

Executive Cotton Update

U.S. Macroeconomic Indicators &
the Cotton Supply Chain



June 2022

www.cottoninc.com

Macroeconomic Overview: Global financial markets continued to be volatile over the past month. Volatility likely stems from uncertainty regarding how the global economy will manage the transition from a heavily stimulated recovery into one grappling with inflation, supply shortages, and tightening monetary policies.

The outbreak of war in Europe added another set of variables into the mix of influences causing uncertainty. For countries outside of Ukraine and Russia, reductions in the availability of energy and agricultural commodities are among the largest impacts of the war. The constraints of supply have been reflected in commodity prices. One of the commodities most affected has been oil. The sanctions imposed on Russia were recently expanded to include sea-bound shipments to the European Union (E.U.). Oil is not homogeneous, and it is unclear where the E.U. might be able to find the replacement supplies necessary to support its economy, but the scramble to secure shipments should support prices globally.

In the U.S., gasoline prices reached new record highs in June (nominal terms). The labor market remains strong, and wage growth has held above five percent. Nonetheless, there is evidence that consumers are starting to feel the pinch of rising prices. The savings rate, which had been over ten percent during much of the post-COVID period (from March 2020 through July 2021), has since eroded. The latest value (April 2022) was 4.4%, the lowest reading since 2008.

Higher wages and savings accumulated during the pandemic may help sustain U.S. consumer spending for several months. However, if prices for necessities like food and energy continue to rise, consumers may pull back on more discretionary purchases, including clothing. U.S. apparel import volumes have been strong in recent months, and a downturn in consumer demand could imply a buildup of inventory among clothing retailers. One major U.S. retailer has already warned that a reduction in consumer demand pushed inventories up much faster than projected. The struggle to refill pipelines after COVID and with the shipping crisis may have led retailers to overcompensate in order volume. If inventories build in the U.S. and other locations struggling with inflation, retailers could pursue strategies in the other direction, and orders could slow throughout supply chains.

Employment: The U.S. economy was estimated to have added +390,000 jobs in May. Revisions to previous months were mixed. The figure for March decreased -30,000 positions to +398,000. The figure for April increased +8,000 to +436,000. The twelve-month average for job growth is now +545,000. The unemployment rate was unchanged at 3.6%, which is where it has been since March. This value is near historic lows and is virtually even with the level before COVID.

Wages were +5.2% higher year-over-year in May. Following the release of COVID-related stimulus, wage growth has generally been above five percent. Between the financial crisis and the onset of COVID, wage growth peaked at +3.5%. Overall inflation has been above eight percent in the last two months of data (March and April). Between the financial crisis and the onset of COVID, inflation was generally below three percent.

Consumer Confidence & Spending: The Conference Board's Index of Consumer Confidence decreased slightly month-over-month in May (-2.2 points to 106.4). The index has been holding to levels between 105 and 115 since September 2021. In June 2021, the index climbed to 128.9. The value in June was the highest since COVID and was virtually even with the levels near 130 that were common before the pandemic. The lowest value since the virus was 87.1 (December 2020 and January 2021). During the financial crisis, the Index of Consumer Confidence fell as low as 25.3 (February 2009).

Overall consumer spending increased +0.7% month-over-month in April, up +2.8% year-over-year. Spending on garments increased +1.8% month-over-month and was up +1.4% year-over-year. In the past couple months, annual rates of change in spending are returning to more normal values after the distortive effects of the shock of COVID-driven shutdowns and the surge in spending on goods that followed.

Consumer Prices & Import Data: The CPI for apparel decreased -0.6% in March. This was the first month-over-month decrease in six months. Year-over-year retail clothing prices were up +5.6% in March. Despite the string of recent increases, average retail prices for clothing remain close to levels before COVID (average of 117.7 from 2018-19, the current value is 117.6).

Sourcing costs continue to rise. The latest seasonally-adjusted cost per square meter equivalent (SME) of cotton-dominant apparel was the highest since 2013. The latest value is \$3.51/SME (April), representing an +18% increase above the record low of \$2.96/SME set in March 2021. Following the 2010/11 spike in cotton prices (when monthly averages for the A Index climbed as high as 230 cents/lb, the A Index averaged 164 cents/lb in May 2022), the average cost per SME peaked at \$3.79/SME.

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
June 2022



Macroeconomic Data

Quarterly Data

	Recent Averages				Values in Recent Quarters			Unit	Source
	5-year	1-year	6-month	3-month	Q3 : 2021	Q4 : 2021	Q1 : 2022		
Growth in US Real GDP	2.7%	2.9%	4.6%	6.9%	2.3%	6.9%	-1.5%	% Chg. Quarter/Quarter	Department of Commerce

Macroeconomic 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		
ISM Index of Manufacturing Activity	56.2	58.8	57.3	56.2	57.1	55.4	56.1	Index	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	57.7	61.2	58.3	57.1	58.3	57.1	55.9	Index	Institute for Supply Management
Consumer Confidence	117.7	113.1	109.1	107.5	107.6	108.6	106.4	Index	The Conference Board
Change in Non-Farm Payrolls	88.2	545.1	505.0	408.0	398	436	390	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	5.0%	4.4%	3.8%	3.6%	3.6%	3.6%	3.6%	Rate	Bureau of Labor Statistics
US Interest Rates									
Federal Funds	1.0%	0.2%	0.3%	0.4%	0.2%	0.3%	0.8%	Interest rate	Federal Reserve
10-year Treasury Bill	1.9%	1.8%	2.2%	2.6%	2.1%	2.8%	2.9%	Interest rate	Federal Reserve

Macroeconomic Series with Latest Data for April

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	February	March	April		
Index of Leading Economic Indicators	111.6	118.3	119.3	119.4	119.5	119.5	119.2	Index	The Conference Board
Housing Starts	13.8	16.6	17.3	1.7	1.8	1.7	1.7	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.6	6.0	6.0	5.8	5.9	5.8	5.6	Annual pace, millions of units	National Association of Realtors

Industrial & Textile Data

Industrial & Textile Series with Latest Data for April

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	February	March	April		
US Industrial Production	100.5	102.0	103.3	104.6	102.6	103.6	105.6	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	110.3	130.8	139.3	143.5	138.4	139.9	152.2	Index, December 2003=100	Bureau of Labor Statistics

Industrial & Textile 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		
Bale Equivalence of US Cotton Yarn & Fabric Exports	3.2	2.6	2.5	2.5	2.3	2.6	2.7	million 480lb bales	USDA ERS

Industrial & Textile Series with Latest Data for April

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	February	March	April		
US Textile Mill Inventory/Shipments Ratio	1.41	1.42	1.46	1.48	1.48	1.48	1.48	Ratio	Department of Commerce

Retail Data

Retail Series with Latest Data for April

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	February	March	April		
US Real Consumer Spending									
All Goods and Services	2.5%	7.0%	5.2%	4.0%	6.8%	2.6%	2.8%	% Chg. Year/Year	Department of Commerce
Clothing	7.7%	18.1%	10.3%	5.1%	14.9%	-1.2%	1.5%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	2.4%	5.2%	6.1%	6.4%	6.3%	6.6%	6.3%	% Chg Year/Year	Bureau of Labor Statistics
Clothing	-0.7%	4.9%	5.8%	6.3%	6.5%	6.9%	5.6%	% Chg. Year/Year	Bureau of Labor Statistics

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

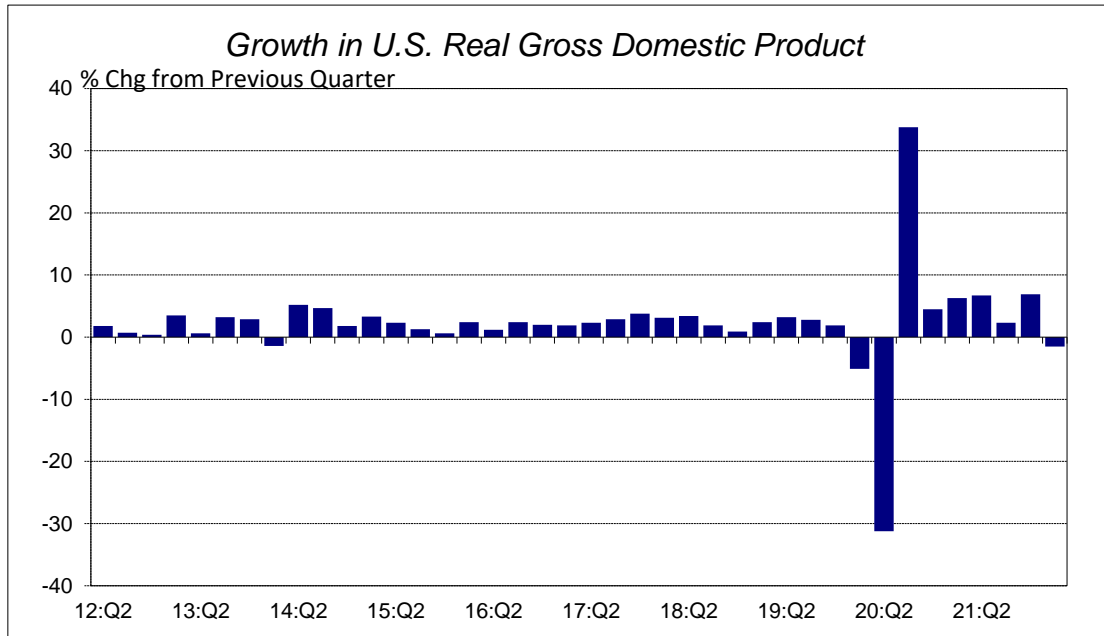
Executive Cotton Update

Daily Cotton Price and Currency Data
June 2022

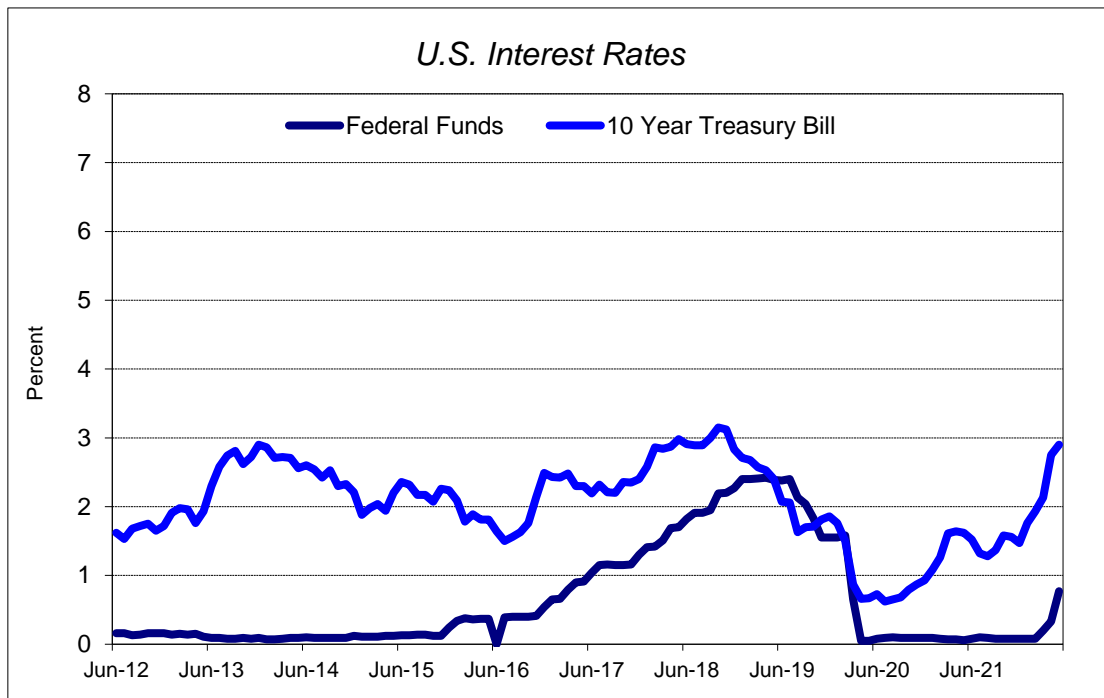


Daily Cotton Price Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	March	April	May		
NY Nearby	80.6	112.7	127.0	136.9	125.3	140.5	145.0	cents/pound	ICE
A Index	90.2	124.3	141.8	153.4	141.1	155.3	163.8	cents/pound	Cotlook

Daily Currency Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	March	April	May		
Dollar Trade Weighted Exchange Index	114.4	115.9	116.4	117.2	116.0	115.6	119.8	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.69	6.72	6.40	6.42	6.32	6.36	6.59	Chinese Renminbi/US dollar	Reuters
Indian Rupee	71.01	73.42	75.41	76.06	75.91	75.78	76.51	Indian Rupee/US dollar	Reuters
Japanese Yen	110.14	109.61	118.64	122.80	115.64	122.86	129.92	Japanese Yen/US dollar	Reuters
Pakistani Rupee	145.73	163.01	179.27	182.47	177.65	184.05	185.70	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	4.41	4.98	5.23	4.92	5.04	4.70	5.01	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.30	1.30	1.27	1.27	1.27	1.25	1.29	Canadian dollar/US dollar	Reuters
Mexican Peso	19.92	20.55	20.58	20.29	20.71	19.82	20.34	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.76	0.76	0.76	0.77	0.75	0.76	0.80	British Pound/US dollar	Reuters
Euro	0.87	0.87	0.90	0.92	0.90	0.91	0.95	Euro/US dollar	Reuters
Swiss Franc	0.96	0.94	0.93	0.94	0.92	0.93	0.98	Swiss Franc/US dollar	Reuters
Turkish Lira	6.82	8.30	13.99	14.55	14.13	14.69	14.83	Turkish Lira/US dollar	Reuters



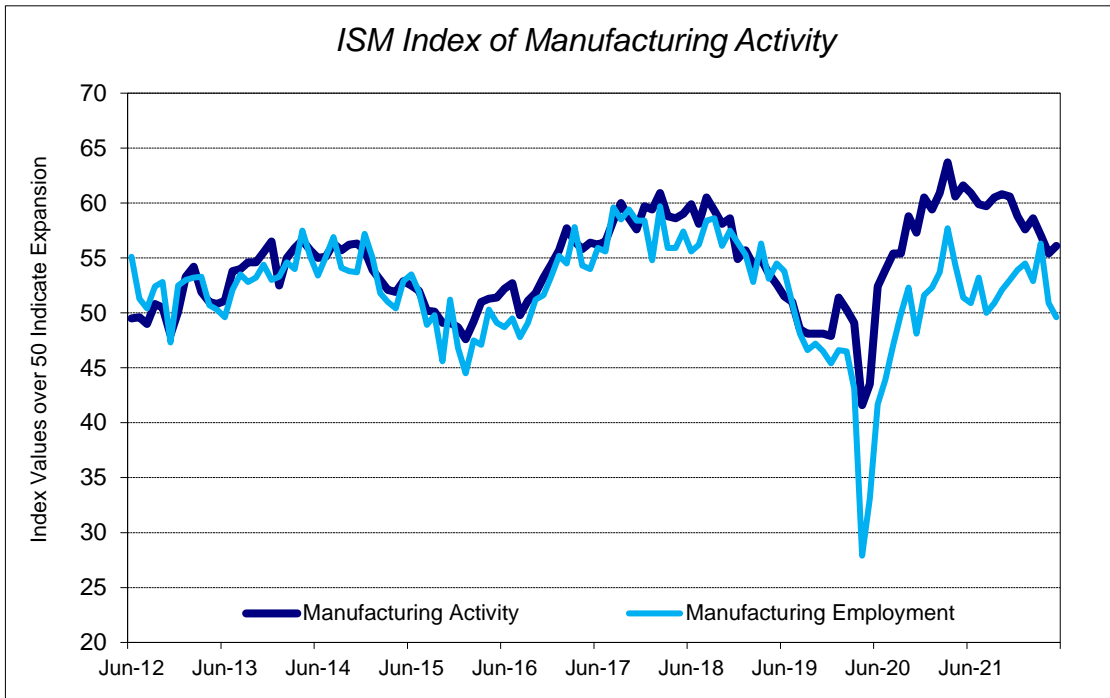
Seasonally Adjusted Annual Rate; Source: Department of Commerce
 *Based on chained 2005\$.



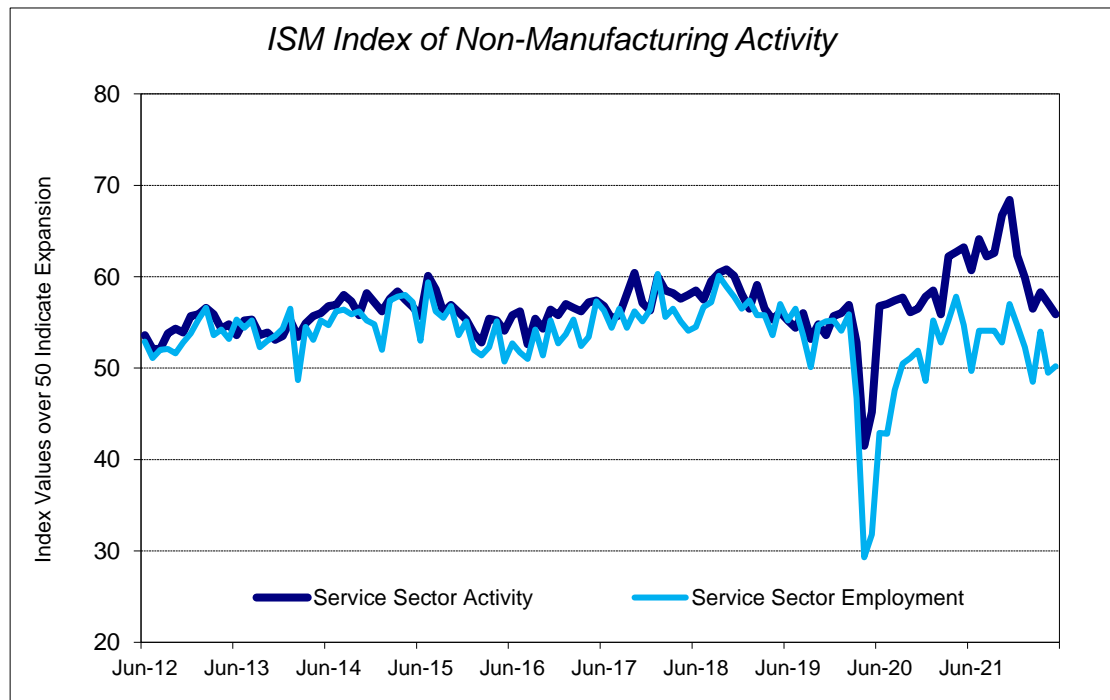
Source: Federal Reserve

[return to text](#)





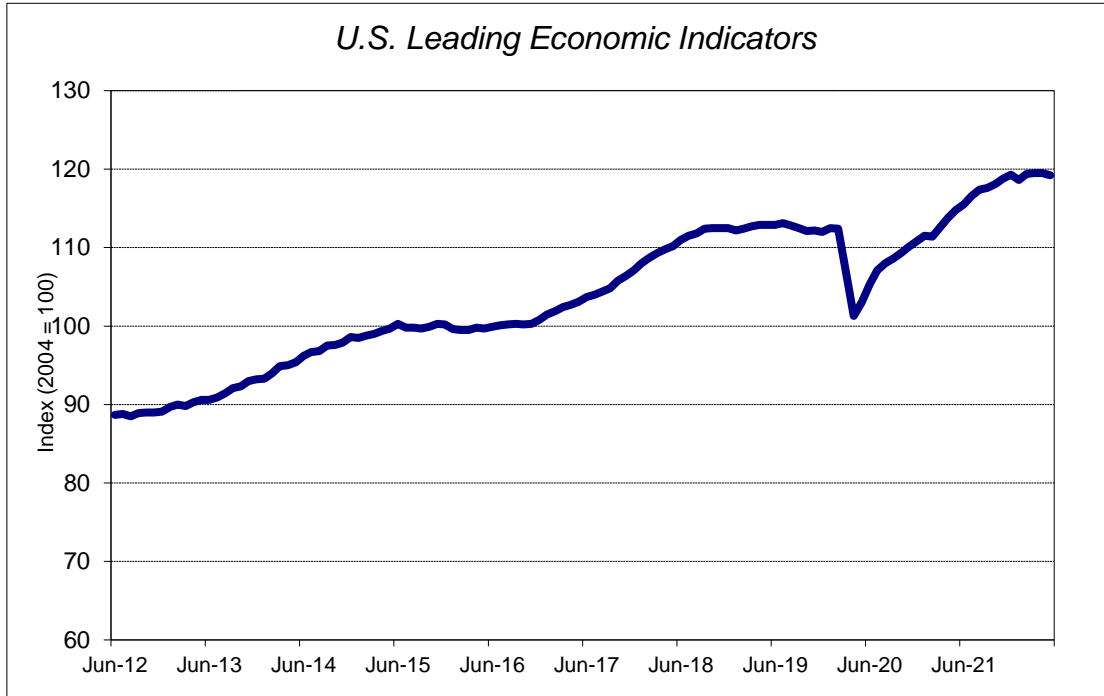
Source: Institute for Supply Chain Management



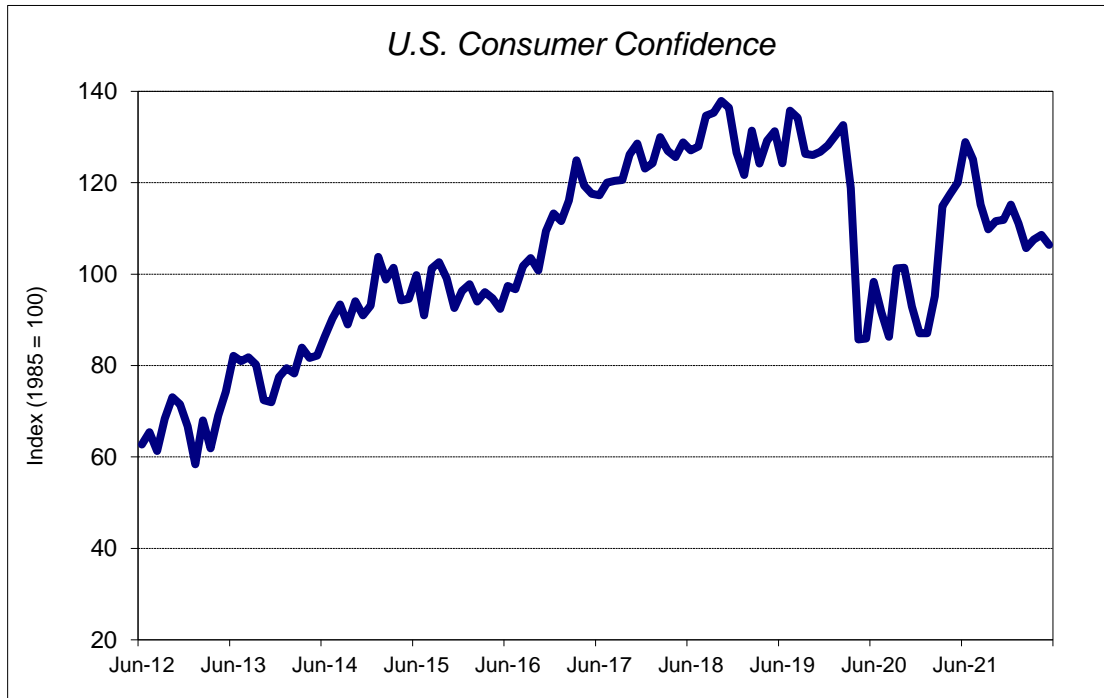
Source: Institute for Supply Chain Management

[return to text](#)





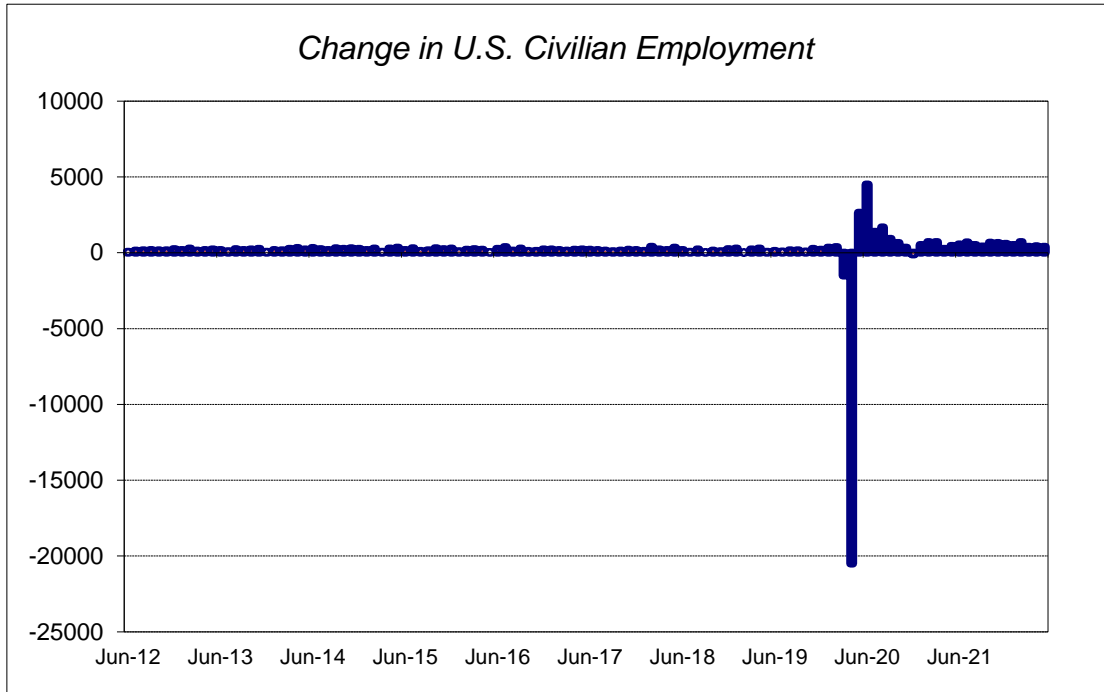
Source: The Conference Board



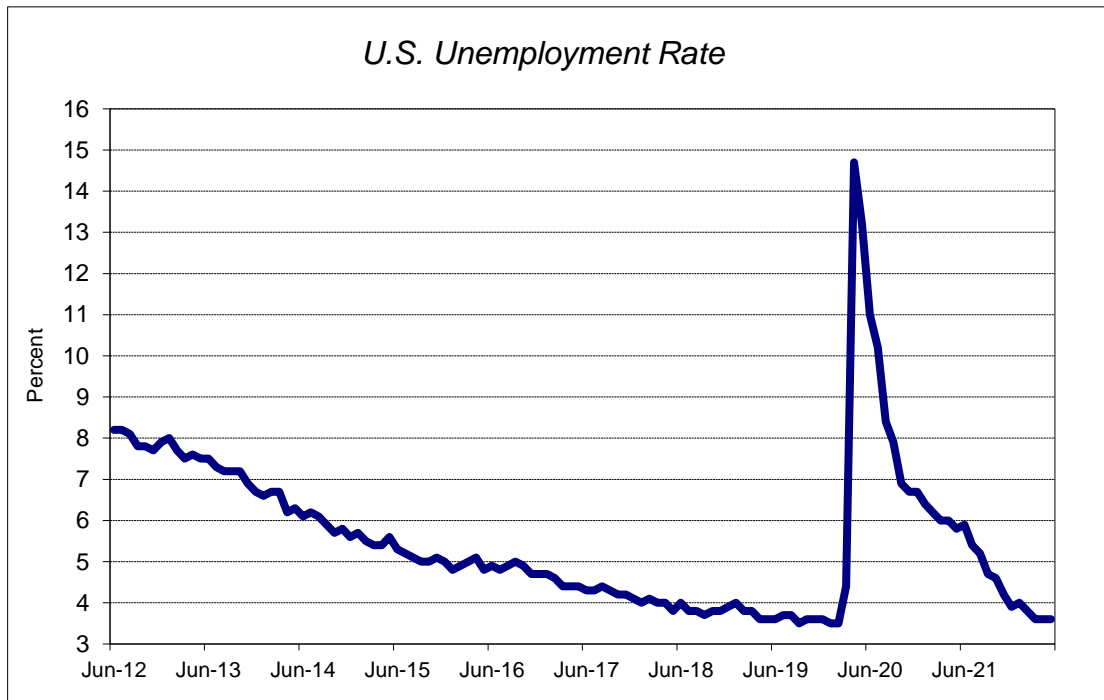
Source: The Conference Board

[return to text](#)





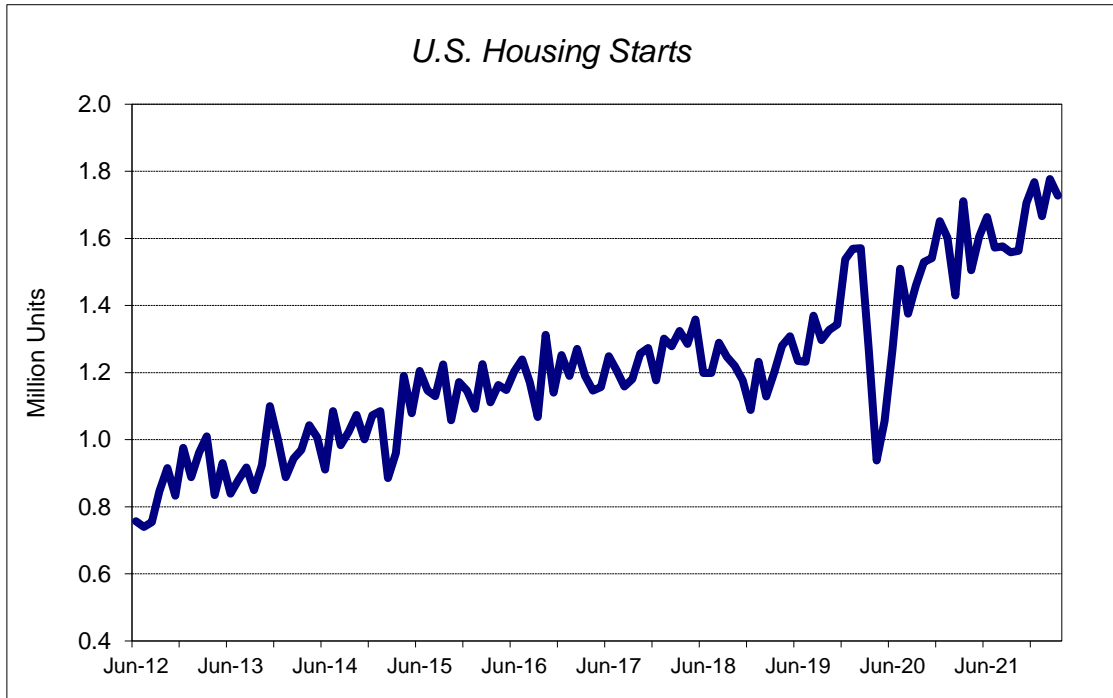
Source: Bureau of Labor Statistics



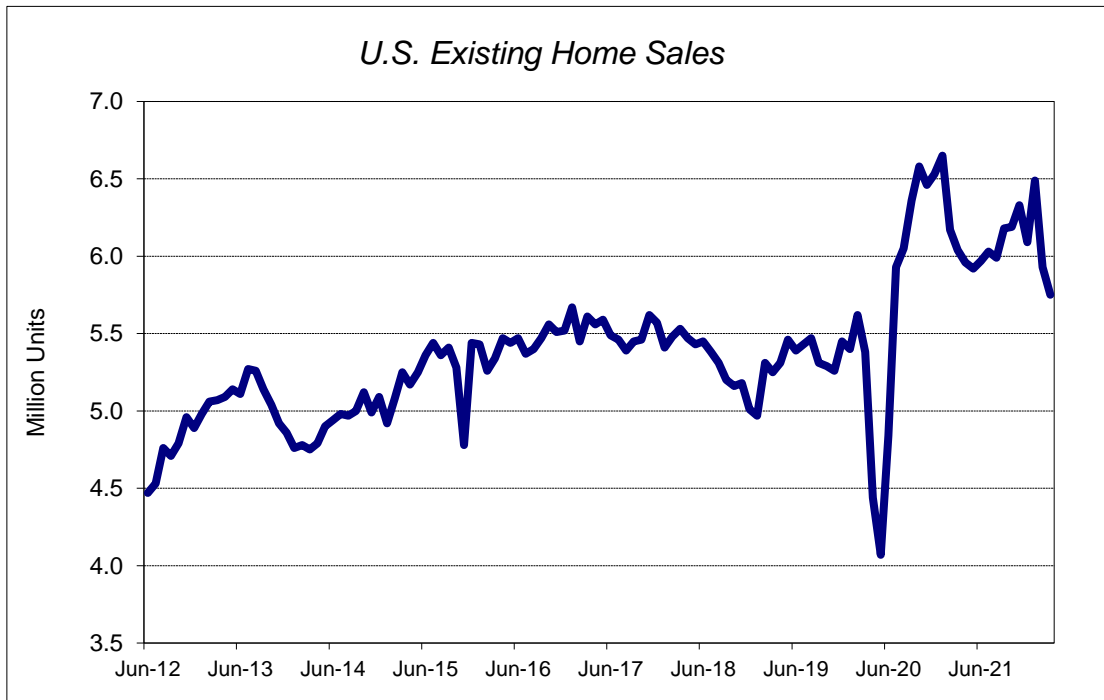
Source: Bureau of Labor Statistics

[return to text](#)





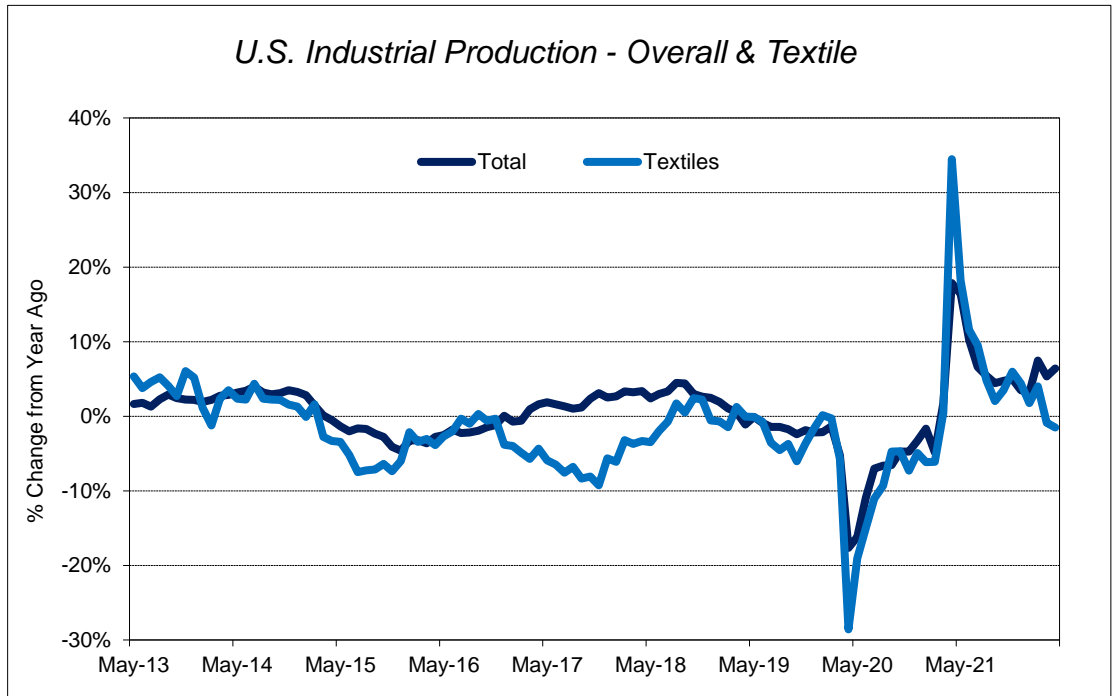
Seasonally Adjusted Annual Rate; Source: Department of Commerce



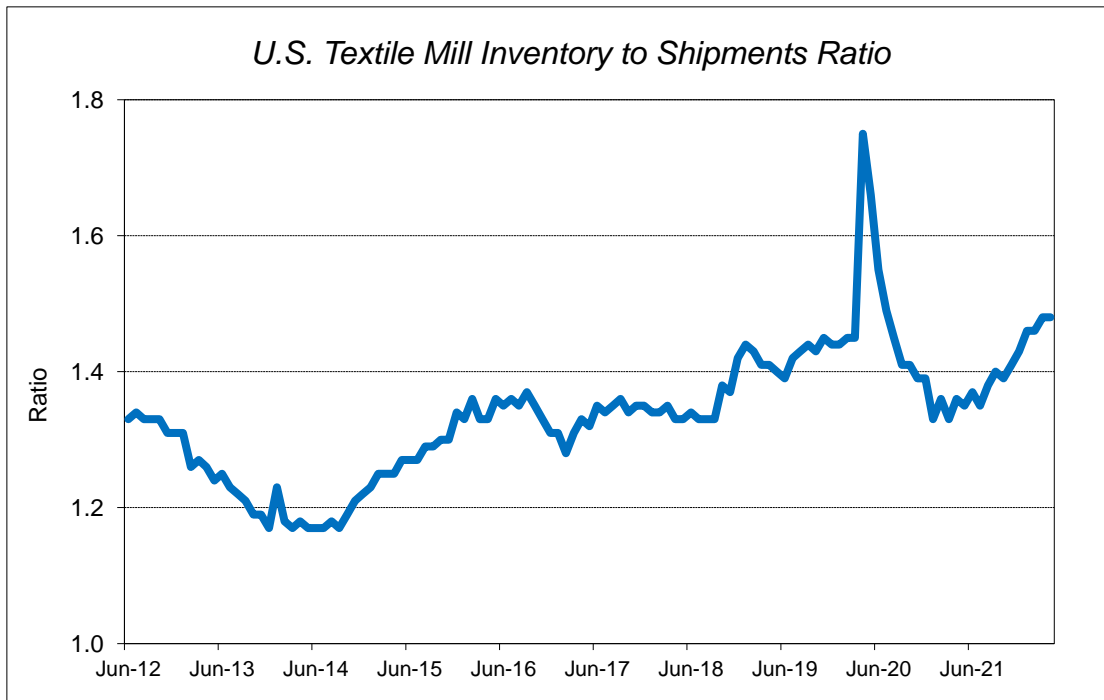
Seasonally Adjusted Annual Rate; Source: National Association of Realtors

[return to text](#)





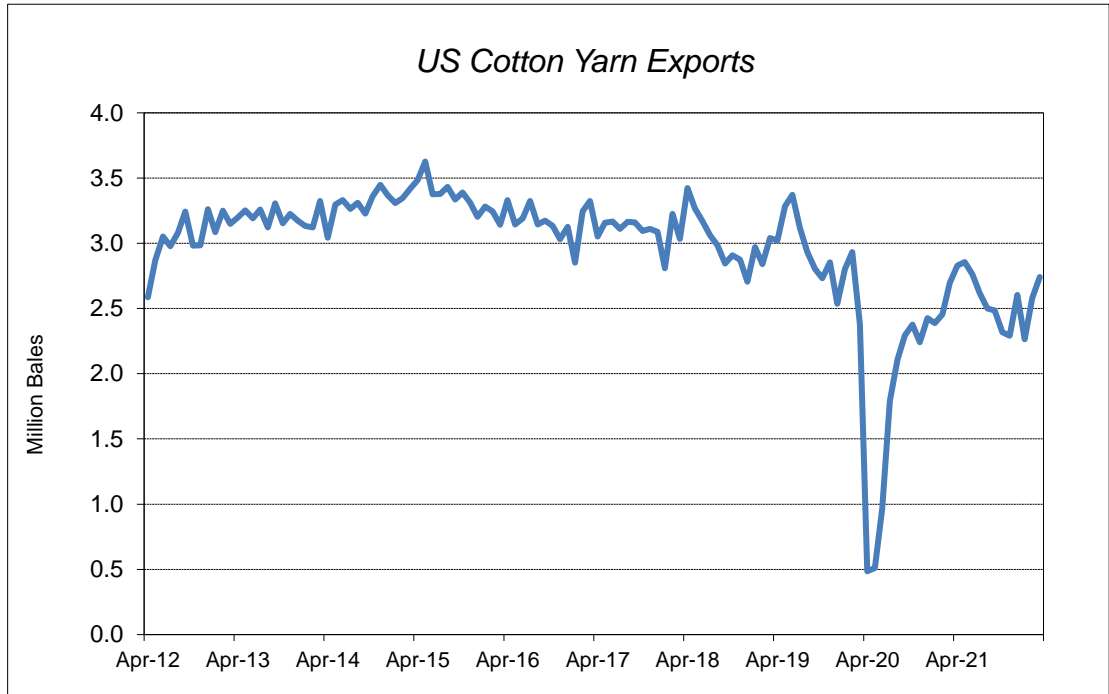
Source: Federal Reserve. Historical data revised to 1997 baseline.



Seasonally Adjusted; Source: Department of Commerce

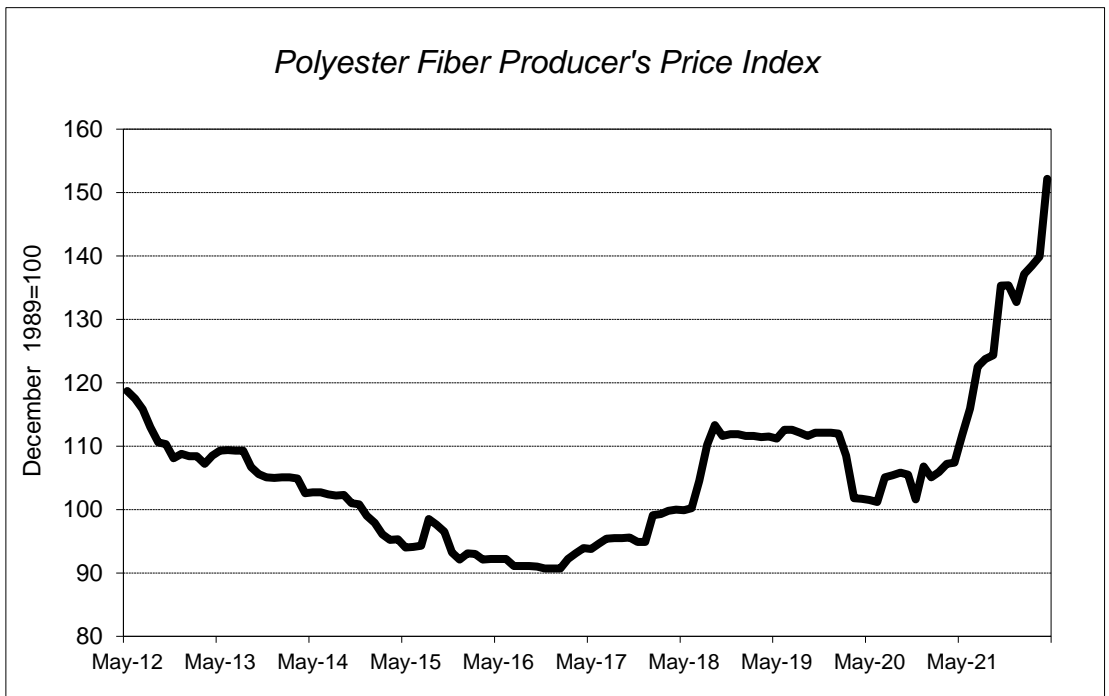
[return to text](#)





Seasonally Adjusted Annual Rate

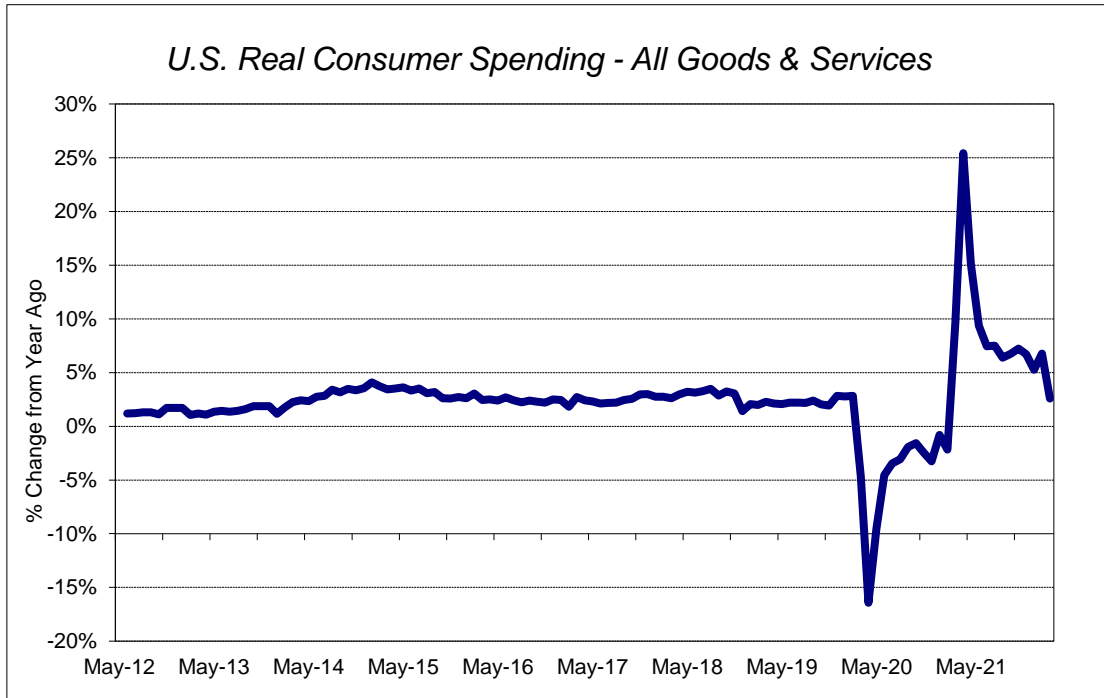
Source: USDA ERS



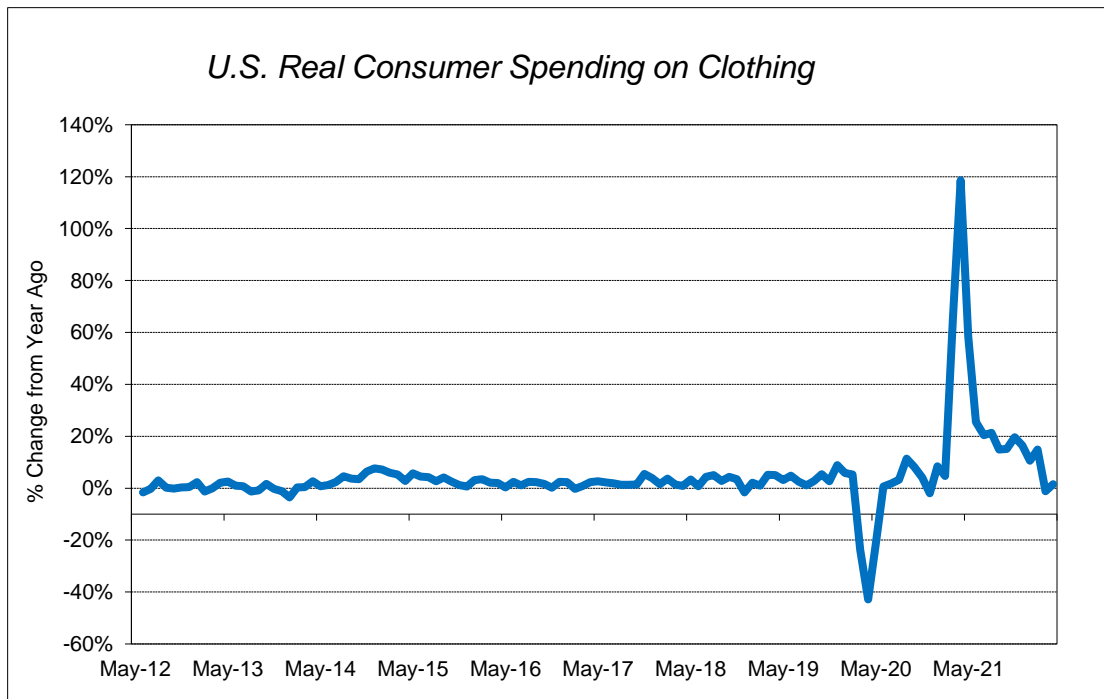
Source: Bureau of Labor Statistics

[return to text](#)





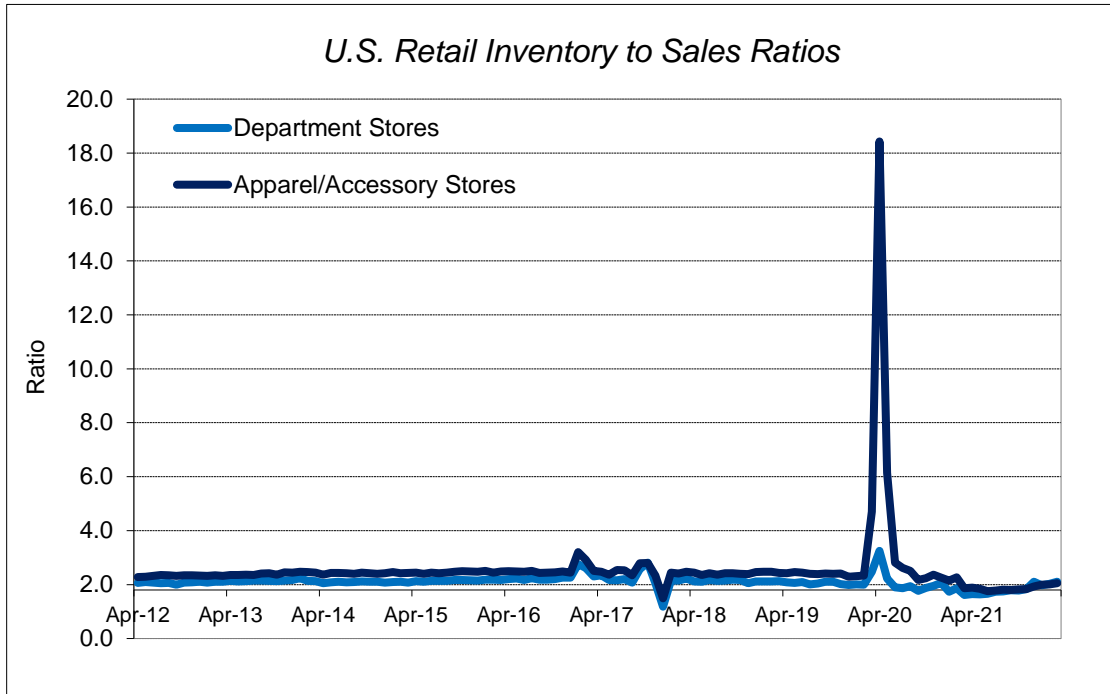
*Based on chained 2005\$.



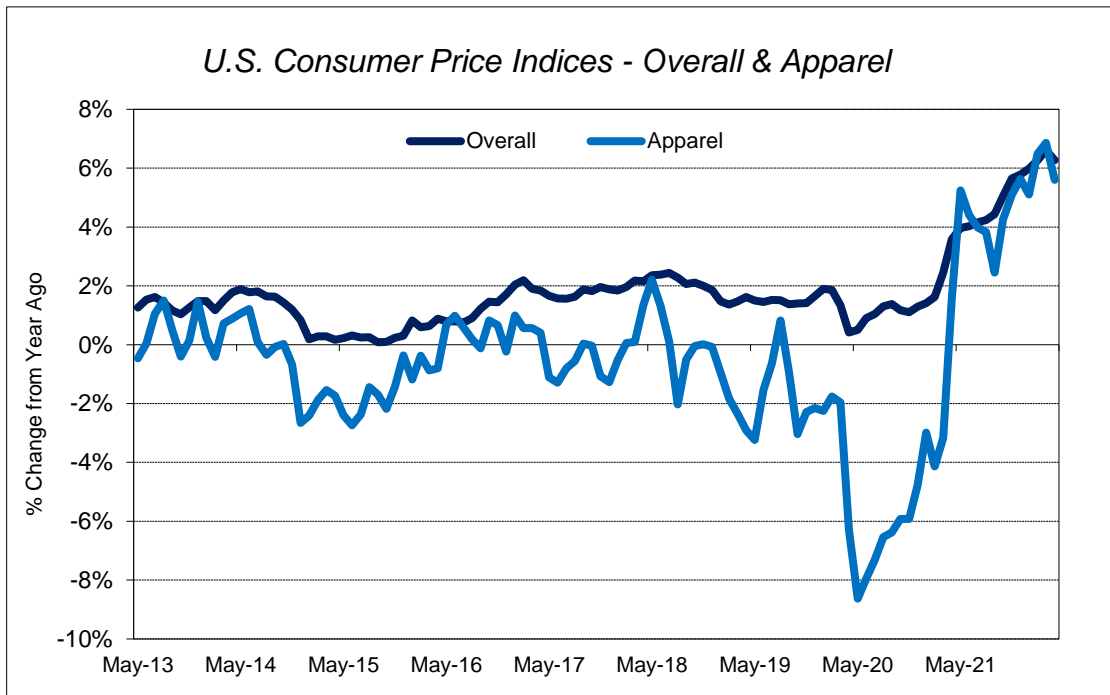
*Based on chained 2005\$.

[return to text](#)





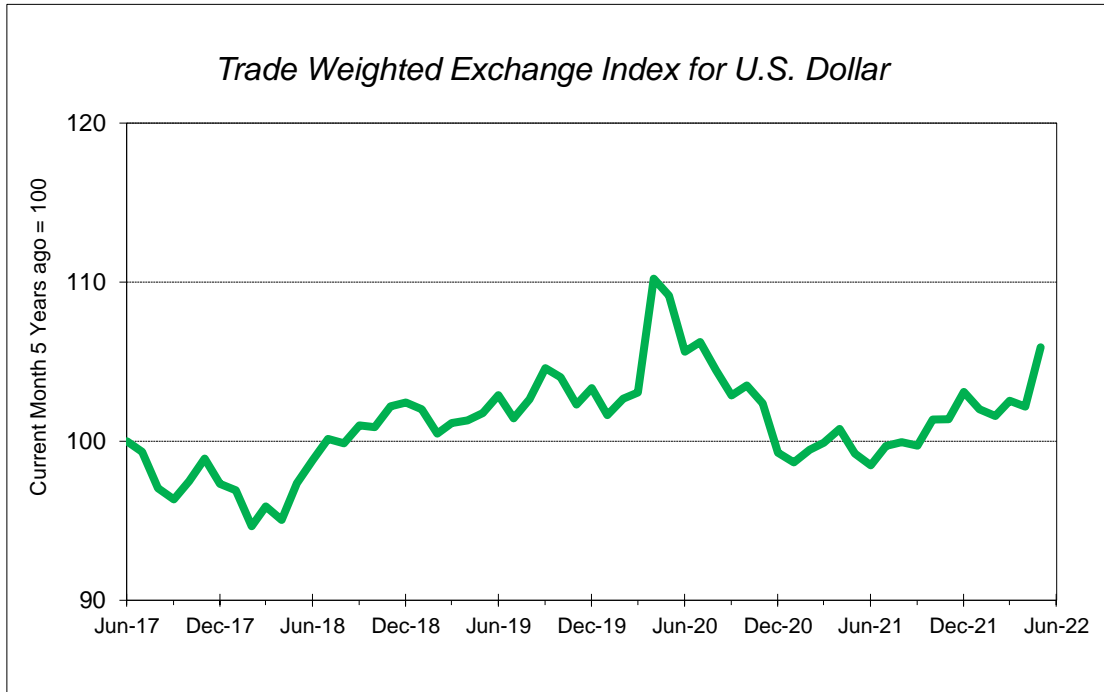
Source: Department of Commerce



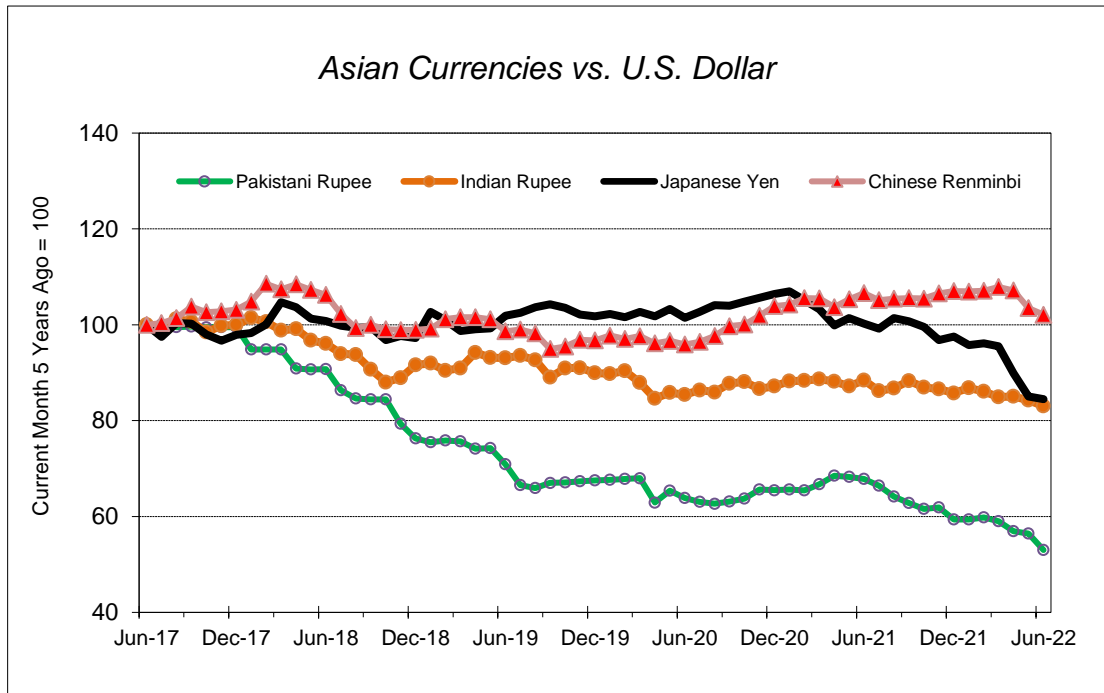
Source: Bureau of Labor Statistics

[return to text](#)





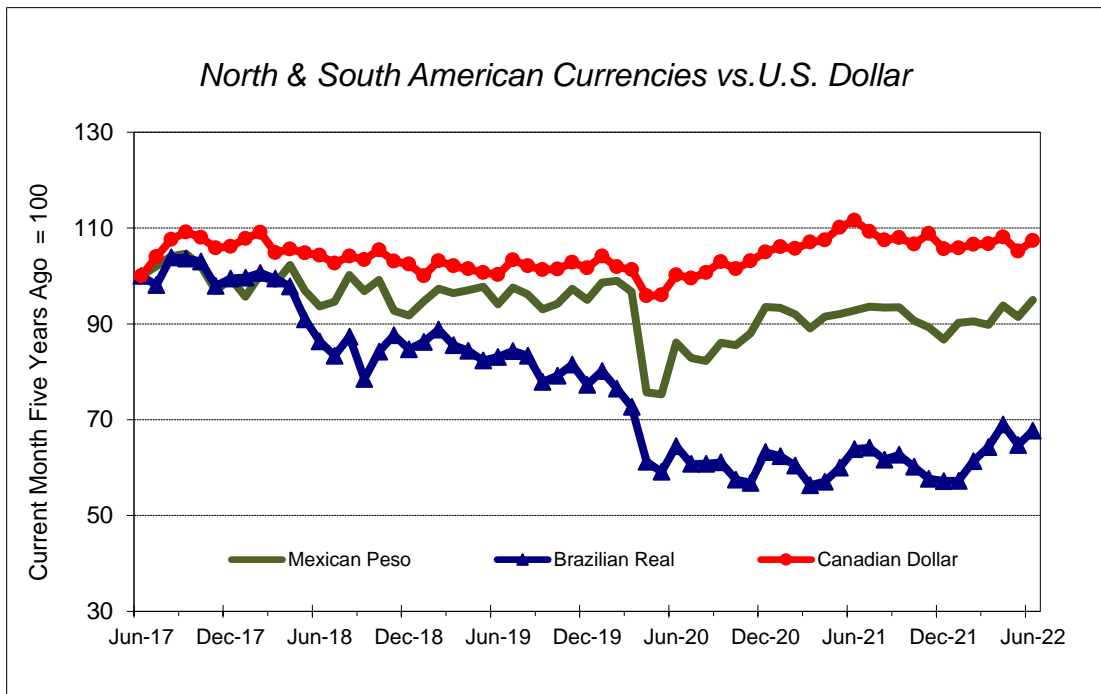
Source: Federal Reserve



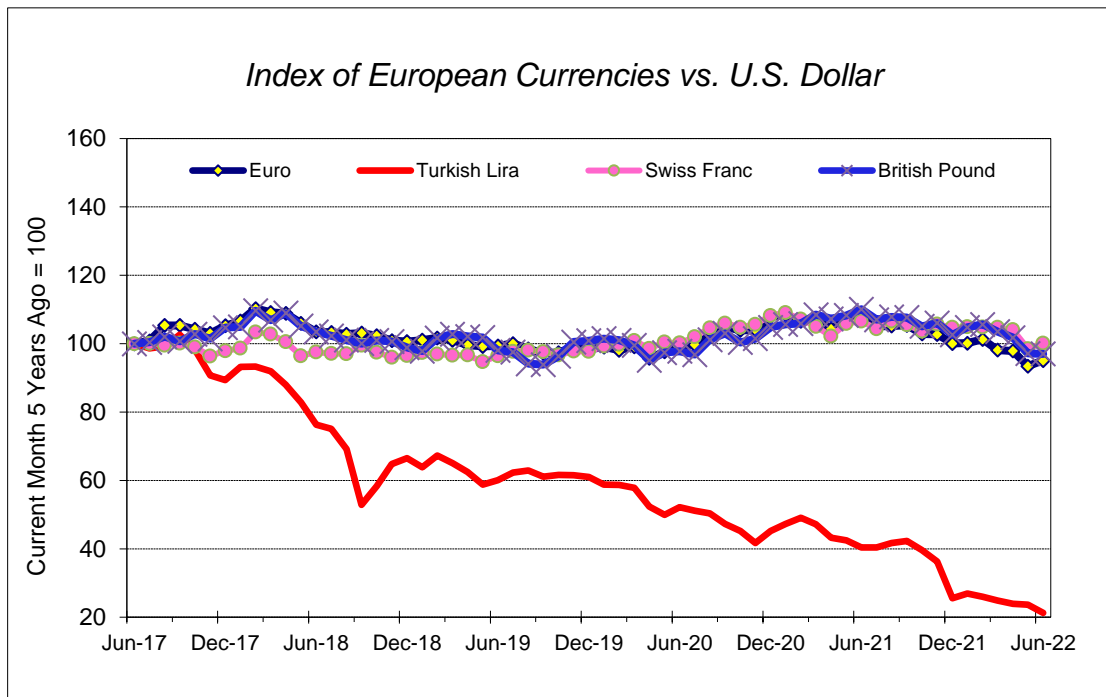
Source: Reuters

[return to text](#)





Source: Reuters



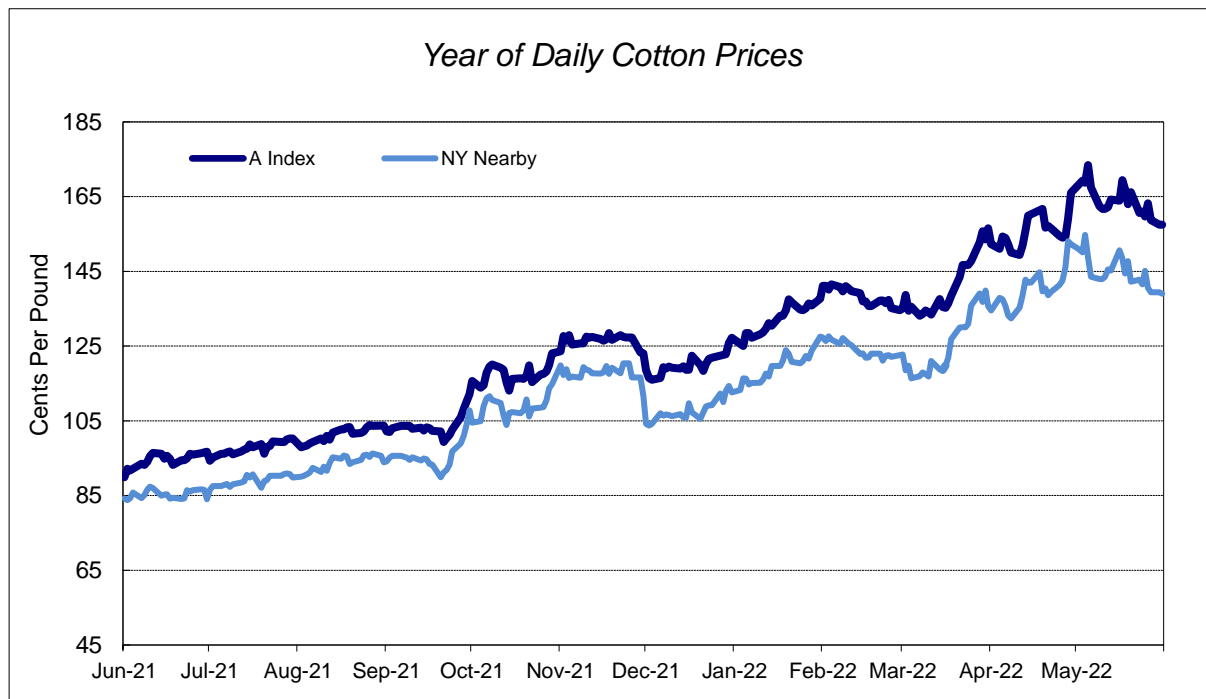
Source: Reuters

[return to text](#)



U.S. Balance Sheet

million 480 lb. bales	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23 May
Beginning Stocks	2.8	4.2	4.9	7.3	3.2	3.4
Production	20.9	18.4	19.9	14.6	17.5	16.5
Imports	0.0	0.0	0.0	0.0	0.0	0.0
Supply	23.7	22.6	24.8	21.9	20.7	19.9
Mill-Use	3.2	3.0	2.2	2.4	2.6	2.5
Exports	16.3	14.8	15.5	16.4	14.8	14.5
Demand	19.5	17.8	17.7	18.8	17.3	17.0
Ending Stocks	4.2	4.9	7.3	3.2	3.4	2.9
Stocks/Use Ratio	21.5%	27.2%	41.0%	16.8%	19.7%	17.1%



Sources: ICE Futures U.S. & Cotton Outlook

[return to text](#)

