

Executive Cotton Update

U.S. Macroeconomic Indicators &
the Cotton Supply Chain



April 2022

www.cottoninc.com

Macroeconomic Overview: Before Russia invaded Ukraine, inflation was already a creeping global concern. The outbreak of war in Europe caused extreme volatility in commodity markets, most notably those tied to energy and food markets. The national average for U.S. gasoline prices increased by a full dollar per gallon between mid-January and mid-March. Year-over-year, recent gas prices are 47% higher. U.S. food prices were up 8% year-over-year in February (latest month with data available), the strongest rate of increase since the early 1980s.

Despite the challenges rising prices pose for consumers, the economy came into this situation with momentum. The recovery in the labor market has been nearly complete. After being down by more than ten million workers at its lowest point, the size of the U.S. labor force is now virtually even with its pre-pandemic level. The economy continues to add jobs, and there are about twice the number of unfilled job openings as there are unemployed workers. Wages have been rising at the fastest rate in at least fifteen years. Significantly higher rates of income were saved and accumulated during the pandemic. While recent gains in housing prices are hitting those looking to buy, the increase in home values boosted homeowner wealth alongside the surging stock market.

Due to the volume of money created and historically low levels for interest rates, the Federal Reserve may have lacked tools to combat another demand-driven economic crisis (such as the one that followed the financial crisis). However, the current situation is supply-related. Consumers have been looking for more goods at the same time the world is suffering from a shipping crisis. Businesses are having difficulty finding the workers they need. These sources of scarcity contribute to higher prices.

Since monetary policy has been heavily expansionary, the central bank does not lack tools to combat inflation. It has already enacted one interest rate increase and has plans to scale back its asset purchases (money creation). A handful of additional rate hikes are expected this year. The timing and magnitude of policy changes need to be balanced to keep the economy from recession.

Employment: In March, the U.S. was estimated to have added 431,000 jobs. Revisions to existing figures for January (+23,000 to +504,000) and February (+72,000 to +750,000) indicated nearly 100,000 more jobs were created over the past two months than previously estimated. The average growth in payrolls over the past twelve months is +541,000. The net change in jobs since the onset of COVID is -1.6 million positions.

With job growth, the unemployment rate fell to 3.6% in March. This is virtually even with values before the pandemic (3.5%). It is rare for unemployment in the U.S. to drop below five percent, so these values reflect an exceptionally tight labor market. A factor contributing to difficulty finding employees in recent years was that fewer people wanted to work after COVID. Twelve million fewer people wanted to work at the lowest point after the virus. The labor force has been recovering, and it is now nearly even with the level before the pandemic (164.6 million people in February 2020, 164.4 million in March 2022).

Tightness in the labor market has helped workers negotiate higher wages. Year-over-year growth in wages has been erratic due to the influences of stimulus over the past couple years, but it appears to have been stabilizing at a level above five percent (was +5.6% in March). Apart from the values most affected by stimulus with COVID, current readings are the highest on record (data only back to 2007) and are more than double the average between the last two recessions (+2.4% between June 2009 and February 2020). Higher wages can help consumers cope with rising prices. However, wage growth is also a contributing factor to inflationary spirals, increasing costs for employers that then have to be passed on to consumers.

Consumer Confidence & Spending: Despite the outbreak of war in Europe, the Conference Board's Index of Consumer Confidence increased +1.5 points in March (from 105.7 in February to 107.2). The reading in February was the lowest value in one year. The value in March is below the recent peaks posted last summer (was 128.9 in June 2021), but it is also above the COVID-driven lows near 85 that were reached in the spring of 2020. Before the pandemic, the Index of Consumer Confidence was near 130.

After a strong month-over-month increase in January (+2.1%), overall consumer spending decreased -0.4% in February. Year-over-year, overall spending was +4.6% higher in February. Spending on apparel followed a similar pattern. In February, clothing expenditures rose +7.6% month-over-month, which is very large by historical standards. The average monthly increase in the ten years before the pandemic was +0.2%. Year-over-year, apparel spending was up +15.5% higher in February. Relative to the same month in 2019, spending was 21.8% higher.

Consumer Prices & Import Data: The CPI for apparel increased for the fifth consecutive month in February. Year-over-year average clothing prices were 6.4% higher. The current reading is even with values from the summer and fall of 2019. Average import prices per square meter (SME) of cotton-dominant apparel increased 1.3% month-over-month in February (seasonally-adjusted data) and were 14.4% higher year-over-year. Relative to levels before COVID, average import costs were 3.3% 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
April 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 March

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	January	February	March		
ISM Index of Manufacturing Activity	56.2	59.7	58.9	57.8	57.6	58.6	57.1	Index	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	57.7	62.3	62.0	58.2	59.9	56.5	58.3	Index	Institute for Supply Management
Consumer Confidence	118.1	114.9	110.5	108.0	111.1	105.7	107.2	Index	The Conference Board
Change in Non-Farm Payrolls	82.8	541.2	599.5	561.7	504	750	431	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	5.0%	4.8%	4.0%	3.8%	4.0%	3.8%	3.6%	Rate	Bureau of Labor Statistics
US Interest Rates									
Federal Funds	1.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	Interest rate	Federal Reserve
10-year Treasury Bill	1.9%	1.6%	1.7%	1.9%	1.8%	1.9%	2.1%	Interest rate	Federal Reserve

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		
Index of Leading Economic Indicators	110.2	117.7	119.4	119.6	119.5	119.5	119.9	Index	The Conference Board
Housing Starts	1.4	1.6	1.7	1.7	1.8	1.7	1.8	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.6	6.1	6.2	6.2	6.1	6.5	6.0	Annual pace, millions of units	National Association of Realtors

Industrial & Textile Data

Industrial & Textile 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		
US Industrial Production	100.3	101.0	101.9	102.7	102.0	101.6	103.6	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	108.6	124.7	134.6	137.6	132.7	137.1	142.8	Index, December 2003=100	Bureau of Labor Statistics

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		
Bale Equivalence of US Cotton Yarn & Fabric Exports	3.2	2.6	2.4	2.4	2.3	2.6	2.2	million 480lb bales	USDA ERS

Industrial & Textile 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		
US Textile Mill Inventory/Shipments Ratio	1.40	1.39	1.42	1.45	1.45	1.44	1.45	Ratio	Department of Commerce

Retail Data

Retail 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		
US Real Consumer Spending									
All Goods and Services	2.5%	9.5%	6.6%	6.5%	6.7%	5.9%	6.9%	% Chg. Year/Year	Department of Commerce
Clothing	7.8%	33.9%	16.0%	15.5%	16.5%	13.6%	16.3%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	2.2%	4.6%	5.6%	6.1%	5.8%	6.0%	6.4%	% Chg Year/Year	Bureau of Labor Statistics
Clothing	-0.9%	3.7%	4.8%	5.7%	5.6%	5.1%	6.5%	% Chg. Year/Year	Bureau of Labor Statistics

Retail 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		
Retail Inventory/Sales Ratio									
Clothing and Clothing Accessory Stores	2.7	2.0	1.9	1.9	1.9	1.9	2.0	Ratio	Department of Commerce
Department Stores	2.1	1.8	1.8	1.9	1.8	1.9	2.1	Ratio	Department of Commerce

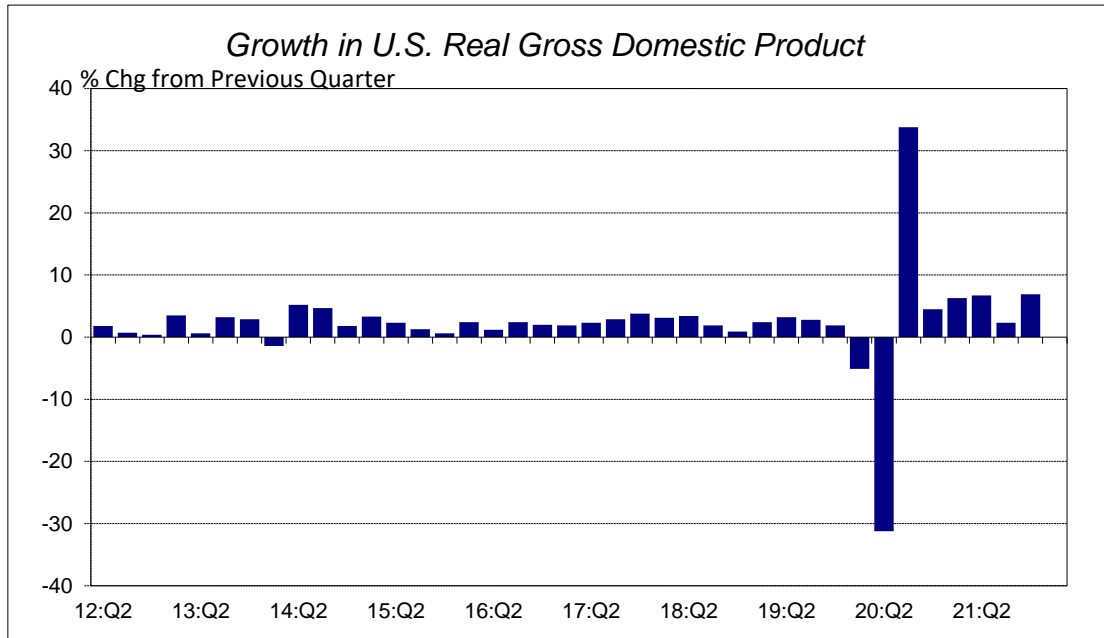
Executive Cotton Update

Daily Cotton Price and Currency Data
April 2022

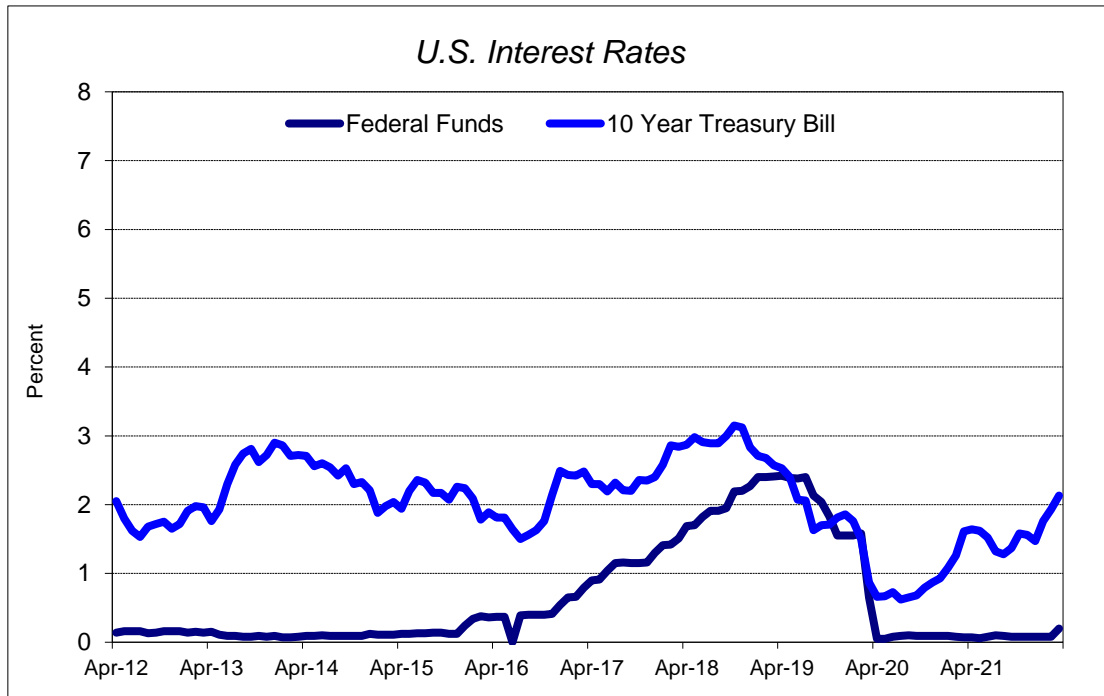


Daily Cotton Price Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	January	February	March		
NY Nearby	78.4	103.0	117.3	123.0	119.3	124.2	125.3	cents/pound	ICE
A Index	87.8	112.9	129.3	137.3	132.3	138.4	141.1	cents/pound	Cotlook

Daily Currency Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	January	February	March		
Dollar Trade Weighted Exchange Index	114.3	115.7	115.5	115.7	115.2	115.2	116.7	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.70	6.73	6.38	6.35	6.37	6.37	6.32	Chinese Renminbi/US dollar	Reuters
Indian Rupee	70.77	73.04	74.89	75.08	74.36	74.71	76.16	Indian Rupee/US dollar	Reuters
Japanese Yen	109.73	108.87	114.02	115.29	115.79	115.27	114.82	Japanese Yen/US dollar	Reuters
Pakistani Rupee	143.75	160.50	174.26	176.16	176.78	174.35	177.35	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	4.37	4.93	5.46	5.36	5.66	5.35	5.08	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.30	1.30	1.27	1.27	1.27	1.28	1.28	Canadian dollar/US dollar	Reuters
Mexican Peso	19.87	20.44	20.77	20.71	20.41	20.77	20.95	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.76	0.76	0.74	0.74	0.74	0.74	0.76	British Pound/US dollar	Reuters
Euro	0.87	0.87	0.88	0.89	0.88	0.87	0.92	Euro/US dollar	Reuters
Swiss Franc	0.96	0.94	0.92	0.92	0.92	0.93	0.92	Swiss Franc/US dollar	Reuters
Turkish Lira	6.51	7.83	12.28	13.79	13.62	13.56	14.20	Turkish Lira/US dollar	Reuters



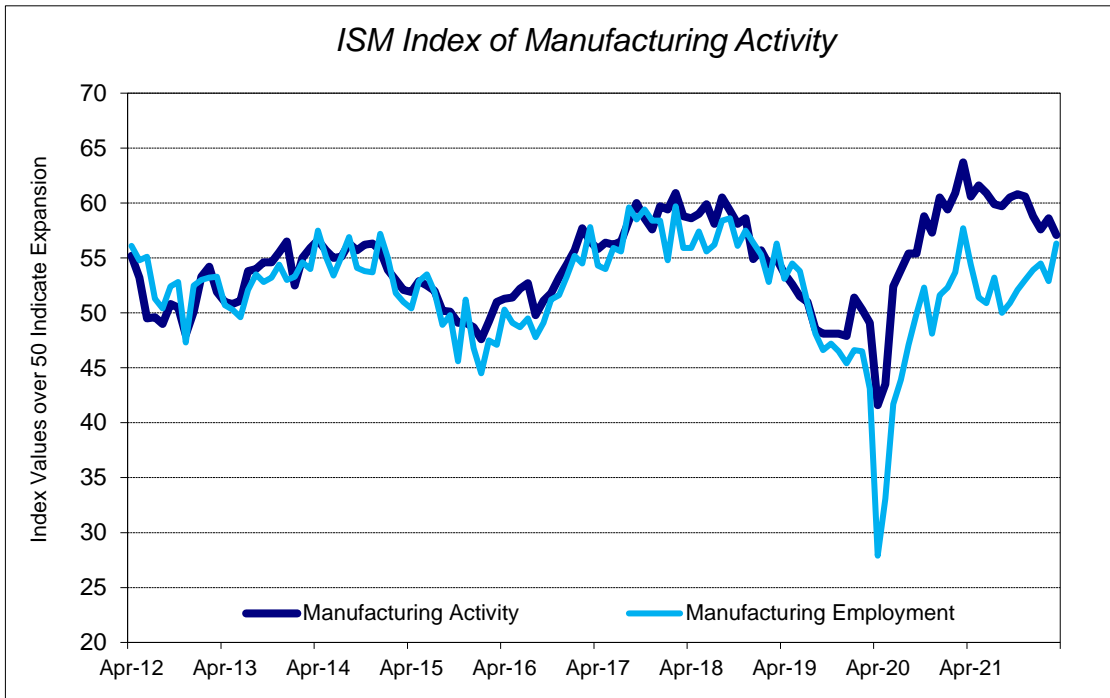
Seasonally Adjusted Annual Rate; Source: Department of Commerce
 *Based on chained 2005\$.



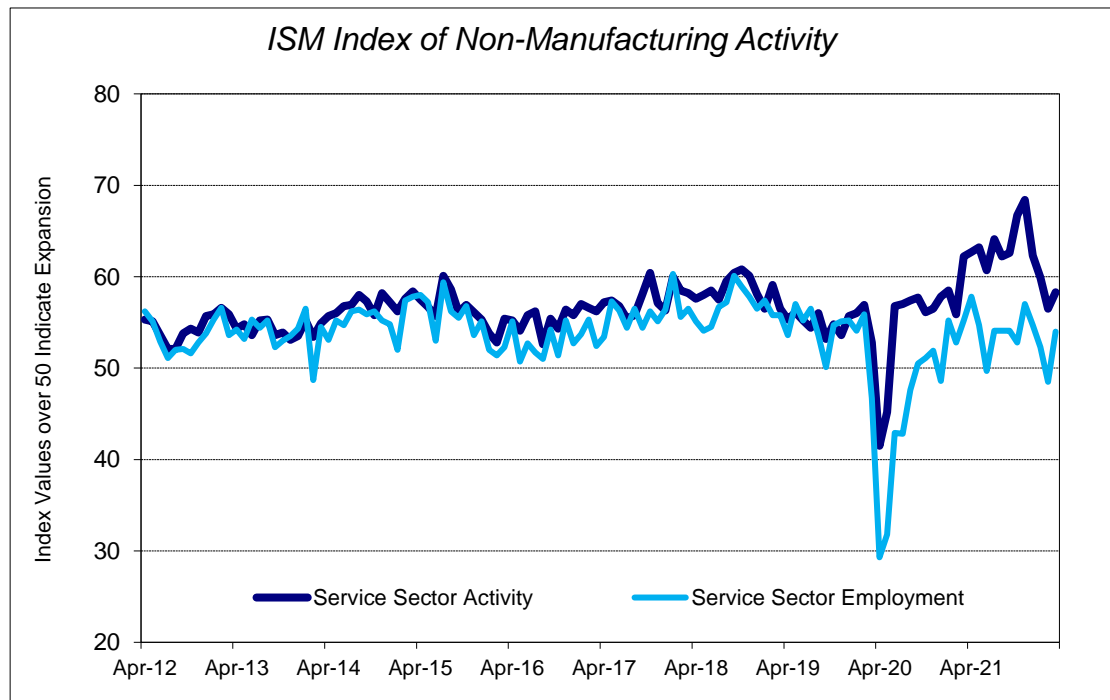
Source: Federal Reserve

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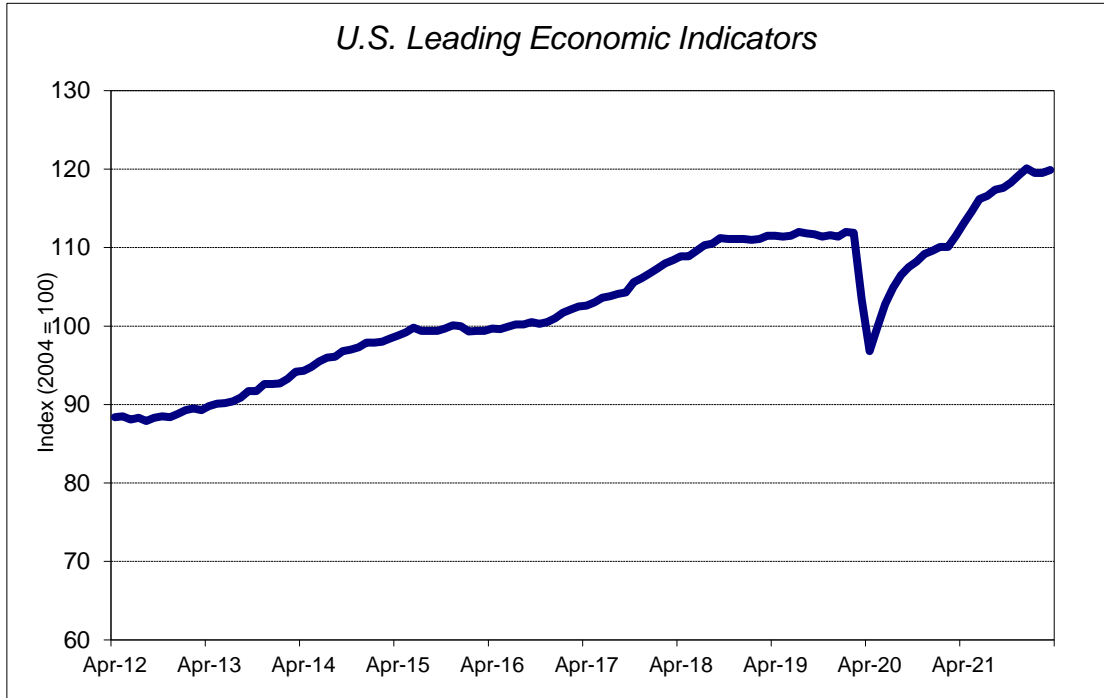
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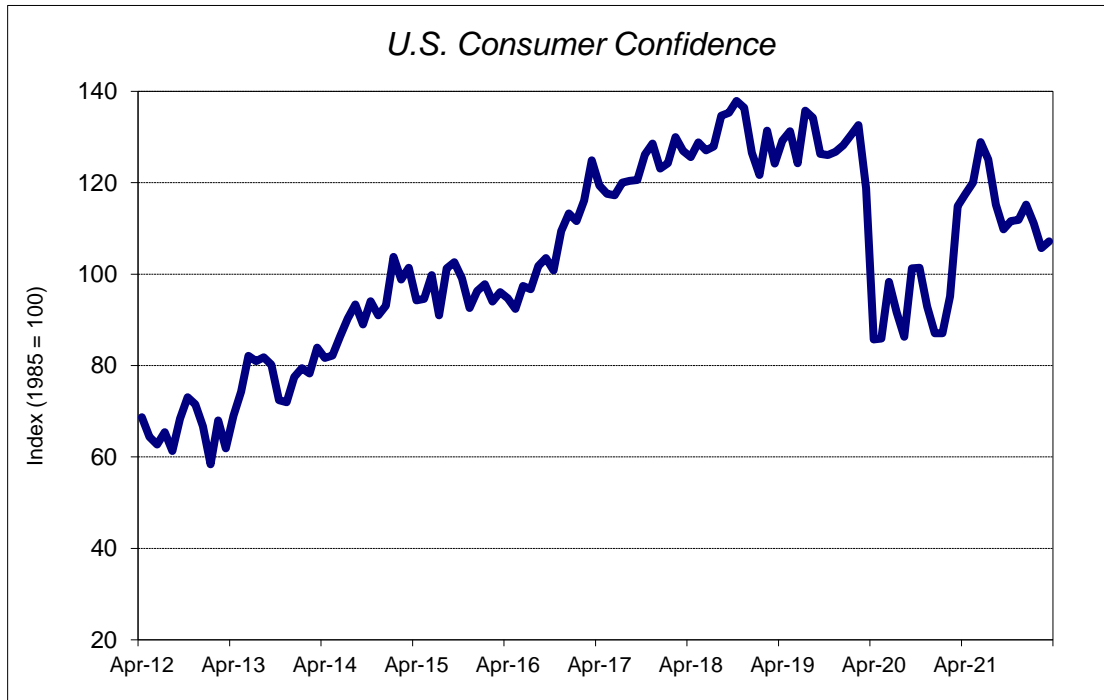
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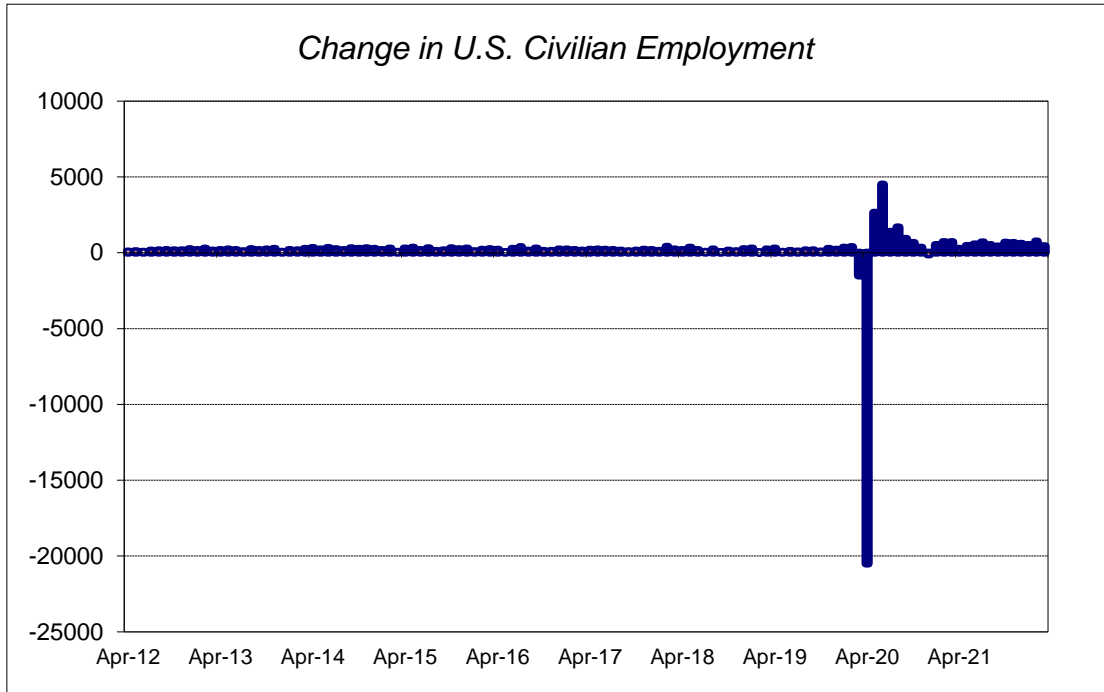
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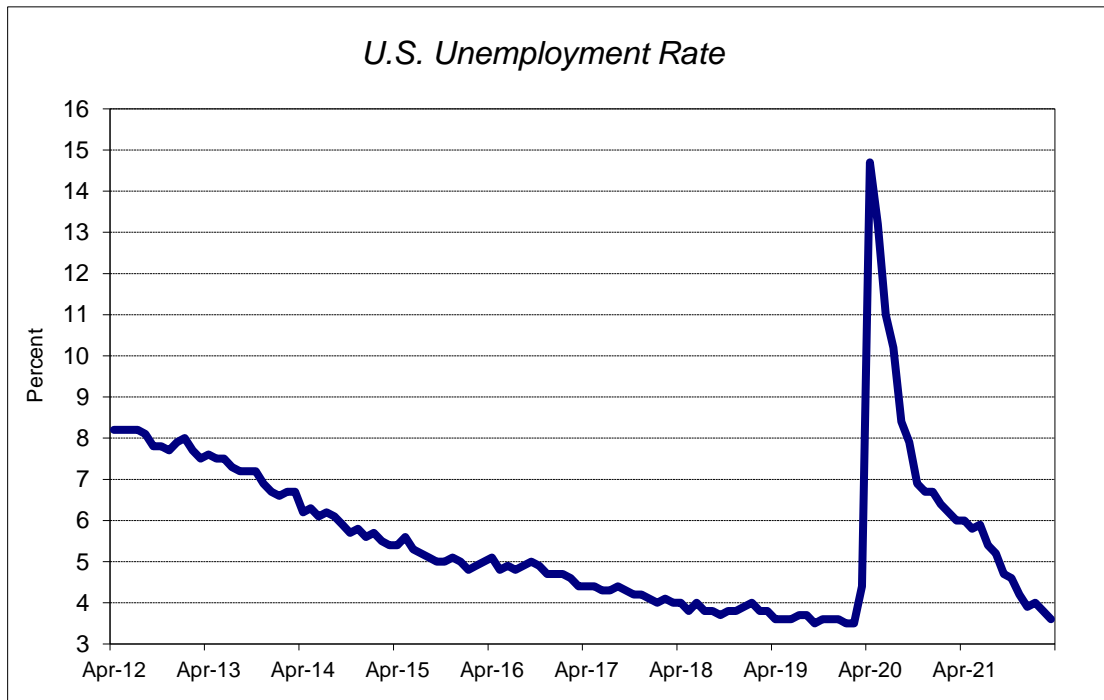
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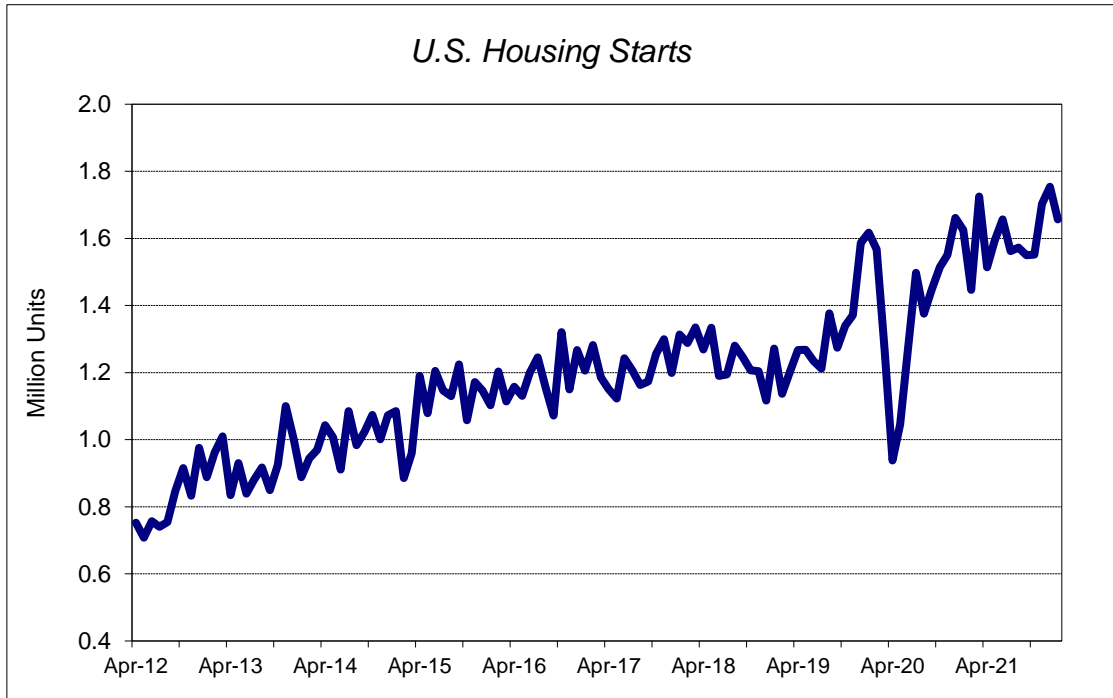
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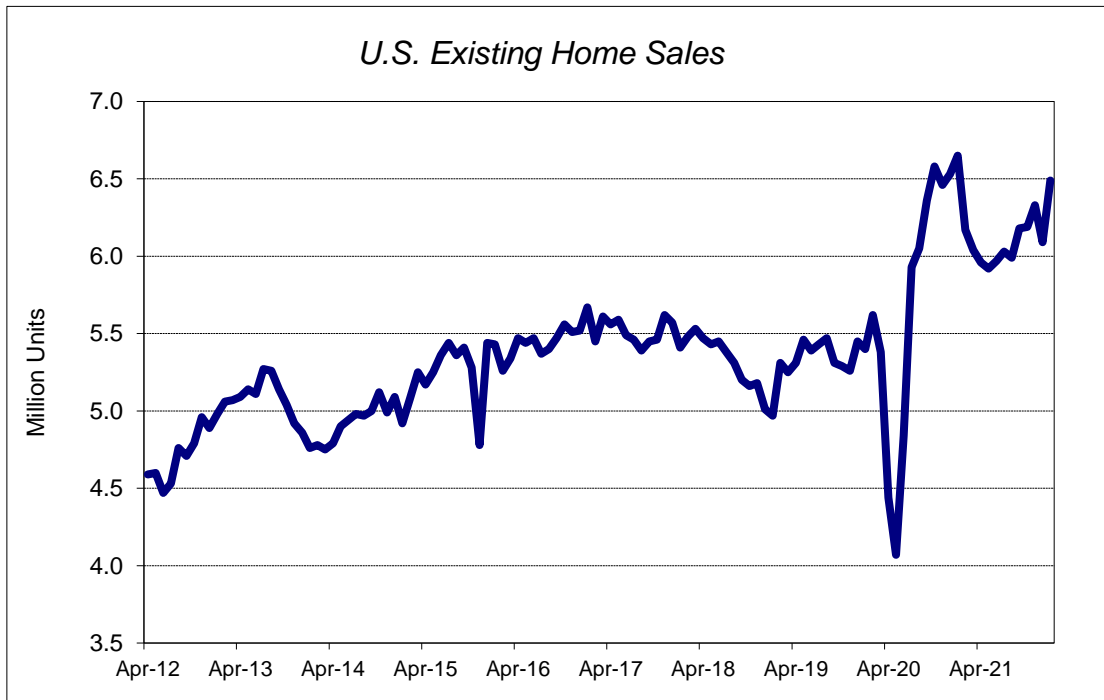
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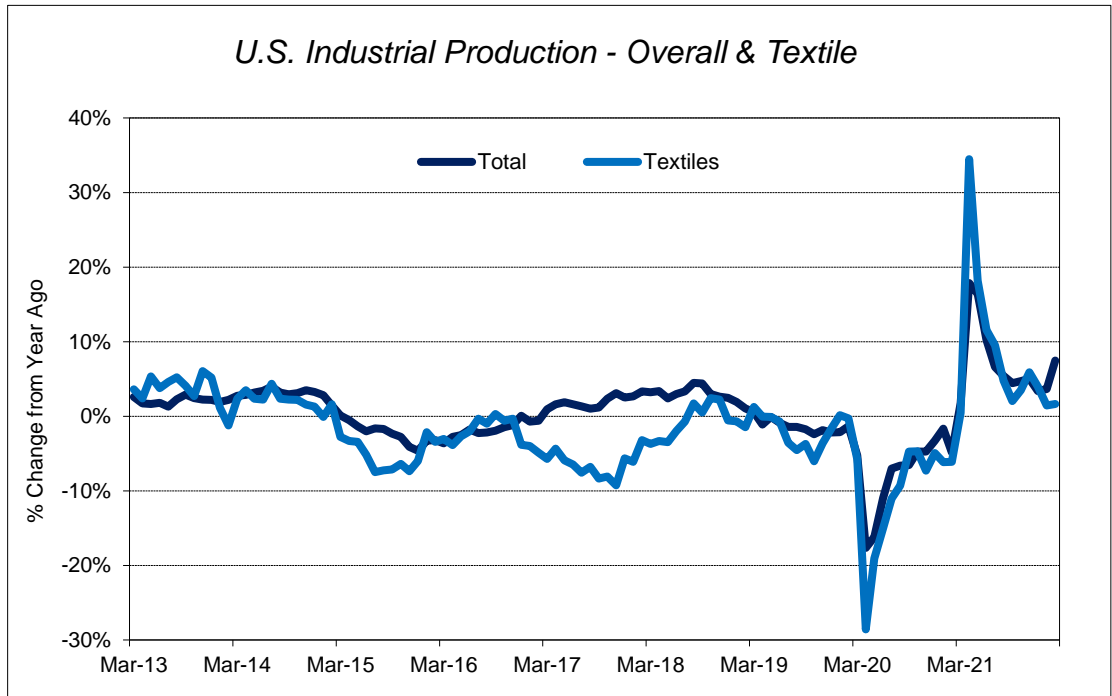
Seasonally Adjusted Annual Rate; Source: Department of Commerce



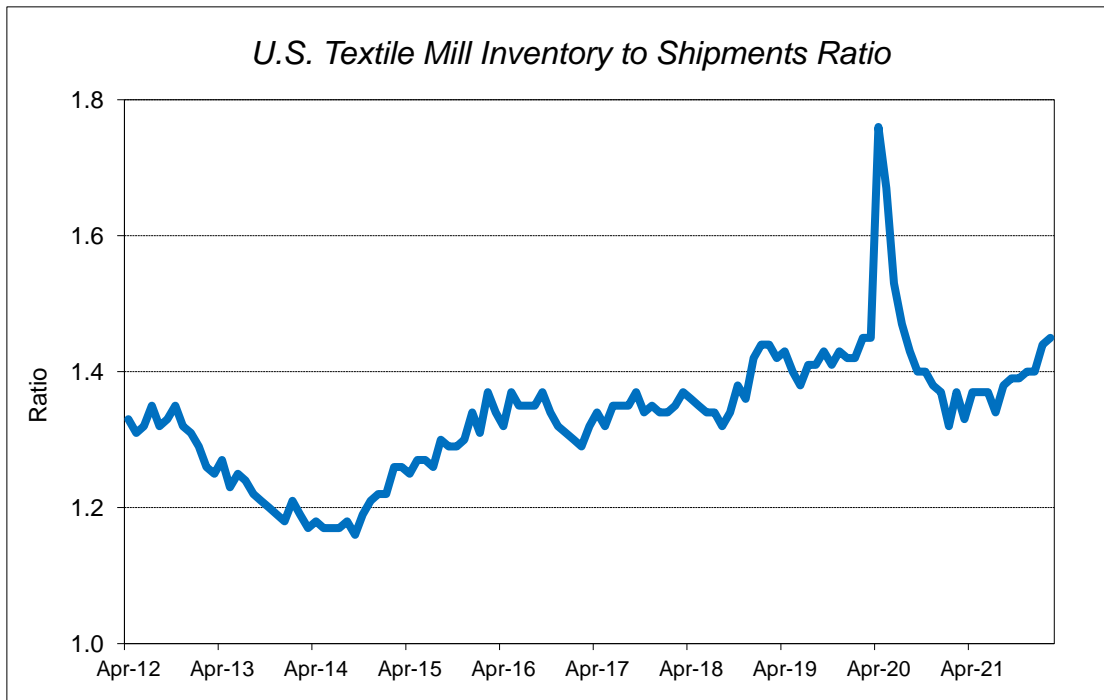
Seasonally Adjusted Annual Rate; Source: National Association of Realtors

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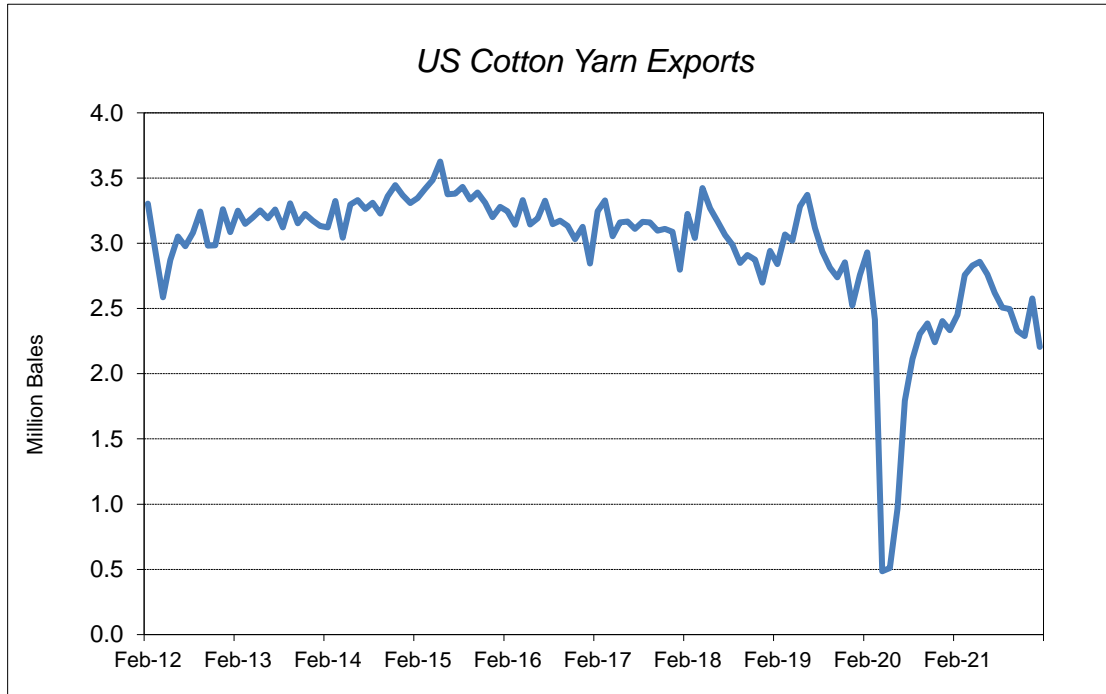
Source: Federal Reserve. Historical data revised to 1997 baseline.



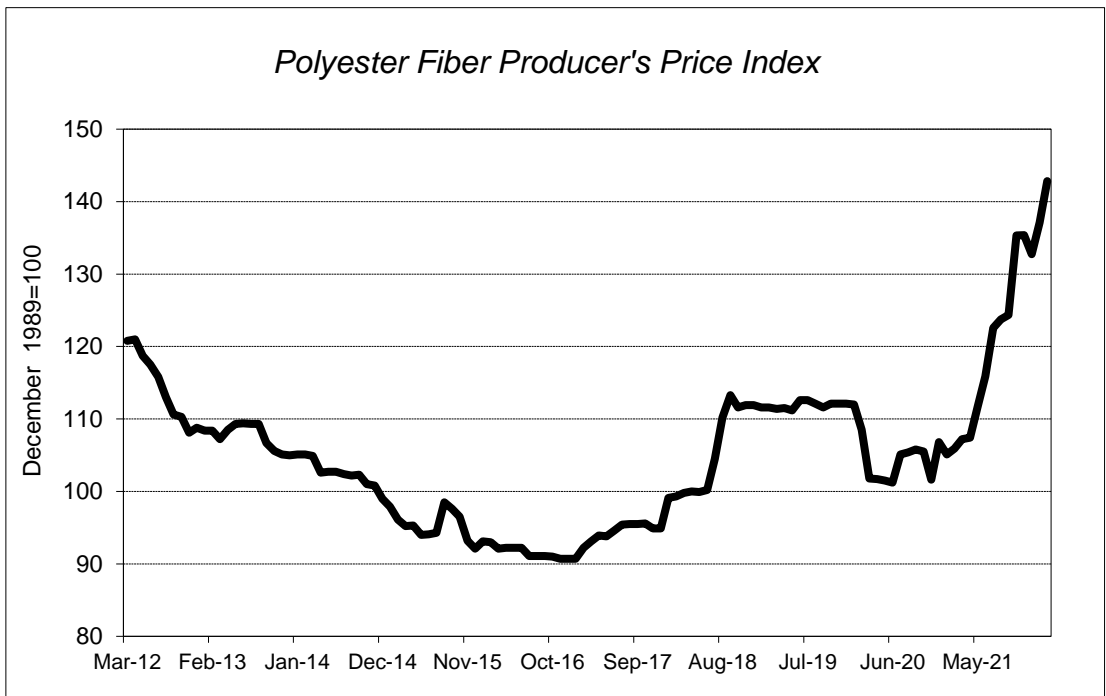
Seasonally Adjusted; Source: Department of Commerce

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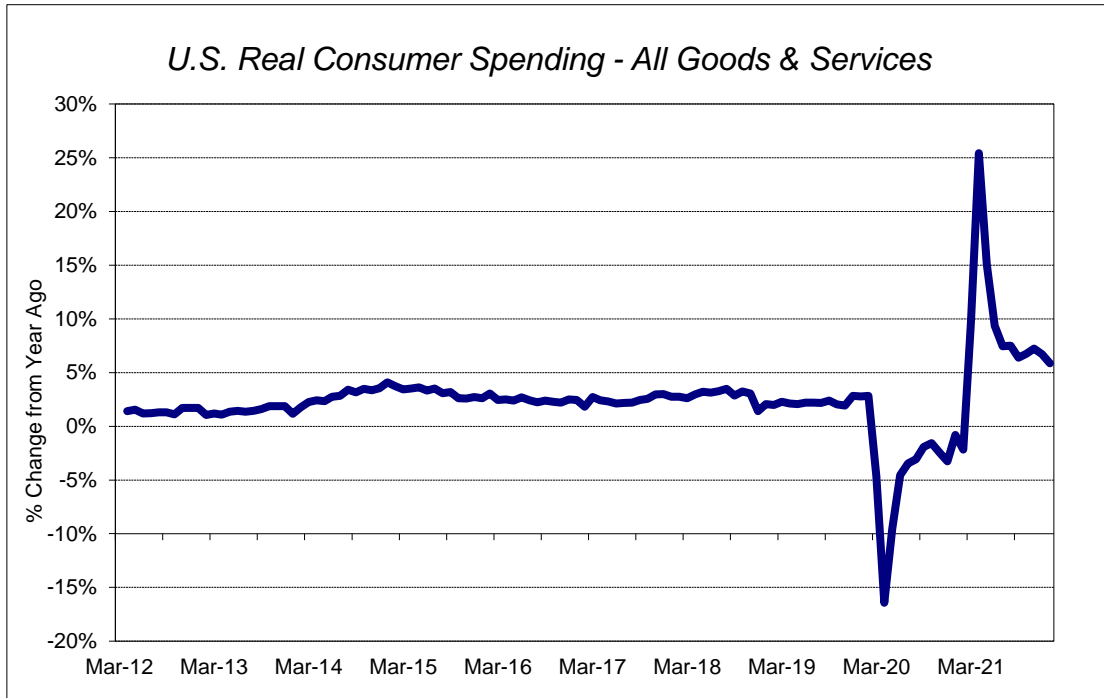
Seasonally Adjusted Annual Rate
 Source: USDA ERS



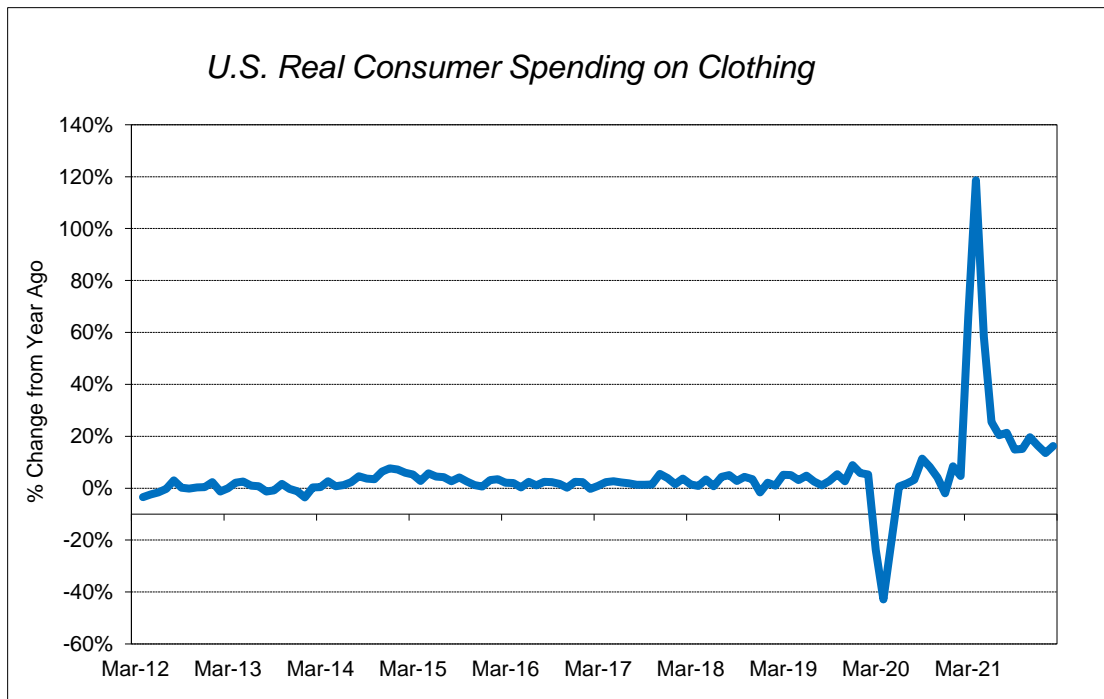
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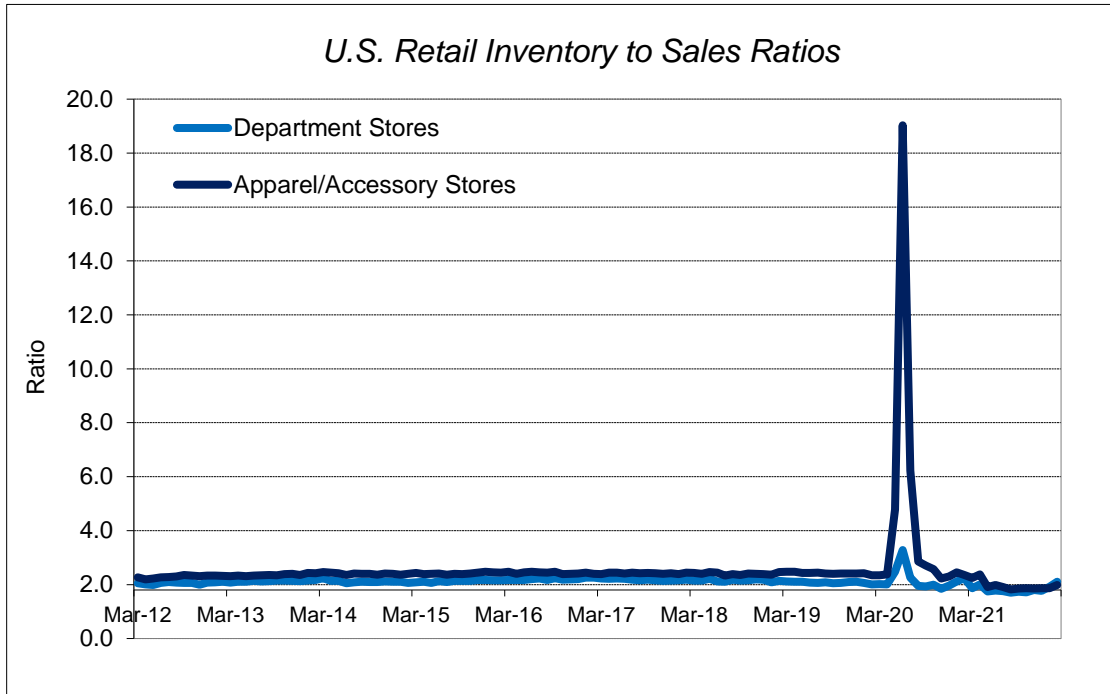
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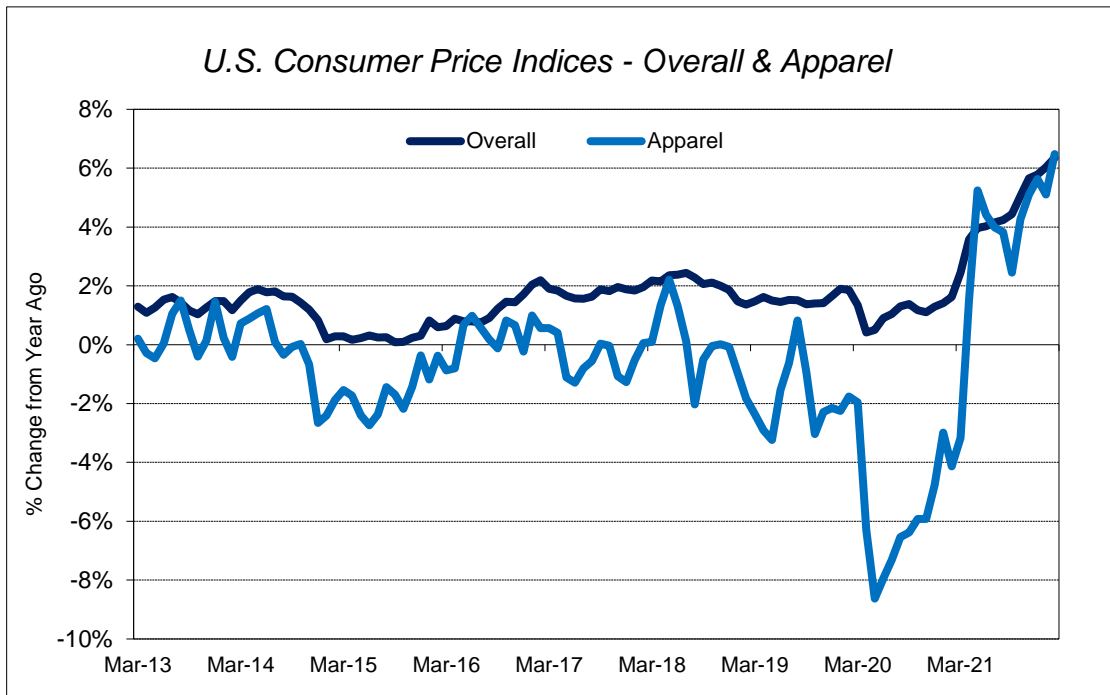
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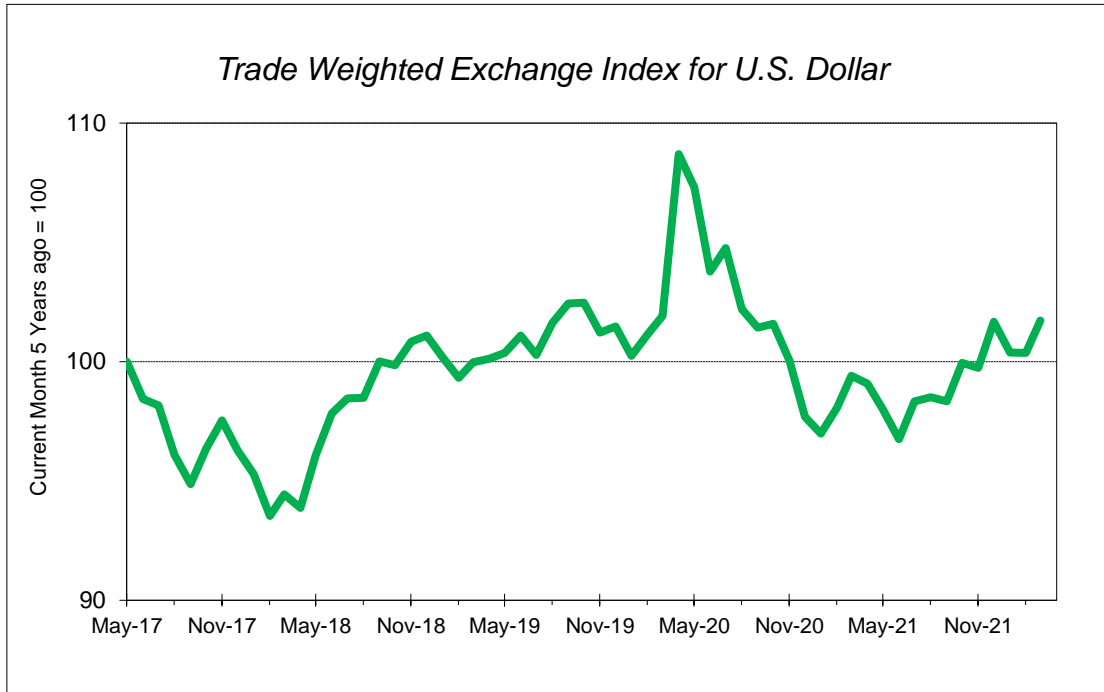
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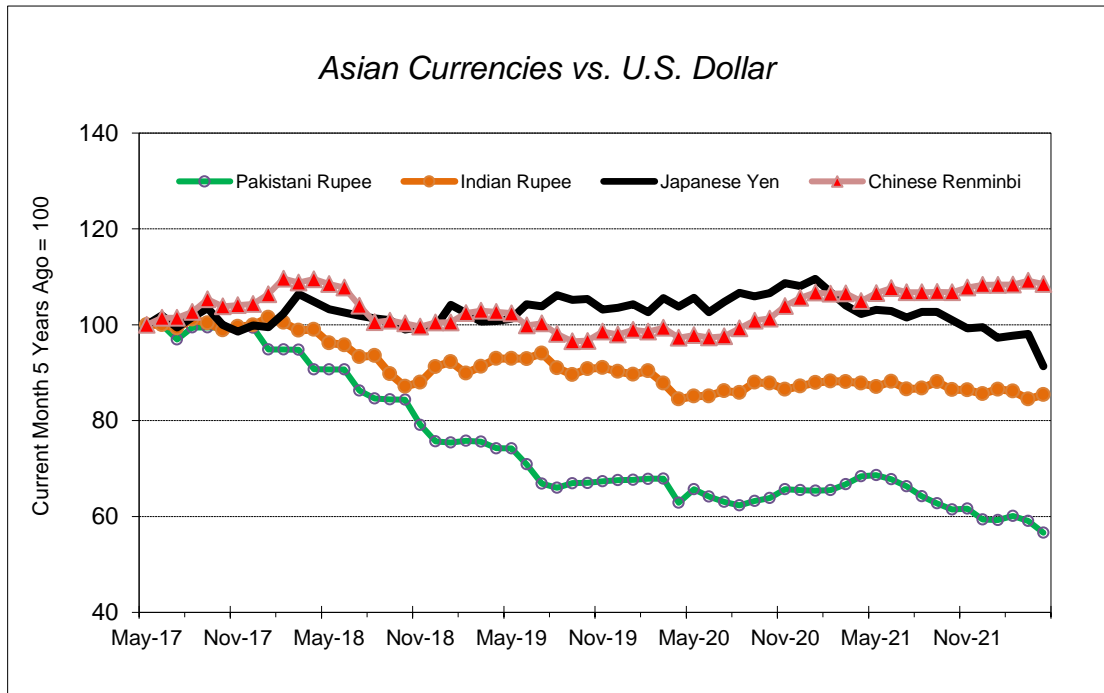
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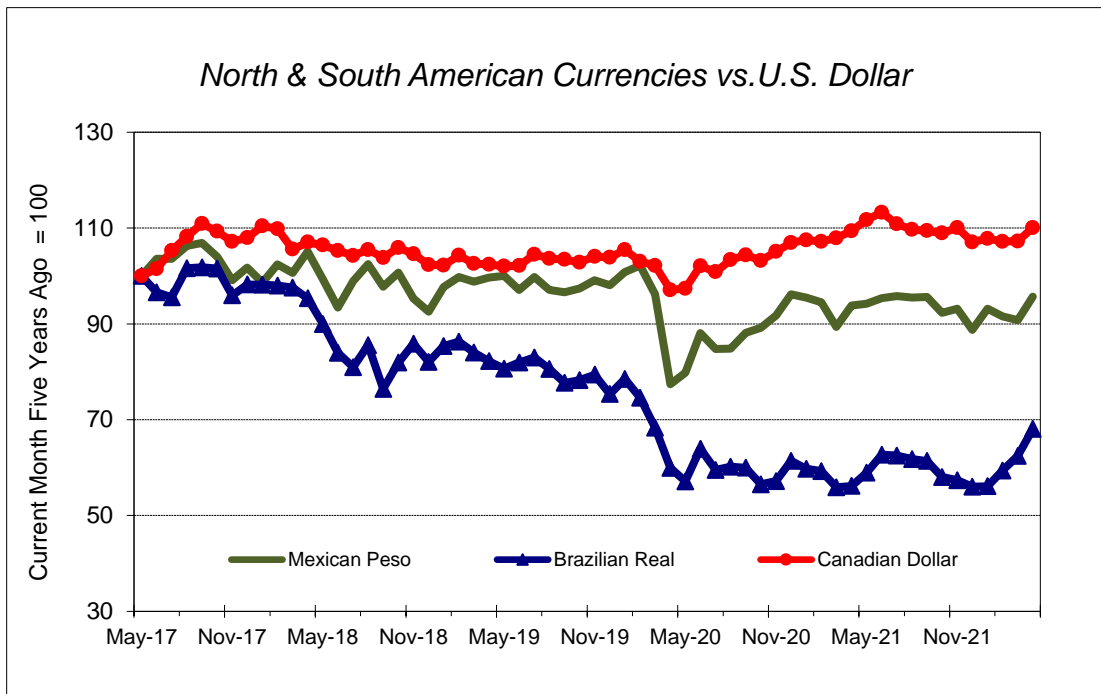
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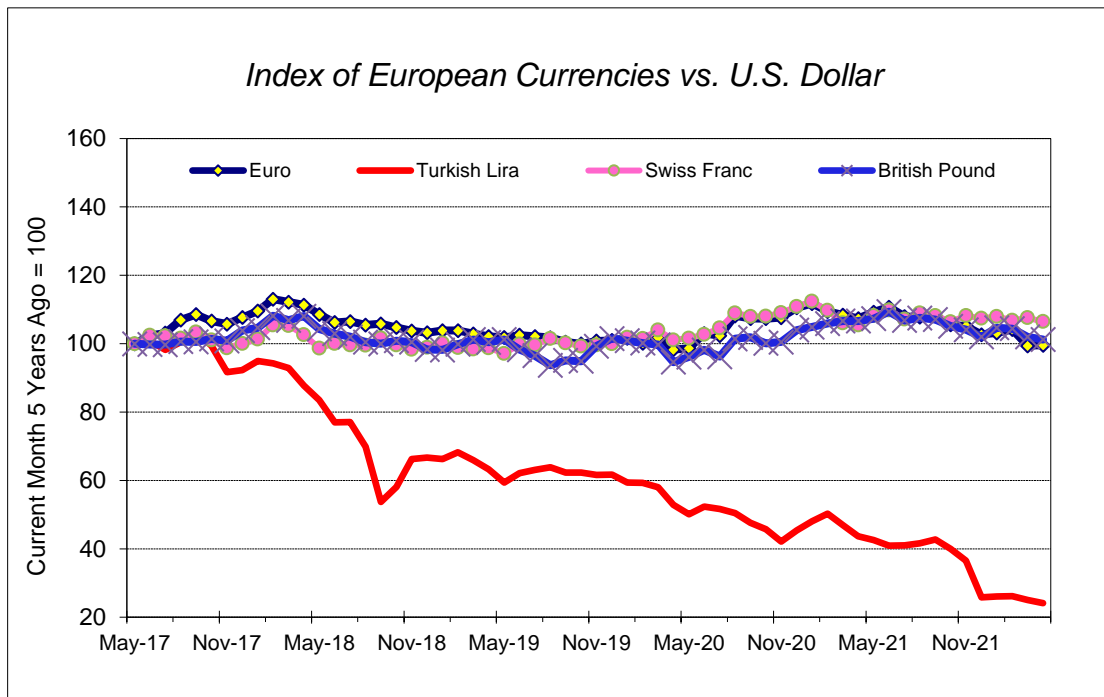
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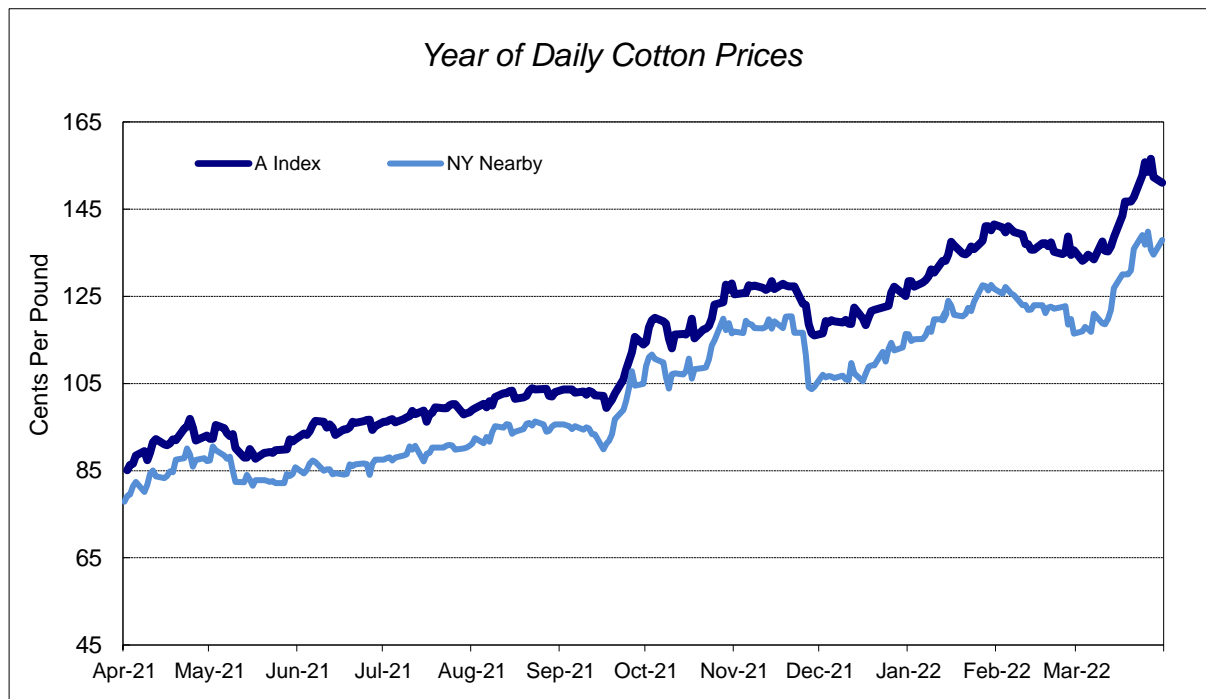
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U.S. Balance Sheet

million 480 lb. bales	2017/18	2018/19	2019/20	2020/21	2021/22 February	2021/22 March
Beginning Stocks	2.8	4.2	4.9	7.3	3.2	3.2
Production	20.9	18.4	19.9	14.6	17.6	17.6
Imports	0.0	0.0	0.0	0.0	0.0	0.0
Supply	23.7	22.6	24.8	21.9	20.8	20.8
Mill-Use	3.2	3.0	2.2	2.4	2.6	2.6
Exports	16.3	14.8	15.5	16.4	14.8	14.8
Demand	19.5	17.8	17.7	18.8	17.3	17.3
Ending Stocks	4.2	4.9	7.3	3.2	3.5	3.5
Stocks/Use Ratio	21.5%	27.2%	41.0%	16.8%	20.2%	20.2%



Sources: ICE Futures U.S. & Cotton Outlook

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