

Executive Cotton Update

U.S. Macroeconomic Indicators &
the Cotton Supply Chain



February 2022

www.cottoninc.com

Macroeconomic Overview: Many financial markets experienced volatility in recent weeks. The list of contributing causes is not short. It includes record COVID cases brought by the Omicron variant, high inflation, concerns about central bank actions to tame inflation, and geopolitical developments. It is hoped that the Omicron-driven surge in COVID cases has already peaked, but its effects have already been considerable. Daily case rates climbed to as many as 800,000 diagnoses per day. This is more than three times higher than the previous record set one year ago.

Although job growth is robust, the impacts of the surge have been felt on the economy. From data collected over the two weeks ending January 10th (before the peak in daily cases), the U.S. Census Bureau estimates that 8.8 million workers could not report to work within the four previous weeks because either the respondent or someone in their family had COVID. Another 3.2 million indicated they missed work either because of concern about spreading or catching the virus. For perspective, the U.S. working population is 162 million. This means that about one in thirteen U.S. workers missed at least one day due to COVID in late December or early January. Nationally, cases formed a peak on January 15th. More recently, cases have fallen but remain above the old record.

Despite COVID and other economic challenges, there is also a list of economic strengths. The U.S. labor market has mostly recovered from the unprecedented shock brought by the onset of COVID. The current unemployment rate (4.0% in January) is nearly even with the historically low figure before the virus (3.5% in February 2020). Wages have been growing faster than at any point in the decade preceding the pandemic. Higher income can support further gains in consumer spending. Savings and wealth swelled over the past couple years and can lend further support to spending.

These positives helped propel U.S. economic growth last quarter. In Q4 2021, U.S. GDP is estimated to have grown at a 6.9% annualized rate, representing the strongest growth since the immediate aftermath of COVID in Q3 2020. In other quarters of 2021, growth was 6.3% in Q1, 6.7% in Q2, and 2.3% in Q3. On an annual basis, the U.S. economy grew 5.7% in 2021. This is the strongest annual growth since 1984. In 2019, the U.S. economy grew 2.3%. In 2020, it contracted -3.4%.

In 2022, the U.S. economy faces headwinds from COVID, inflation, and rising interest rates. Nonetheless, growth is expected to remain strong. The International Monetary Fund (IMF) recently released forecasts for 2022 and beyond. Those projections suggest 4.0% annual growth in the U.S. economy in 2022 and 2.6% growth in 2023. IMF projections for global GDP suggest 4.4% growth in 2022 and 3.8% in 2023. For context, the IMF estimates the global economy grew 2.8% in 2019, contracted -3.1% in 2020, and surged 5.9% in 2021.

Employment: In January, the U.S. economy was estimated to have added +467,000 jobs. A series of annual revisions were added to regular monthly updates. The previous figure for November increased by +398,000 to +647,000, and the previous figure for December rose by +311,000 to +510,000. The 12-month average for job gains is +541,000. Since COVID, there has been a net loss of -2.9 million workers.

The unemployment rate edged slightly higher (+0.1 points) to 4.0% but remains low by historical standards. Wages increased 5.8% year-over-year in January, which was the highest rate since incomes were boosted by direct payments in the spring of 2020.

Consumer Confidence & Spending: The Conference Board's Index of Consumer Confidence decreased slightly in January, dropping 1.4 points to 113.8. Readings in recent months have been above the recent low set in September (109.8) and below the recent high set in June (128.9). Before than pandemic, values were near 130. The long-term average (since 1970) is near 93.5.

Overall consumer spending was slightly lower month-over-month in December (-0.1%). Year-over-year, overall spending was up 7.1%. Apparel spending was down -6.5% month-over-month in December but was 16.1% higher year-over-year. Year-over-year spending on apparel has progressed at a higher rate than overall spending every month since May 2020.

Consumer Prices & Import Data: The CPI for apparel increased +1.8% month-over-month in December (latest available). Year-over-year, prices were 5.8% higher. Retail apparel prices have increased in nine of the past twelve months. However, aggregate clothing prices fell sharply with the onset of the pandemic (as much as -8.7% year-over-year in May 2020), and they did not surpass their pre-COVID level until last month.

In seasonally-adjusted terms, average monthly prices per square meter equivalent (SME) of cotton-dominant apparel were slightly higher month-over-month (+0.02%). Year-over-year, the average imports prices were 14.2% higher in December. Compared to pre-pandemic levels (February 2020), import costs were 2.2% higher. For the full 2021 calendar year, the volume of SMEs of cotton-dominant apparel imports increased 32.1% relative to 2020. Compared to 2019, cotton-dominant apparel imports were 10.0% higher.

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 2022



Macroeconomic Data

Quarterly Data

	Recent Averages				Values in Recent Quarters			Unit	Source
	5-year	1-year	6-month	3-month	Q2 : 2021	Q3 : 2021	Q4 : 2021		
Growth in US Real GDP	2.7%	5.6%	4.6%	6.9%	6.7%	2.3%	6.9%	% 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	56.1	60.5	59.7	59.0	60.6	58.8	57.6	Index	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	57.7	62.6	63.7	63.5	68.4	62.3	59.9	Index	Institute for Supply Management
Consumer Confidence	118.6	114.9	112.9	113.6	111.9	115.2	113.8	Index	The Conference Board
Change in Non-Farm Payrolls	66.7	551.0	540.3	541.3	647	510	467	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	5.1%	5.2%	4.4%	4.0%	4.2%	3.9%	4.0%	Rate	Bureau of Labor Statistics
US Interest Rates									
Federal Funds	1.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	Interest rate	Federal Reserve
10-year Treasury Bill	1.9%	1.5%	1.5%	1.6%	1.6%	1.5%	1.8%	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	October	November	December		
Index of Leading Economic Indicators	109.7	116.6	119.4	120.2	119.9	119.9	120.8	Index	The Conference Board
Housing Starts	13.5	16.0	16.0	1.6	1.6	1.7	1.7	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.6	6.1	6.2	6.3	6.3	6.5	6.2	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	100.1	100.2	101.2	101.7	100.0	101.3	101.9	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	107.0	118.9	129.0	134.4	135.3	136.2	131.6	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	3.2	2.6	2.5	2.3	2.5	2.3	2.2	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	1.39	1.37	1.39	1.40	1.40	1.40	1.39	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	2.4%	8.3%	7.1%	7.1%	6.9%	7.2%	7.1%	% Chg. Year/Year	Department of Commerce
Clothing	7.3%	32.4%	17.8%	16.8%	15.8%	18.4%	16.1%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	2.5%	4.7%	6.0%	6.7%	6.2%	6.9%	7.1%	% Chg. Year/Year	Bureau of Labor Statistics
Clothing	-1.0%	2.2%	4.2%	5.0%	4.1%	5.0%	5.8%	% 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	2.7	2.0	1.9	1.9	1.9	1.9	1.9	Ratio	Department of Commerce
Department Stores	2.1	1.8	1.8	1.8	1.8	1.8	1.9	Ratio	Department of Commerce

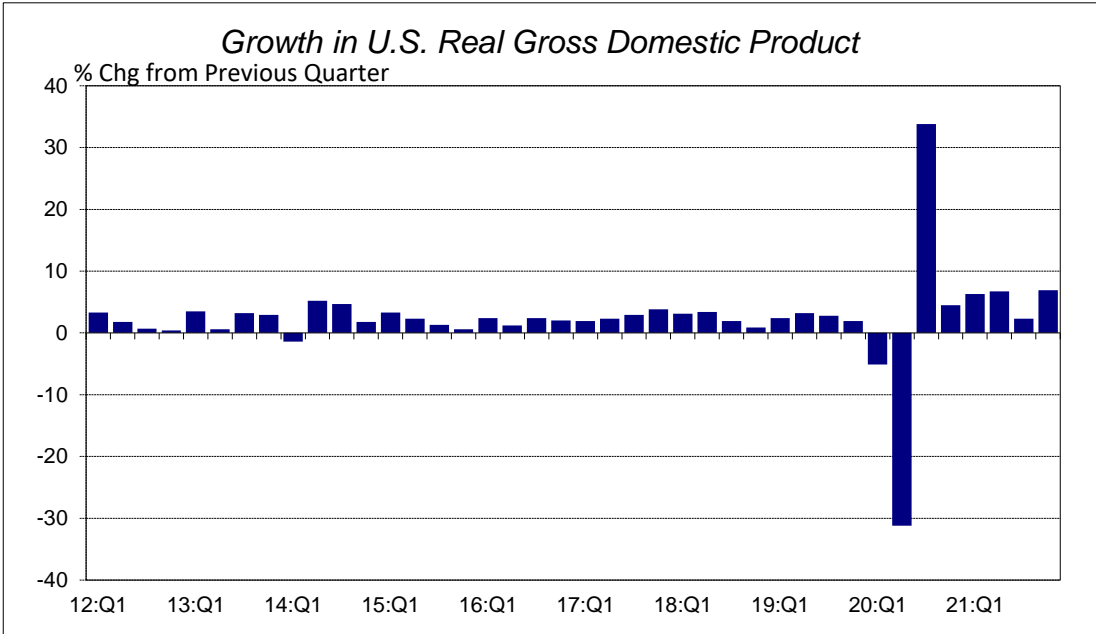
Executive Cotton Update

Daily Cotton Price and Currency Data
February 2022

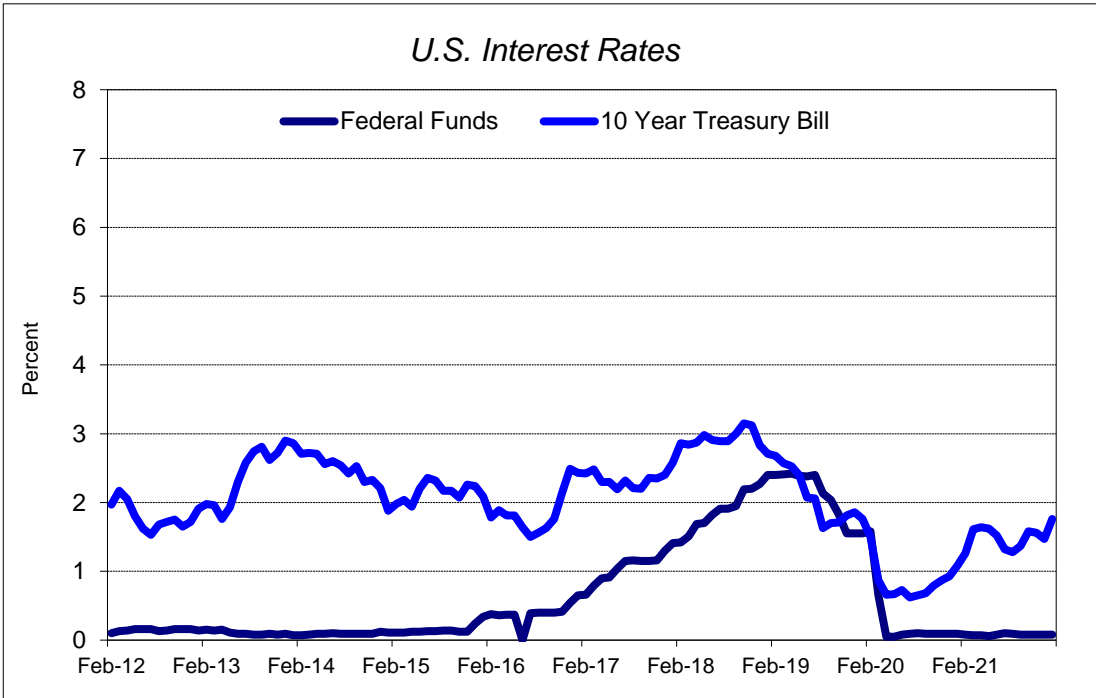


Daily Cotton Price Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	November	December	January		
NY Nearby	76.8	96.5	107.2	115.1	118.0	107.9	119.3	cents/pound	ICE
A Index	86.0	104.9	116.9	126.3	126.5	120.0	132.3	cents/pound	Cotlook

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	114.3	115.6	114.6	115.3	114.5	116.3	115.1	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.72	6.74	6.42	6.38	6.40	6.37	6.37	Chinese Renminbi/US dollar	Reuters
Indian Rupee	70.44	72.88	74.43	74.74	74.47	75.44	74.31	Indian Rupee/US dollar	Reuters
Japanese Yen	109.63	108.62	112.47	114.25	113.46	113.67	115.63	Japanese Yen/US dollar	Reuters
Pakistani Rupee	140.73	158.46	170.77	174.49	170.08	176.80	176.60	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	4.29	4.86	5.46	5.61	5.53	5.64	5.66	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.30	1.30	1.26	1.26	1.24	1.26	1.27	Canadian dollar/US dollar	Reuters
Mexican Peso	19.82	20.35	20.43	20.66	20.42	21.12	20.44	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.76	0.76	0.74	0.74	0.74	0.76	0.74	British Pound/US dollar	Reuters
Euro	0.87	0.87	0.87	0.88	0.87	0.89	0.88	Euro/US dollar	Reuters
Swiss Franc	0.96	0.95	0.92	0.92	0.91	0.93	0.92	Swiss Franc/US dollar	Reuters
Turkish Lira	6.14	7.38	10.49	12.36	9.70	13.57	13.82	Turkish Lira/US dollar	Reuters



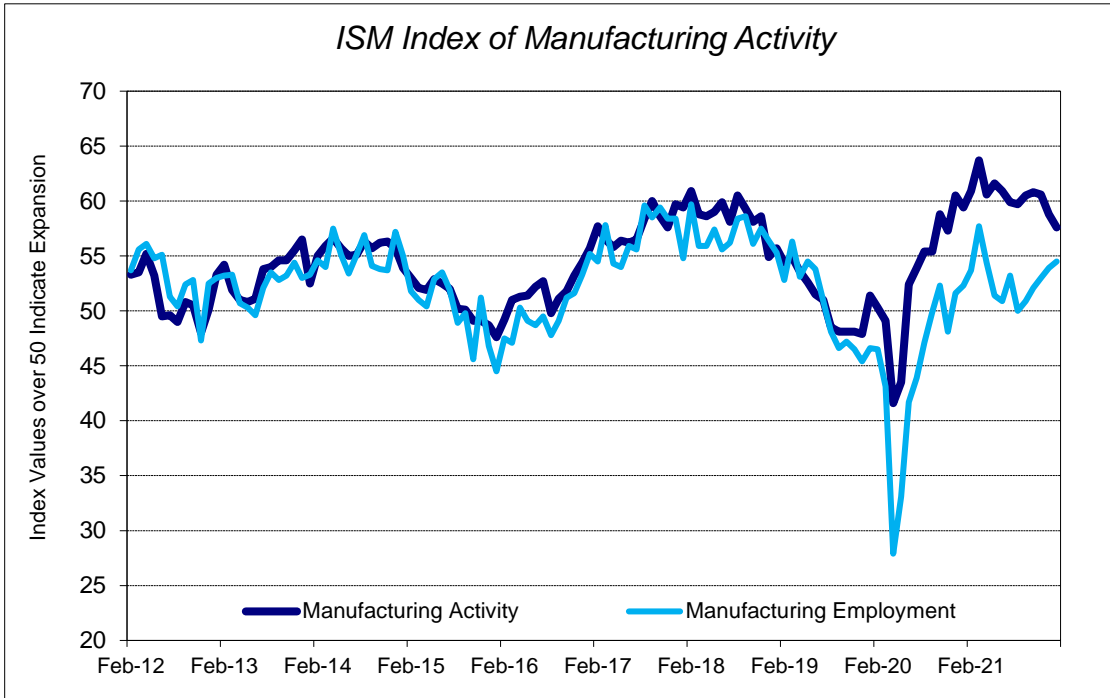
Seasonally Adjusted Annual Rate; Source: Department of Commerce
 *Based on chained 2005\$.



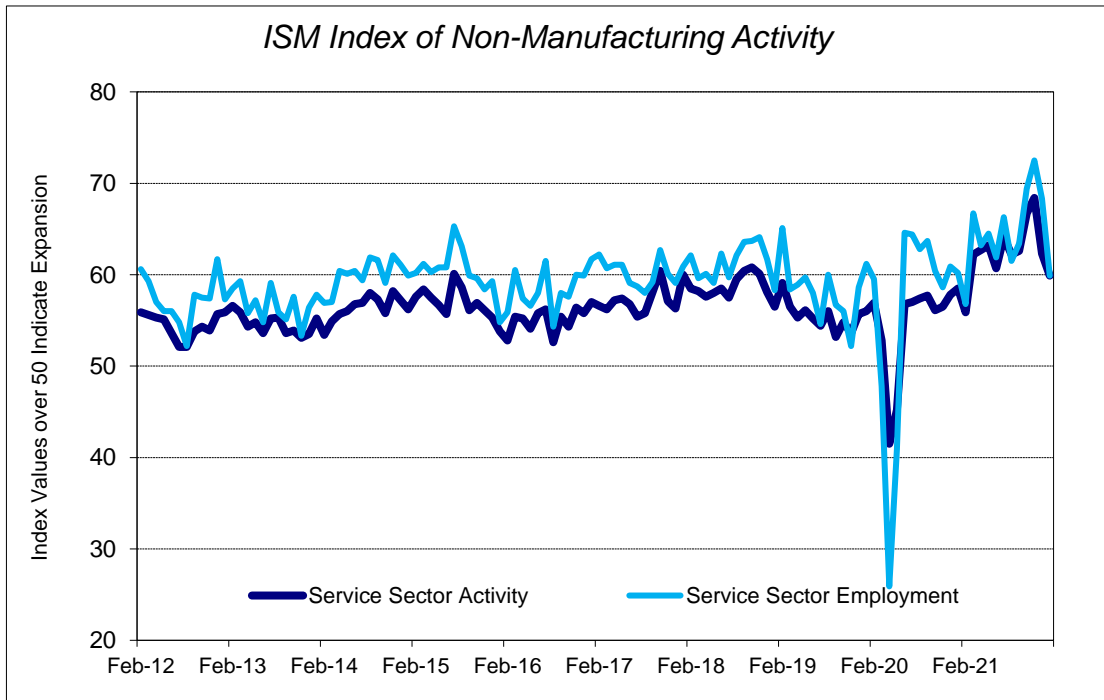
Source: Federal Reserve

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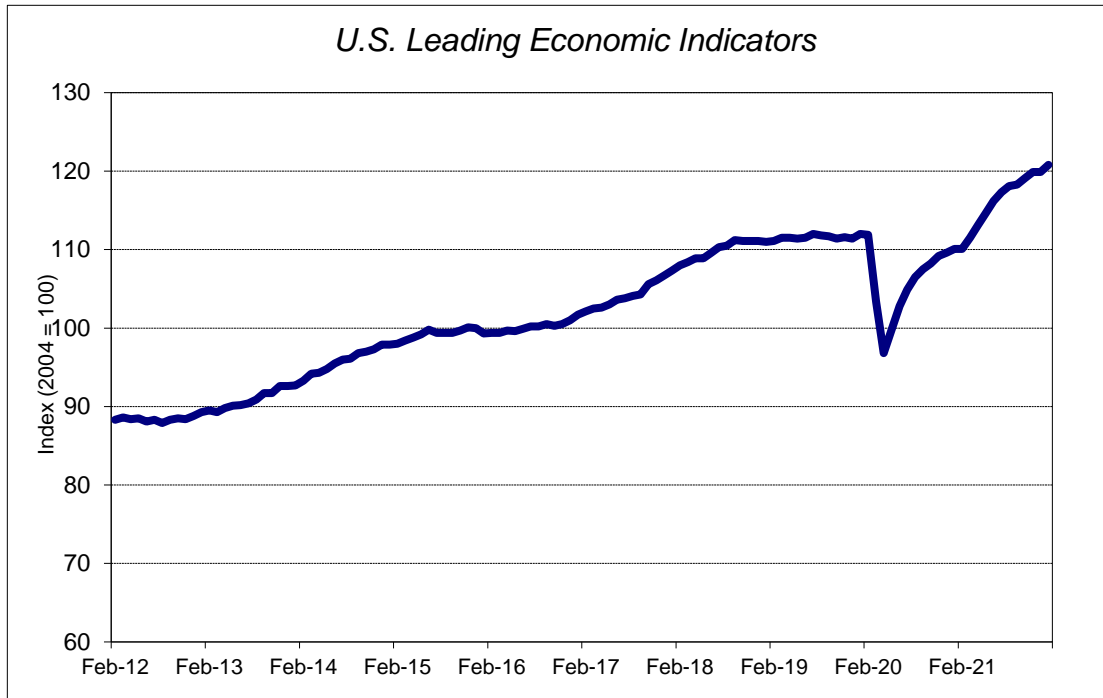
Source: Institute for Supply Chain Management



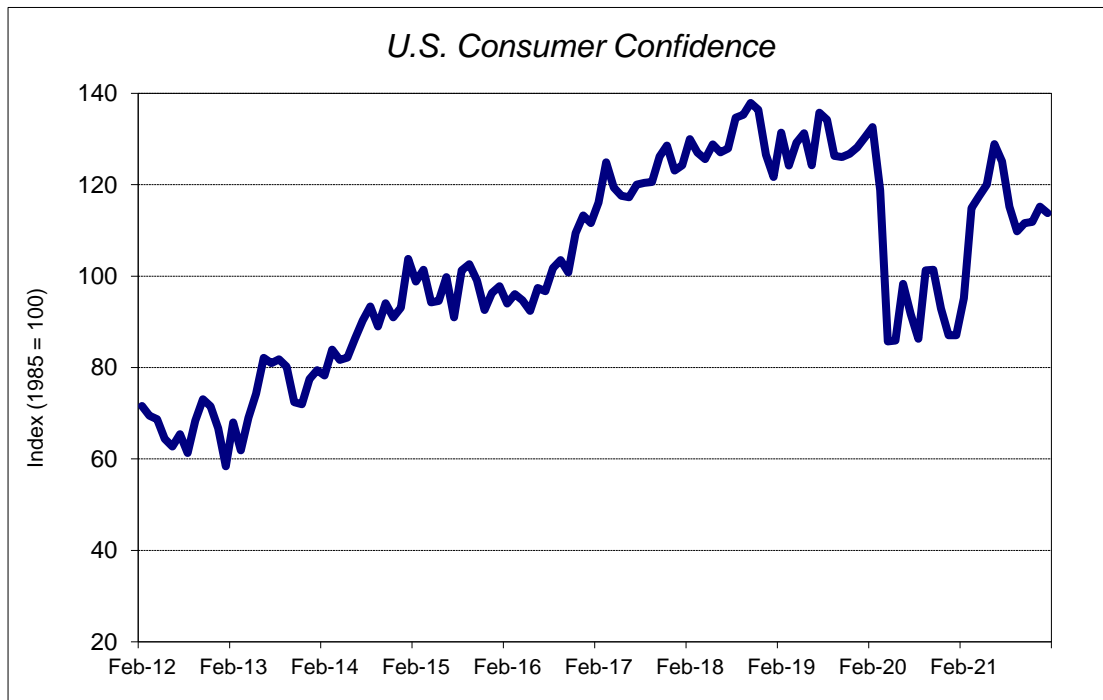
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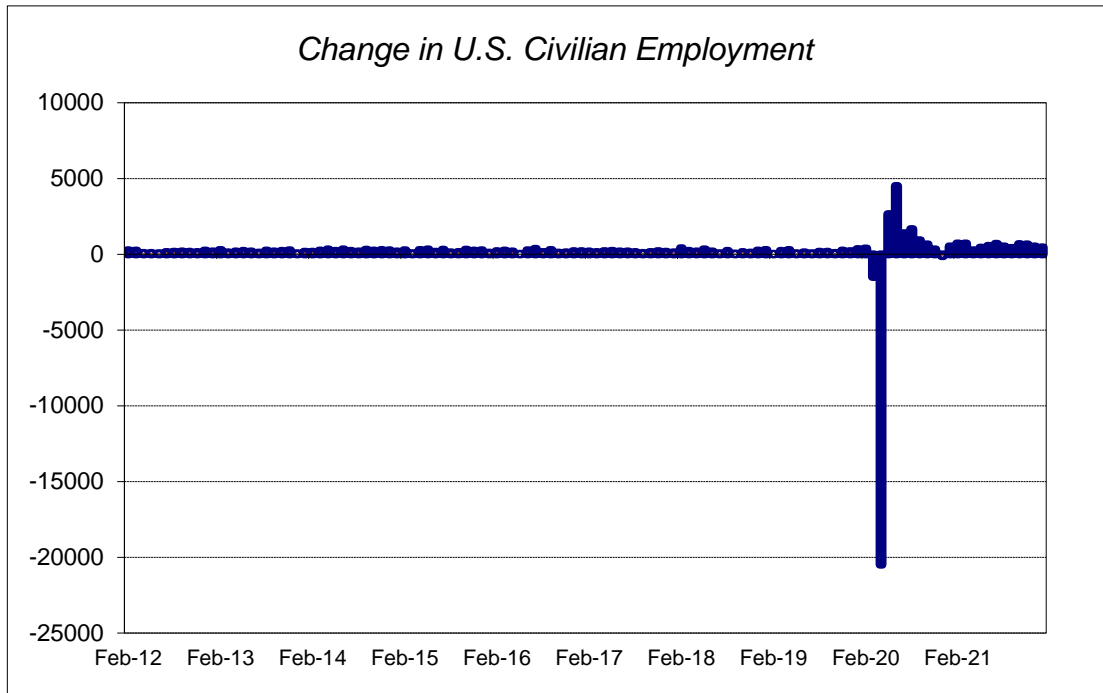
Source: The Conference Board



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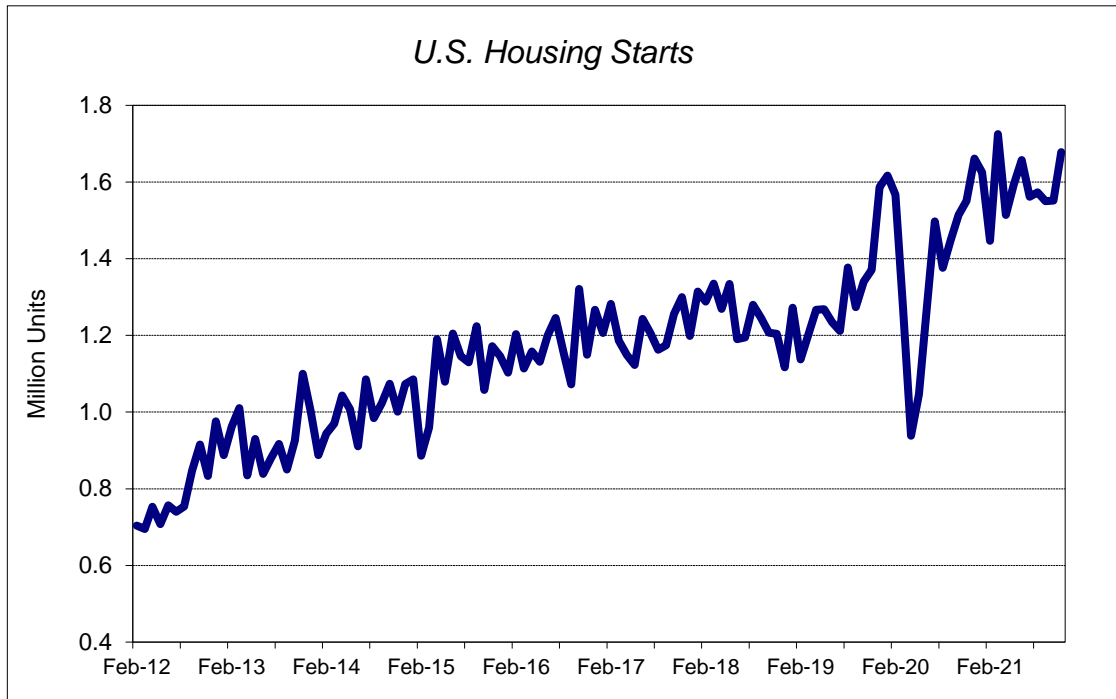
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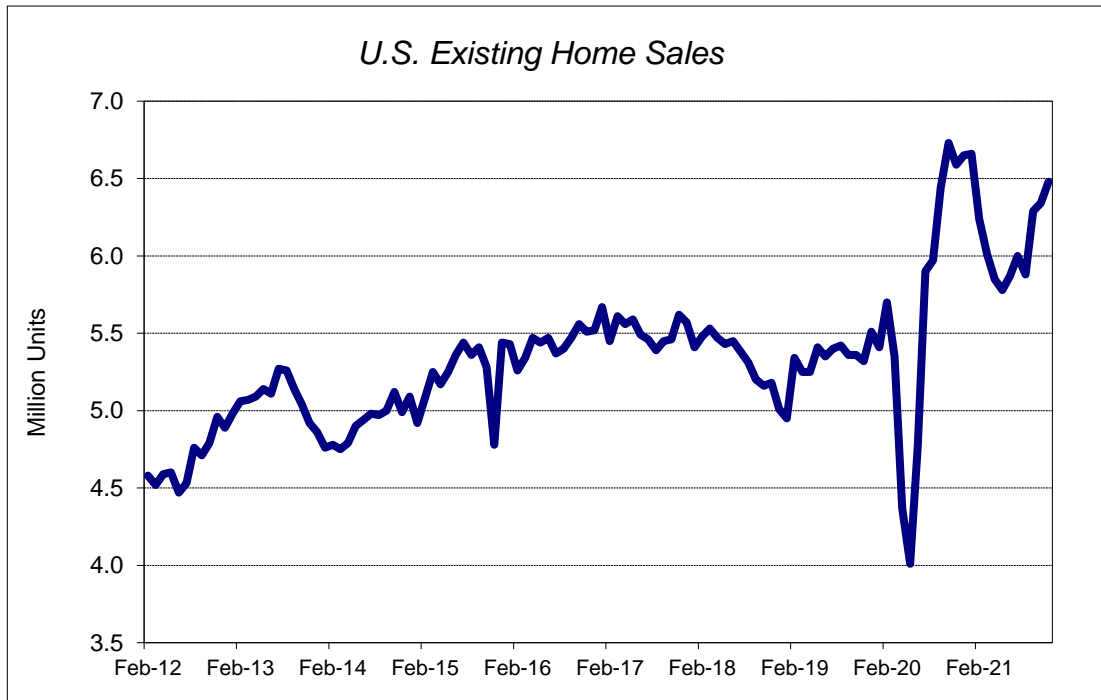
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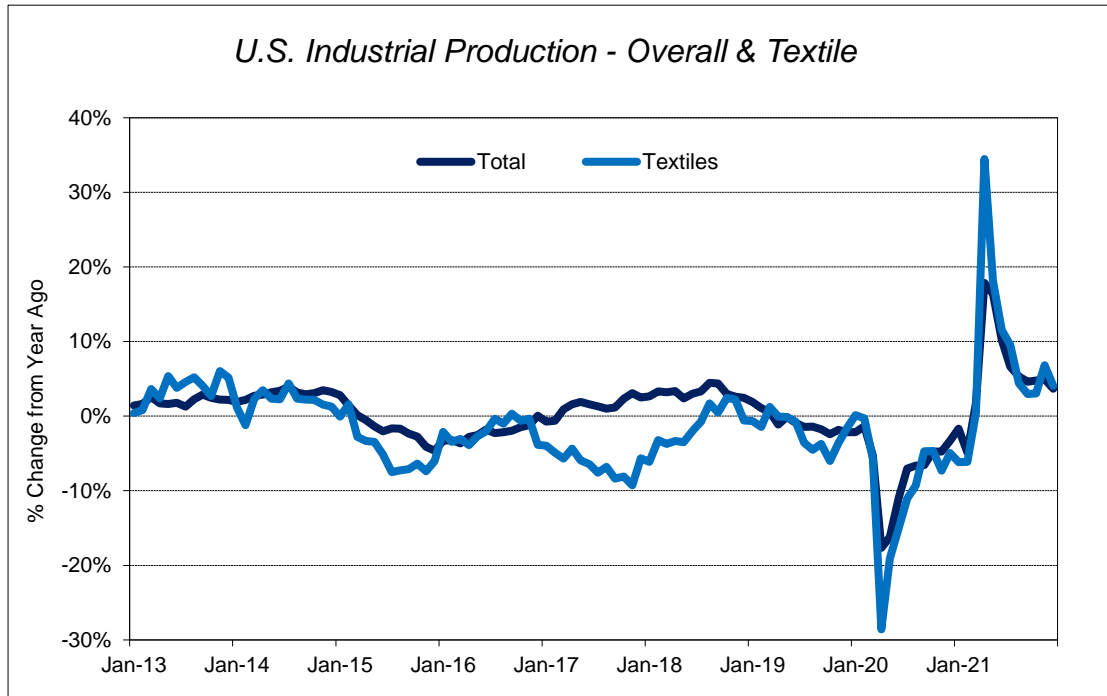
Seasonally Adjusted Annual Rate; Source: Department of Commerce



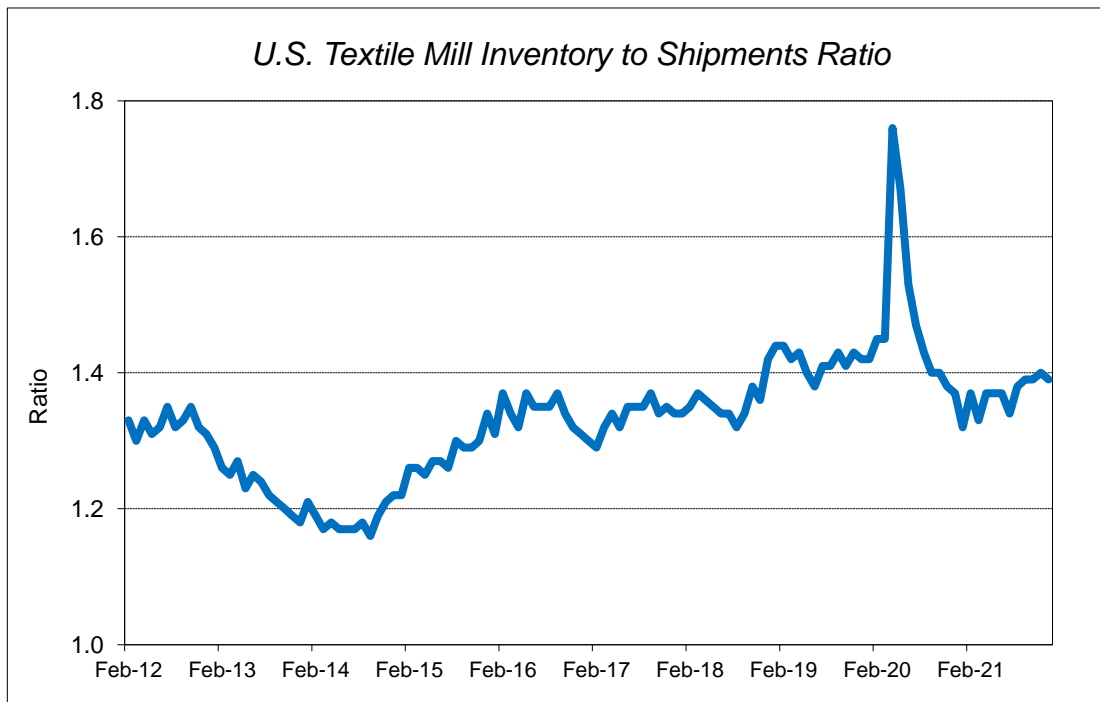
Seasonally Adjusted Annual Rate; Source: National Association of Realtors

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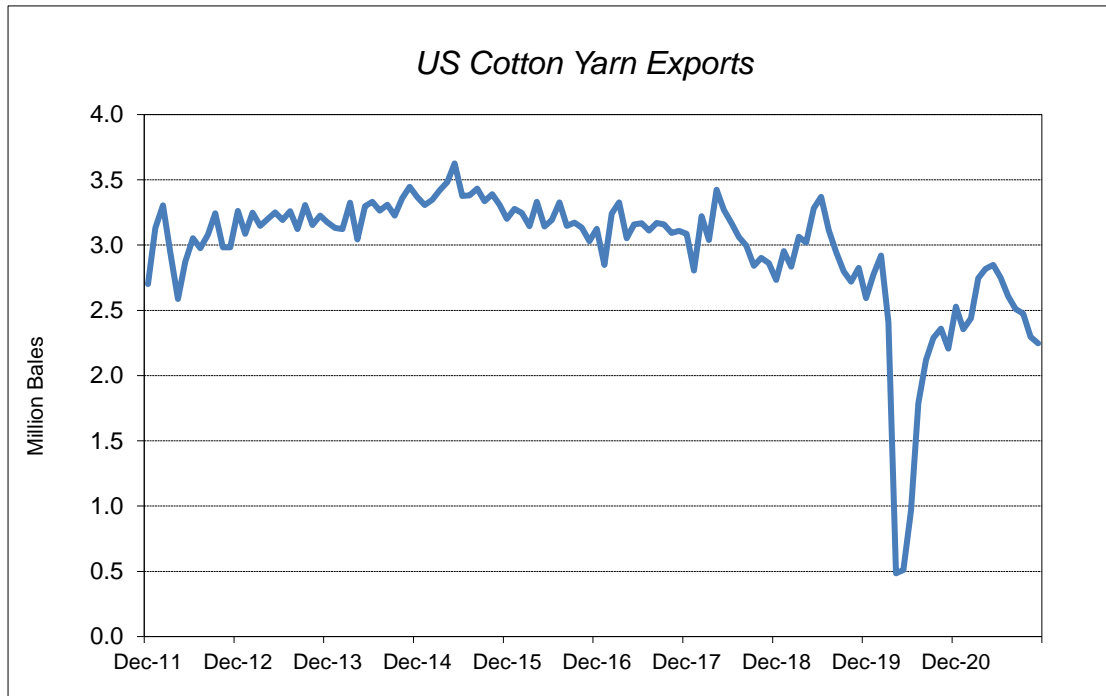
Source: Federal Reserve. Historical data revised to 1997 baseline.



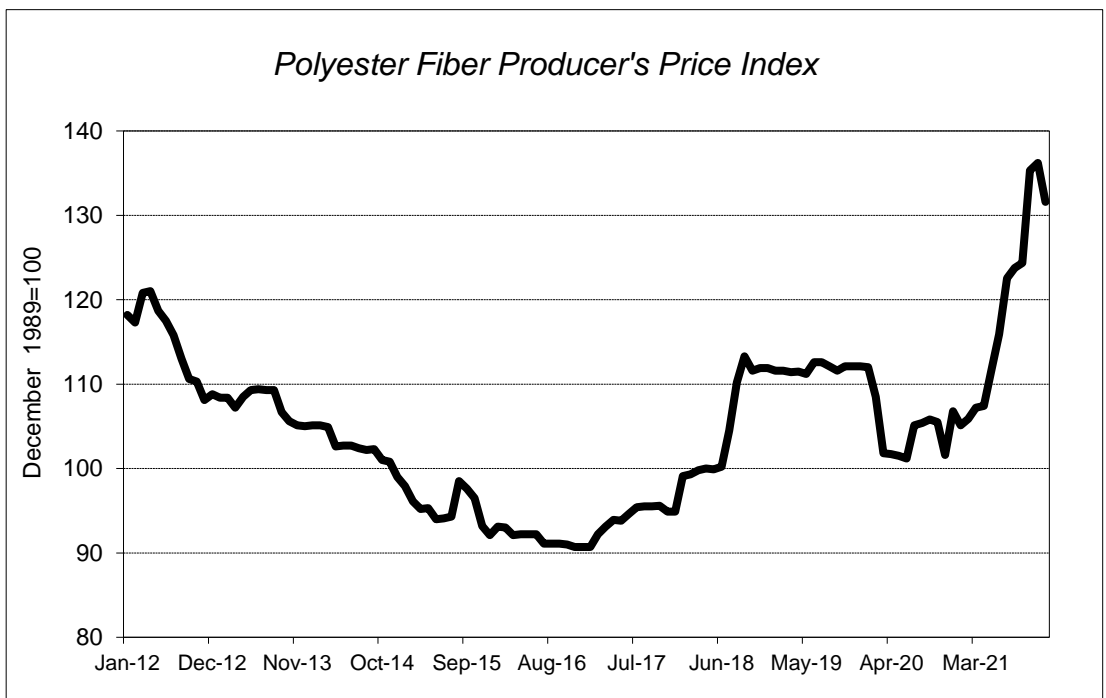
Seasonally Adjusted; Source: Department of Commerce

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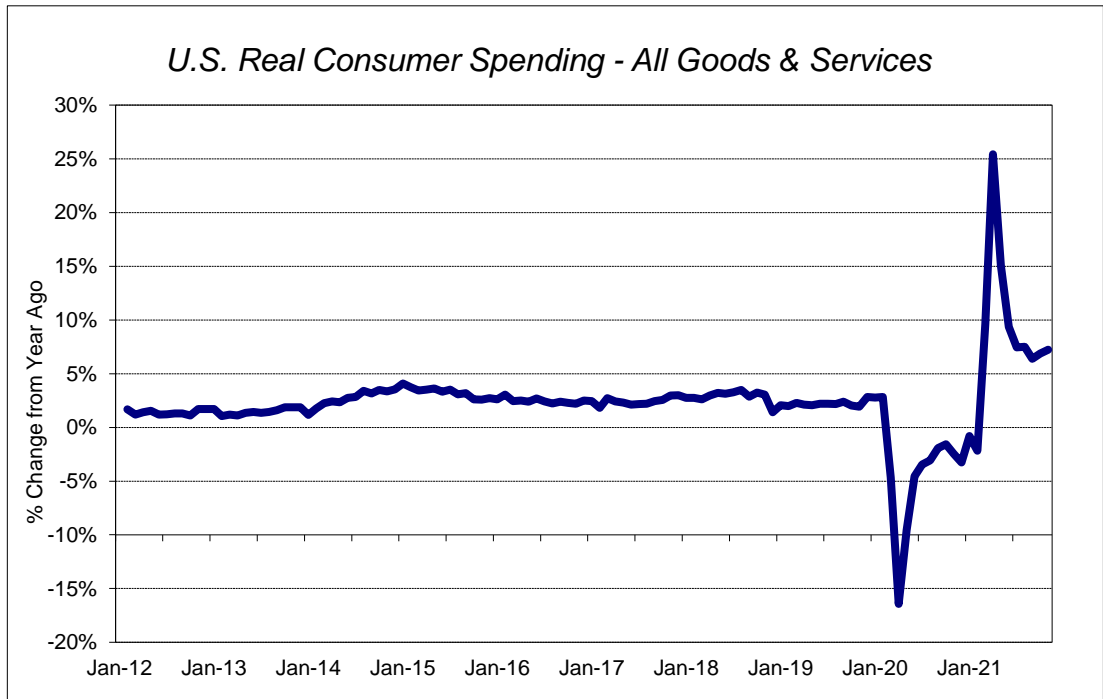
Seasonally Adjusted Annual Rate
 Source: USDA ERS



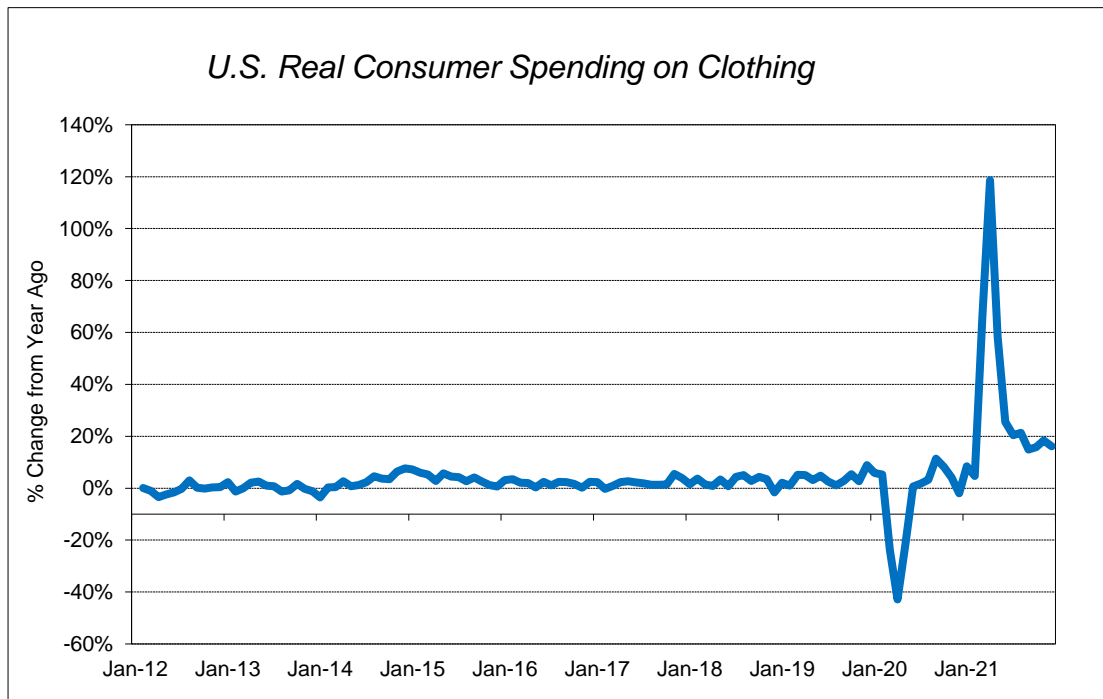
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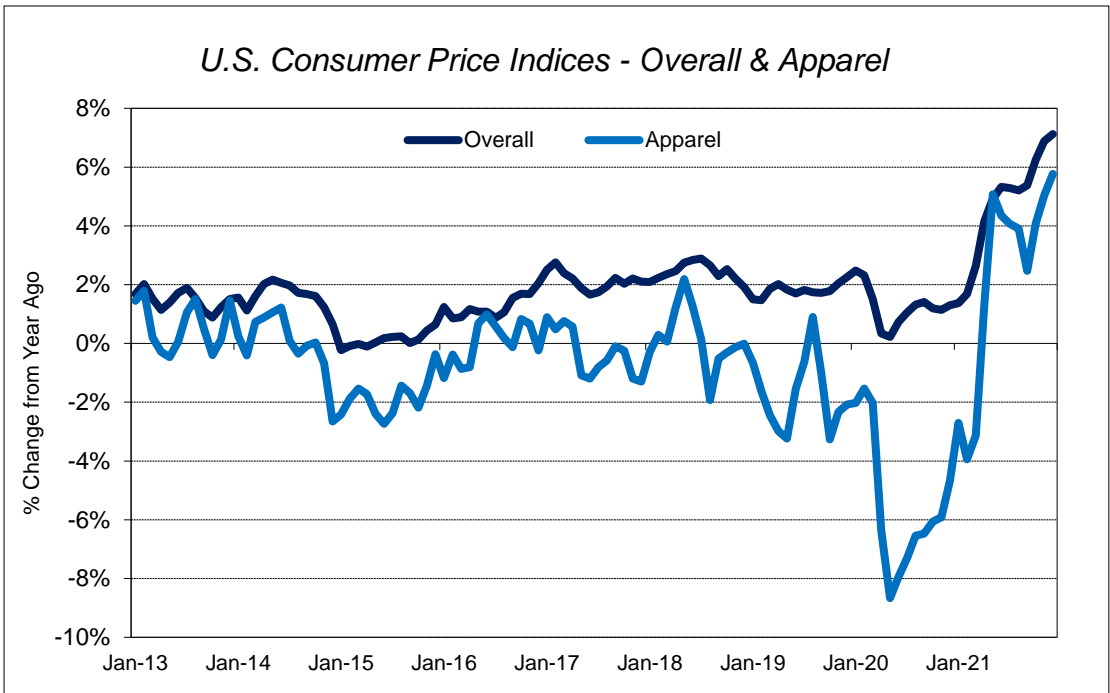
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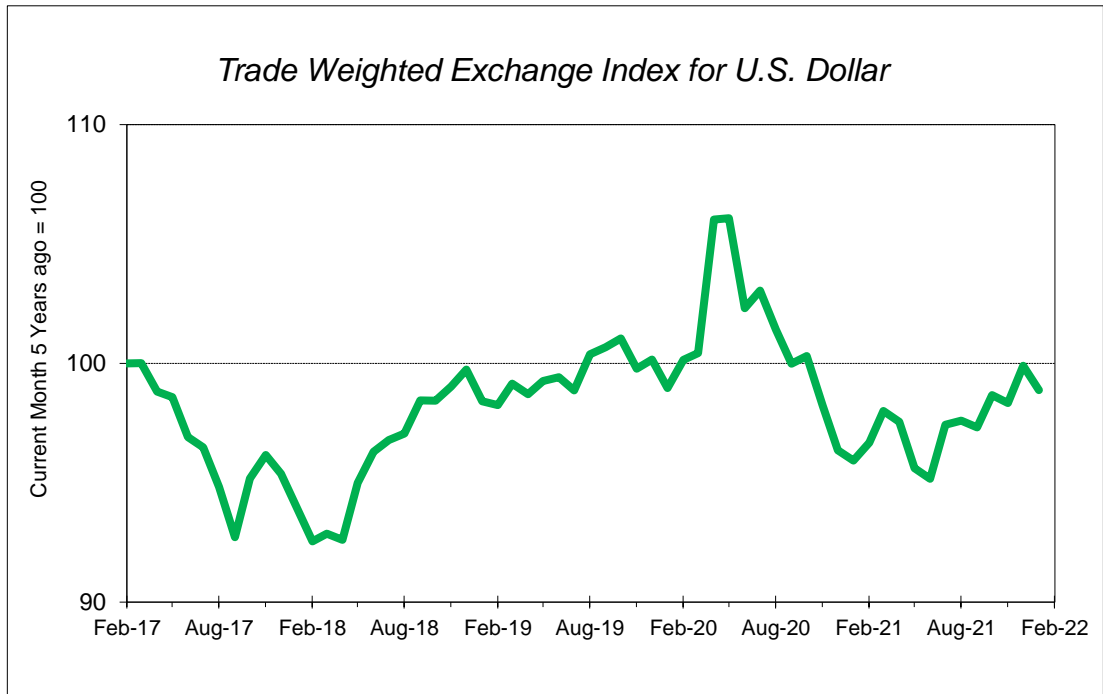
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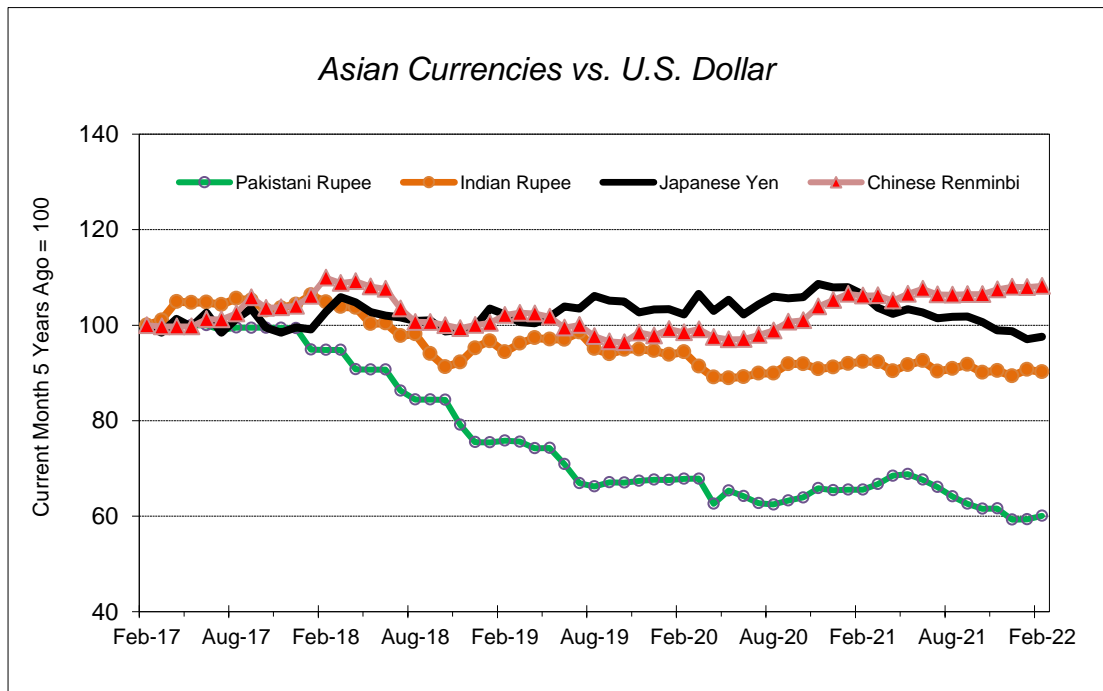
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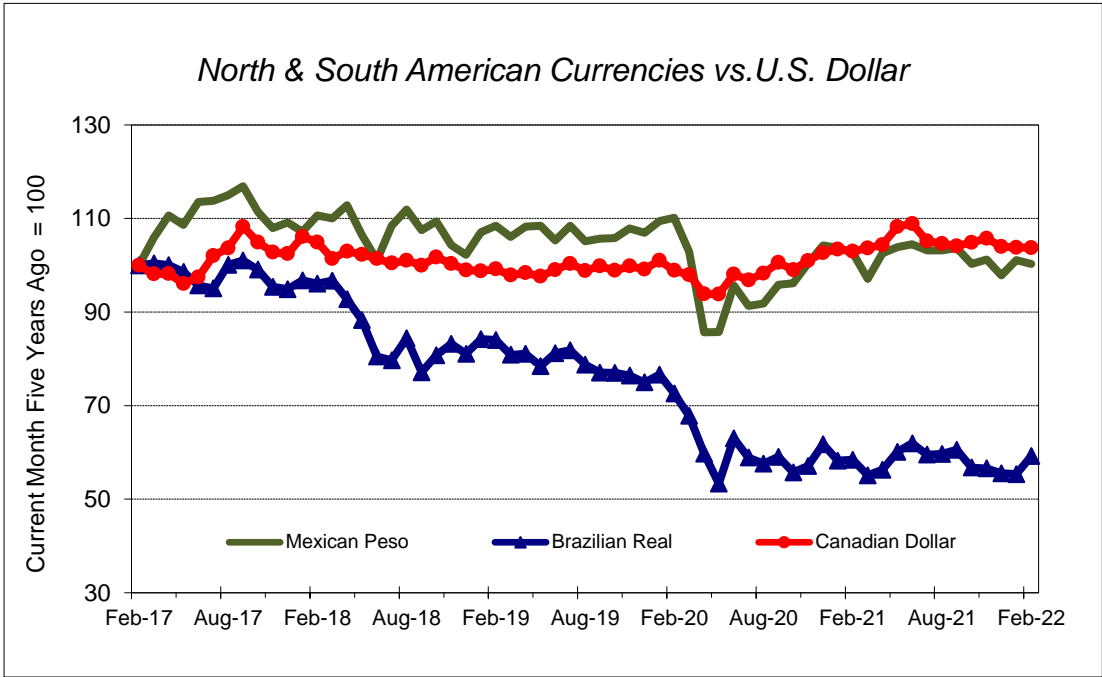
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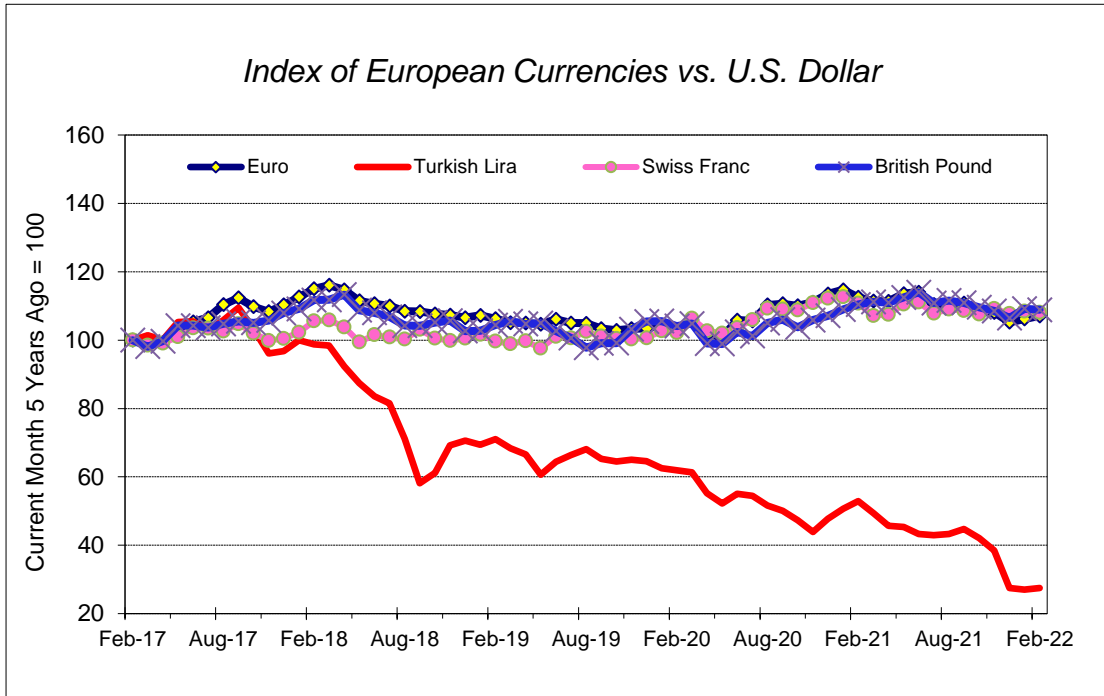
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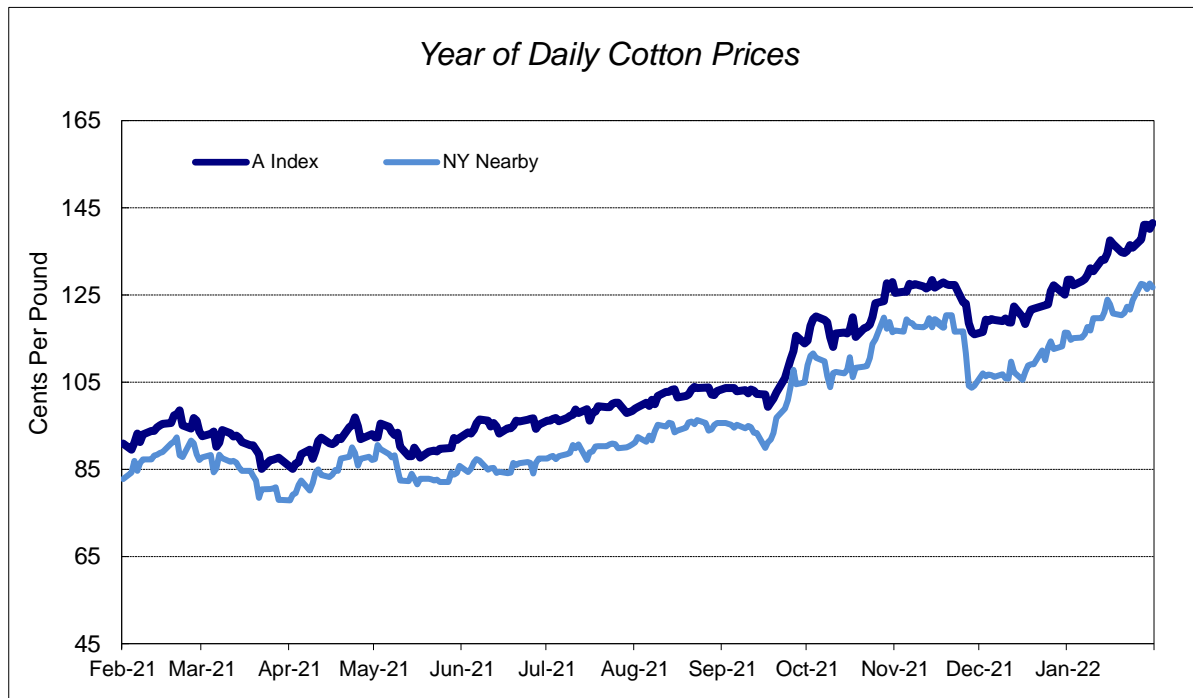
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U.S. Balance Sheet

million 480 lb. bales	2017/18	2018/19	2019/20	2020/21	2021/22 December	2021/22 January
Beginning Stocks	2.8	4.2	4.9	7.3	3.2	3.2
Production	20.9	18.4	19.9	14.6	18.3	17.6
Imports	0.0	0.0	0.0	0.0	0.0	0.0
Supply	23.7	22.6	24.8	21.9	21.4	20.8
Mill-Use	3.2	3.0	2.2	2.4	2.5	2.6
Exports	16.3	14.8	15.5	16.4	15.5	15.0
Demand	19.5	17.8	17.7	18.8	18.0	17.6
Ending Stocks	4.2	4.9	7.3	3.2	3.4	3.2
Stocks/Use Ratio	21.5%	27.2%	41.0%	16.8%	18.9%	18.2%



Sources: ICE Futures U.S. & Cotton Outlook

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