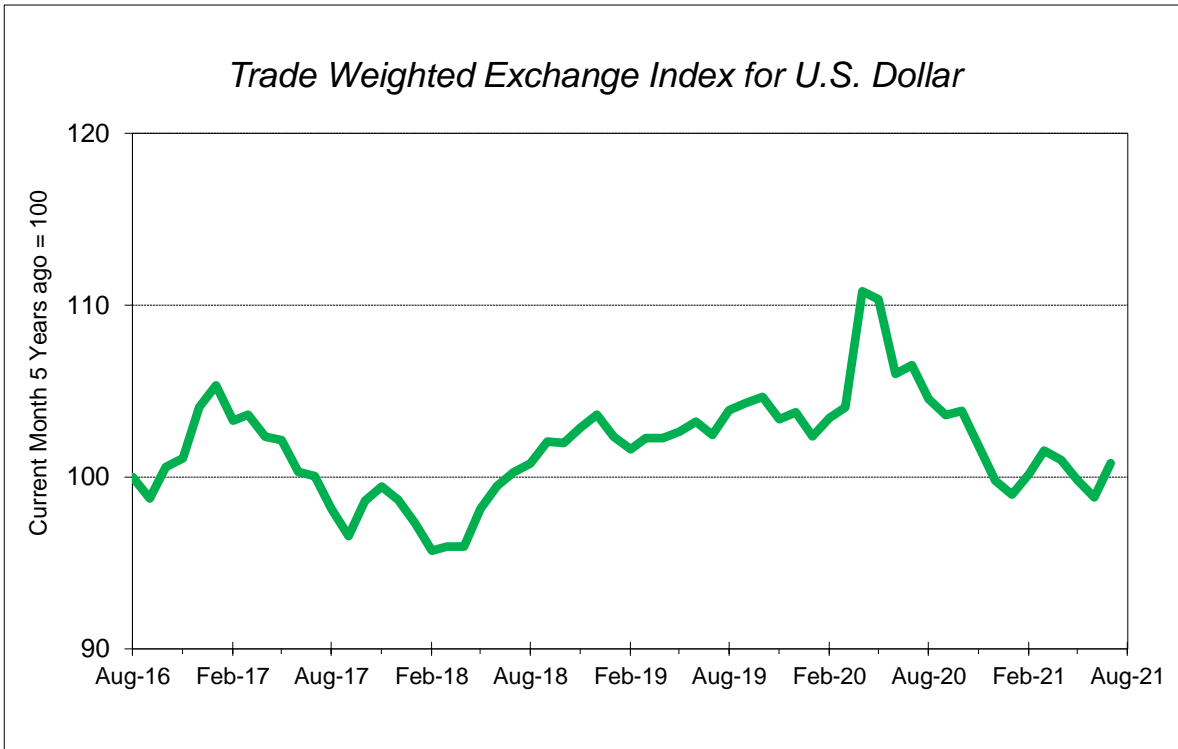
Source: Department of Commerce



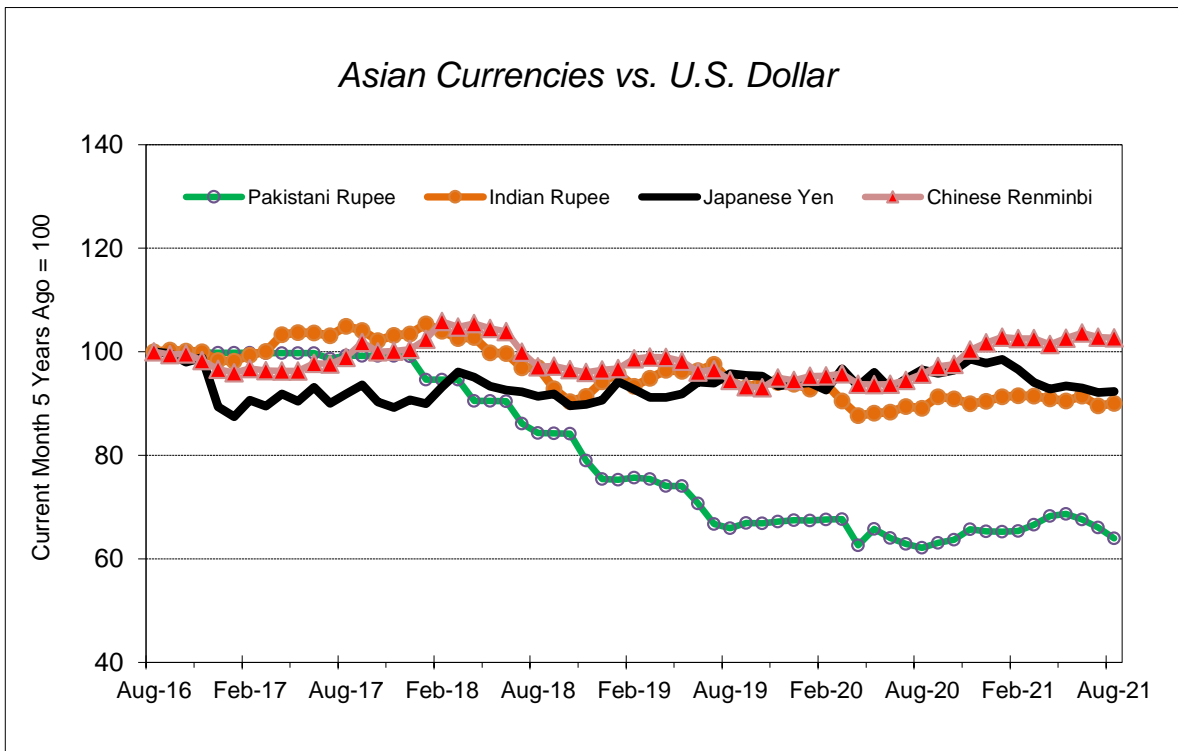
Source: Bureau of Labor Statistics

[return to text](#)





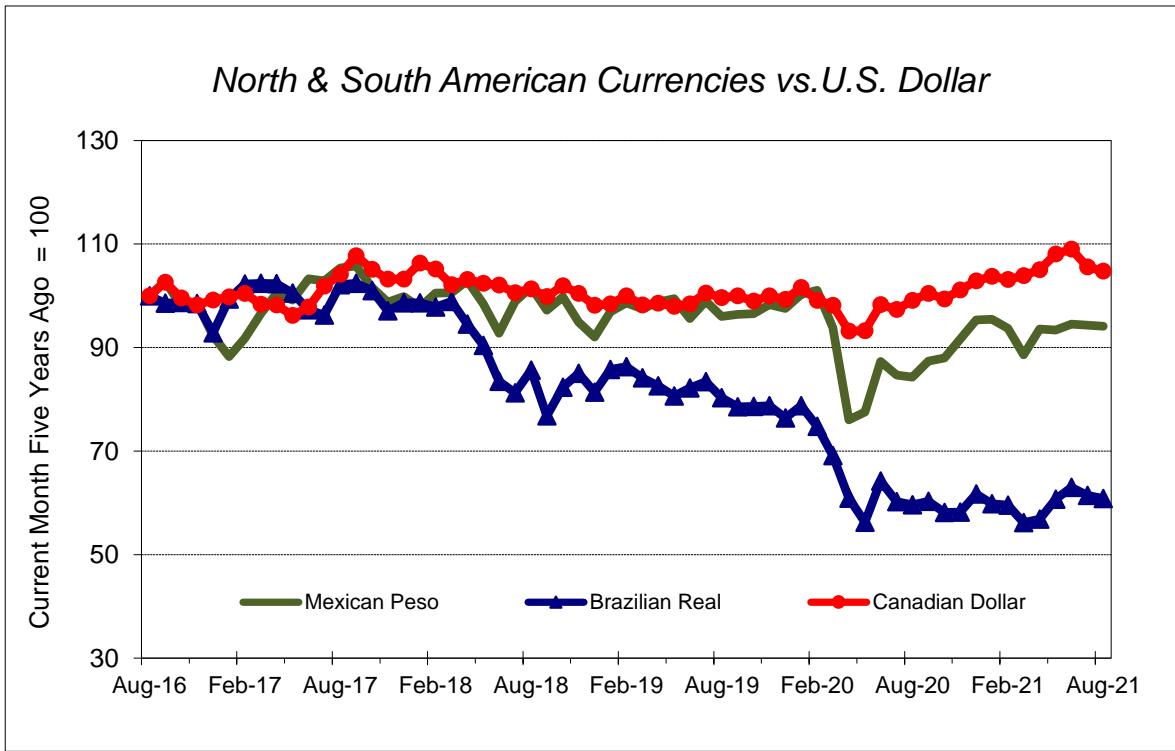
Source: Federal Reserve



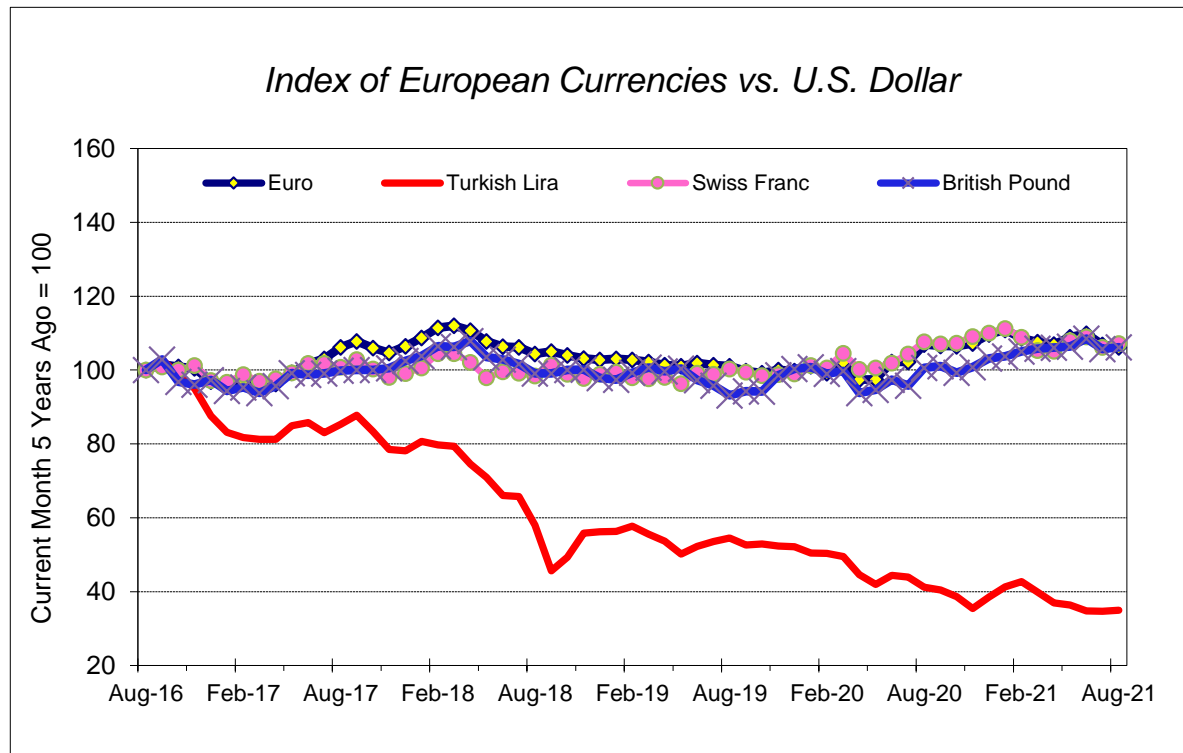
Source: Reuters

[return to text](#)





Source: Reuters



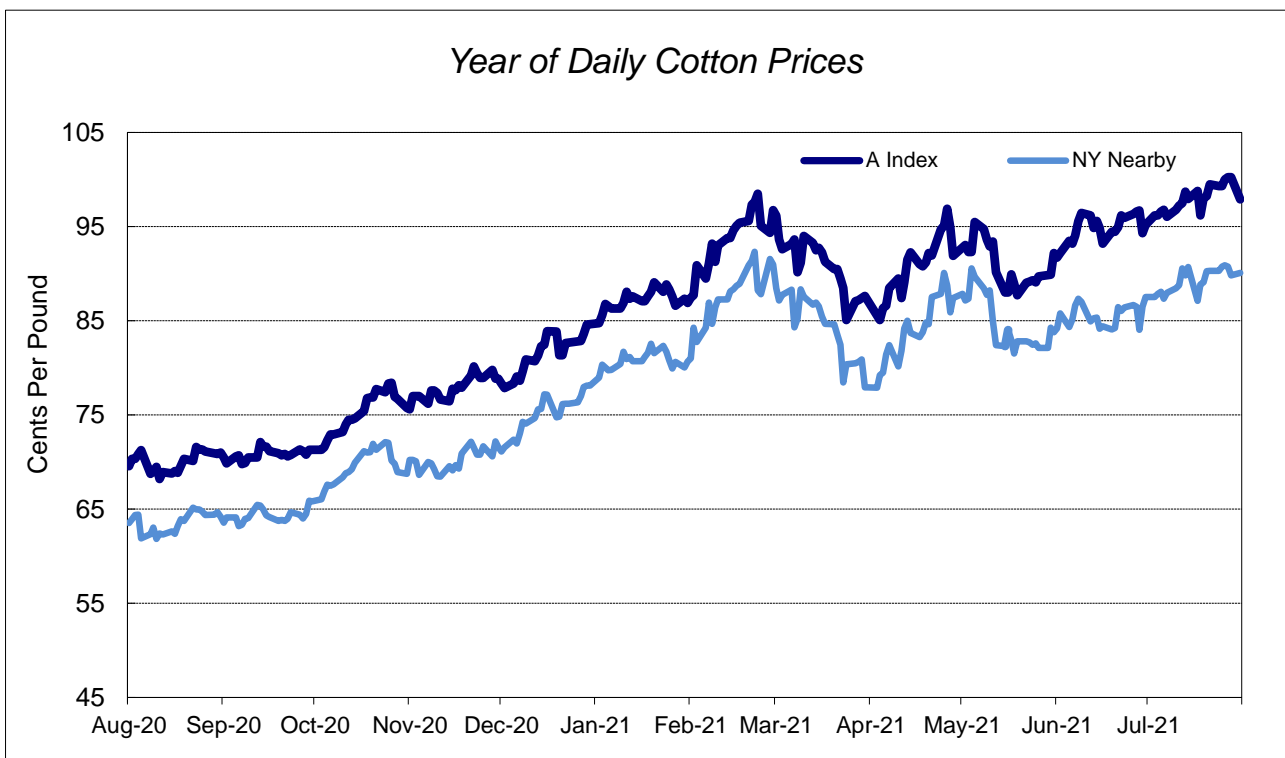
Source: Reuters

[return to text](#)



U.S. Balance Sheet

million 480 lb. bales	2017/18	2018/19	2019/20	2020/21	2021/22	2021/22
					June	July
Beginning Stocks	2.8	4.2	4.9	7.3	3.2	3.2
Production	20.9	18.4	19.9	14.6	17.0	17.8
Imports	0.0	0.0	0.0	0.0	0.0	0.0
Supply	23.7	22.6	24.8	21.9	20.2	21.0
Mill-Use	3.2	3.0	2.2	2.3	2.5	2.5
Exports	16.3	14.8	15.5	16.4	14.8	15.2
Demand	19.5	17.8	17.7	18.7	17.3	17.7
Ending Stocks	4.2	4.9	7.3	3.2	2.9	3.3
Stocks/Use Ratio	21.5%	27.2%	41.0%	16.8%	16.8%	18.6%



Sources: ICE Futures U.S. & Cotton Outlook

[return to text](#)

