

# Executive Cotton Update

U.S. Macroeconomic Indicators &  
the Cotton Supply Chain



Cotton  
Incorporated

January 2023

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

**Macroeconomic Overview:** The Federal Reserve increased interest rates by 0.50 percentage points after its meeting in the middle of December. This increase was smaller than the four consecutive 0.75 point increases made after the four previous meetings. The effective Federal Funds rate that the central bank manages is currently between 4.25-4.50%, which is the highest since 2007.

Inflation rates have been easing. Year-over-year, the rate of change in the Bureau of Labor Statistics CPI covering all goods and services has gotten smaller in each of the past five months (was 9.1% in June, 8.5% in July, 8.3% in August, 8.2% in September, 7.8% in October, and 7.1% in November). Another measure of aggregate prices, the price deflator from the Bureau of Economic Analysis (BEA), is more closely followed by the Fed. That price index has also been easing. It was 7.0% higher in June but was between 6.2% and 6.4% from July to September and then dropped below 6.0% year-over-year by November. Year-over-year rates for the “core” price deflator from the BEA that strips out food and energy prices peaked at 5.4% in February 2022, but it has not decreased much since then. Values for the core deflator in the remainder of 2022 were about five percent higher than in 2021.

Since inflation appears to have stopped accelerating, the trajectory of future interest rate changes has become a central question. Comments from officials with the Federal Reserve underlined their commitment to controlling inflation and a willingness to slow growth to achieve that objective. More specifically, Fed chairman Jerome Powell has suggested that interest rates will need to remain higher for longer. Powell also acknowledged that the effects of rising interest rates on economic activity are lagged and that there is considerable uncertainty about the possibility of a recession, stating that the probability and severity of a potential contraction are not knowable. The official target rate the Federal Reserve has for inflation is 2.0%, which is still less than half of the most commonly tracked measures.

An asset for the U.S. economy has been the labor market. The unemployment rate remains safely below four percent and is low by historical standards. Although it has not been able to surpass inflation, wage growth has been steady near five percent, beyond anything registered in the decade between the financial crisis and the onset of COVID. Nonetheless, inflation has been increasing faster than wages since the first quarter of 2021, implying that consumer spending power has been falling despite higher income. One result is that consumers have been relying increasingly on savings and debt to fund new purchases. Over time, the reliance on debt could become a liability for consumers and the economy, especially because debt has become more expensive with increased interest rates.

**Employment:** The U.S. economy was estimated to have added +223,000 jobs in November, near the levels posted over the past four months. Revisions to figures from the last two months were negative (October -21,000 to +263,000 and November down -7,000 to +256,000). The current twelve-month average is +375,000 jobs.

The unemployment rate decreased slightly, from 3.6% to 3.5%, and remains low by historical standards. Wages were up 4.6% year-over-year in December. This is the lowest rate of annual gain since August 2021 and is below current rates of inflation.

**Consumer Confidence & Spending:** The Conference Board’s Index of Consumer Confidence posted a +6.9 point month-over-month increase in December. The current level (108.3) is the highest since April 2022 but is below the levels near 130 registered in the summer of 2021 and before COVID in early 2020. The long-term average is 94.0 (since 1970).

In November, consumer spending was flat month-over-month (+0.01%) and +2.0% higher year-over-year. Spending on clothing was -0.8% lower month-over-month and up 0.1% year-over-year.

**Consumer Prices & Import Data:** Retail prices for garments increased +0.3% month-over-month in November. Year-over-year, retail apparel prices were +4.0% higher. Compared to the average before COVID (2019 calendar year), clothing prices were +1.7% higher.

As represented by the cost per square meter equivalent (SME) of cotton-dominant apparel, import prices were \$4.31/SME in seasonally-adjusted terms for November. Apart from the reading in October, this is the highest value on record. Sourcing costs have been volatile recently, with the latest highs following a near-record low posted in March 2021 (\$2.97/SME).

Apart from the months most affected by COVID shutdowns (March 2020-June 2020), seasonally-adjusted (SA) import volumes in October were the lowest since 2005 (in terms of SA SMEs). This followed record high import volume in March and represents a -36% reduction in shipments in just eight months. Consumer spending during the holidays was generally reported as stronger than feared and may help alleviate issues involving retailer inventories. However, there are other challenges for retailer order demand, including higher sourcing costs and fears that the lagged effects of interest rate increases will weigh on consumer demand in 2023.

## U.S. Macroeconomic & Cotton Supply Chain Charts

Macroeconomic Indicators	Industry & Textiles	Retail	Currencies	Cotton
GDP Growth	Industrial Production	Consumer Spending	Weighted Index	U.S. Balance Sheet
Interest Rates	Inventory/Shipments	Inventory/Sales	Asia	Fiber Prices
ISM Indices	U.S. Yarn Exports	Consumer Prices	The Americas	
	Polyester PPI		Europe	

# Executive Cotton Update

U.S. Macroeconomic Indicators & Cotton Prices  
January 2023



## Macroeconomic Data

### Quarterly Data

	Recent Averages				Values in Recent Quarters			Unit	Source
	5-year	1-year	6-month	3-month	Q1 : 2022	Q2 : 2022	Q3 : 2022		
Growth in US Real GDP	2.6%	2.6%	-1.1%	-0.6%	-1.6%	-0.6%	3.2%	% Chg. Quarter/Quarter	Department of Commerce

### 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		
ISM Index of Manufacturing Activity	55.3	53.5	50.7	49.2	50.2	49.0	48.4	Index	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	57.5	56.2	55.1	53.5	54.4	56.5	49.6	Index	Institute for Supply Management
Consumer Confidence	115.3	104.4	103.1	104.0	102.2	101.4	108.3	Index	The Conference Board
Change in Non-Farm Payrolls	103.6	375.3	306.7	247.3	263	256	223	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	4.9%	3.6%	3.6%	3.6%	3.7%	3.6%	3.5%	Rate	Bureau of Labor Statistics
US Interest Rates									
Federal Funds	1.2%	1.7%	2.9%	3.7%	3.1%	3.8%	4.1%	Interest rate	Federal Reserve
10-year Treasury Bill	2.1%	3.0%	3.5%	3.8%	4.0%	3.9%	3.6%	Interest rate	Federal Reserve

### Macroeconomic 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		
Index of Leading Economic Indicators	112.8	116.9	115.3	114.3	114.7	114.7	113.5	Index	The Conference Board
Housing Starts	14.2	15.9	14.6	1.4	1.5	1.4	1.4	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.5	5.3	4.7	4.4	4.7	4.4	4.1	Annual pace, millions of units	National Association of Realtors

## Industrial & Textile Data

### 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		
US Industrial Production	100.9	103.8	104.5	104.7	104.4	104.8	104.5	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	118.1	152.8	163.4	168.9	167.3	170.3	169.1	Index, December 2003=100	Bureau of Labor Statistics

### Industrial & Textile Series with Latest Data for October

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	August	September	October		
Bale Equivalence of US Cotton Yarn & Fabric Exports	3.2	2.6	2.6	2.3	2.5	2.3	2.1	million 480lb bales	USDA ERS

### 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		
US Textile Mill Inventory/Shipments Ratio	1.43	1.53	1.58	1.61	1.61	1.59	1.62	Ratio	Department of Commerce

## Retail Data

### 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		
US Real Consumer Spending									
All Goods and Services	2.7%	3.3%	2.1%	2.0%	2.1%	1.9%	2.0%	% Chg. Year/Year	Department of Commerce
Clothing	7.0%	2.8%	0.1%	0.2%	0.0%	0.5%	0.1%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	3.6%	8.1%	8.2%	7.7%	8.2%	7.7%	7.1%	% Chg Year/Year	Bureau of Labor Statistics
Clothing	0.0%	5.3%	4.9%	4.8%	6.0%	4.6%	4.0%	% Chg. Year/Year	Bureau of Labor Statistics

### Retail Series with Latest Data for October

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	August	September	October		
Retail Inventory/Sales Ratio									
Clothing and Clothing Accessory Stores	2.6	2.1	2.2	2.2	2.2	2.2	2.2	Ratio	Department of Commerce
Department Stores	2.0	2.1	2.2	2.1	2.2	2.1	2.1	Ratio	Department of Commerce

# Executive Cotton Update

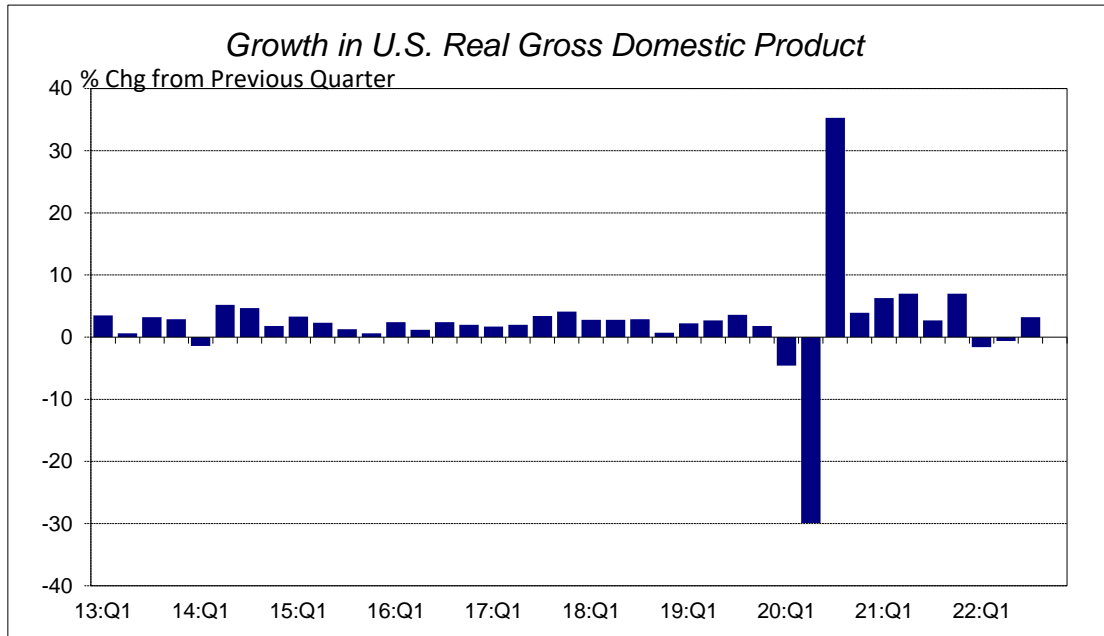
Daily Cotton Price and Currency Data

January 2023

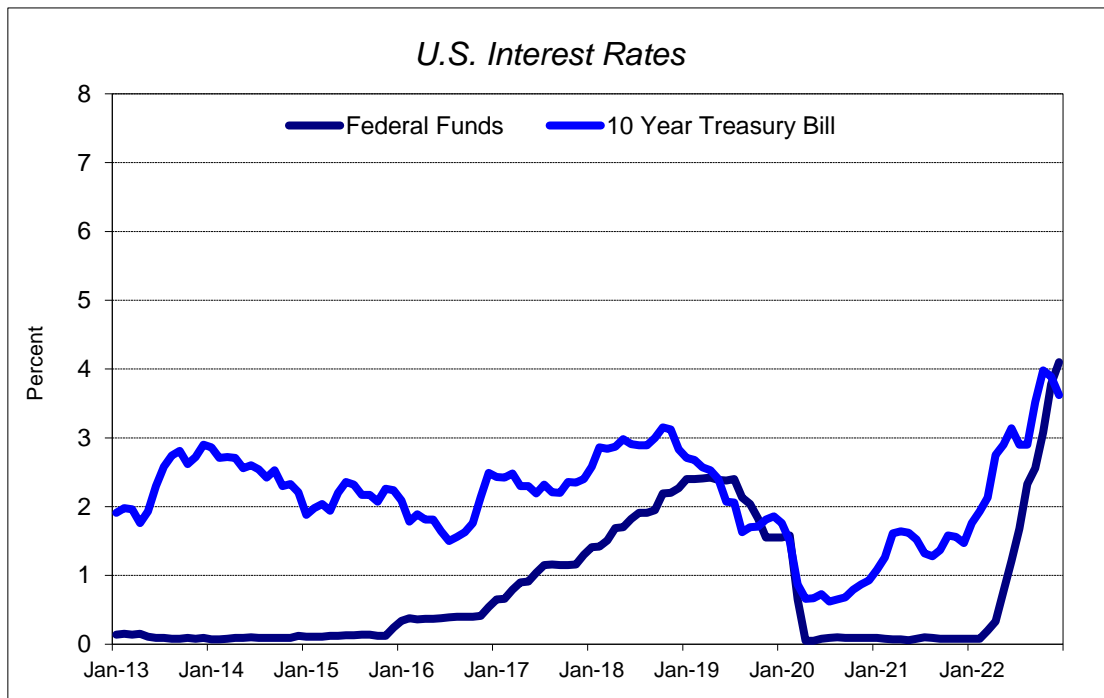


Daily Cotton Price Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	October	November	December		
NY Nearby	81.6	116.7	131.2	139.4	140.5	145.0	132.7	cents/pound	ICE
A Index	91.4	129.3	147.5	157.7	155.3	163.8	154.2	cents/pound	Cotlook

Daily Currency Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	October	November	December		
Dollar Trade Weighted Exchange Index	115.9	117.3	124.7	126.0	127.4	127.4	123.1	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.72	6.69	6.96	7.12	7.09	7.27	7.00	Chinese Renminbi/US dollar	Reuters
Indian Rupee	72.97	75.43	80.89	82.32	81.89	82.44	82.62	Indian Rupee/US dollar	Reuters
Japanese Yen	113.38	115.81	140.42	142.93	144.89	147.25	136.66	Japanese Yen/US dollar	Reuters
Pakistani Rupee	158.80	175.02	219.84	222.19	220.88	221.55	224.15	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	4.64	5.21	5.22	5.15	5.19	5.04	5.23	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.30	1.30	1.33	1.36	1.37	1.35	1.36	Canadian dollar/US dollar	Reuters
Mexican Peso	20.09	20.62	20.11	19.80	20.08	19.53	19.79	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.77	0.77	0.86	0.87	0.89	0.89	0.82	British Pound/US dollar	Reuters
Euro	0.88	0.89	0.99	0.99	1.02	1.01	0.95	Euro/US dollar	Reuters
Swiss Franc	0.96	0.94	0.97	0.98	0.99	1.00	0.94	Swiss Franc/US dollar	Reuters
Turkish Lira	8.52	10.74	18.20	18.61	18.58	18.61	18.64	Turkish Lira/US dollar	Reuters



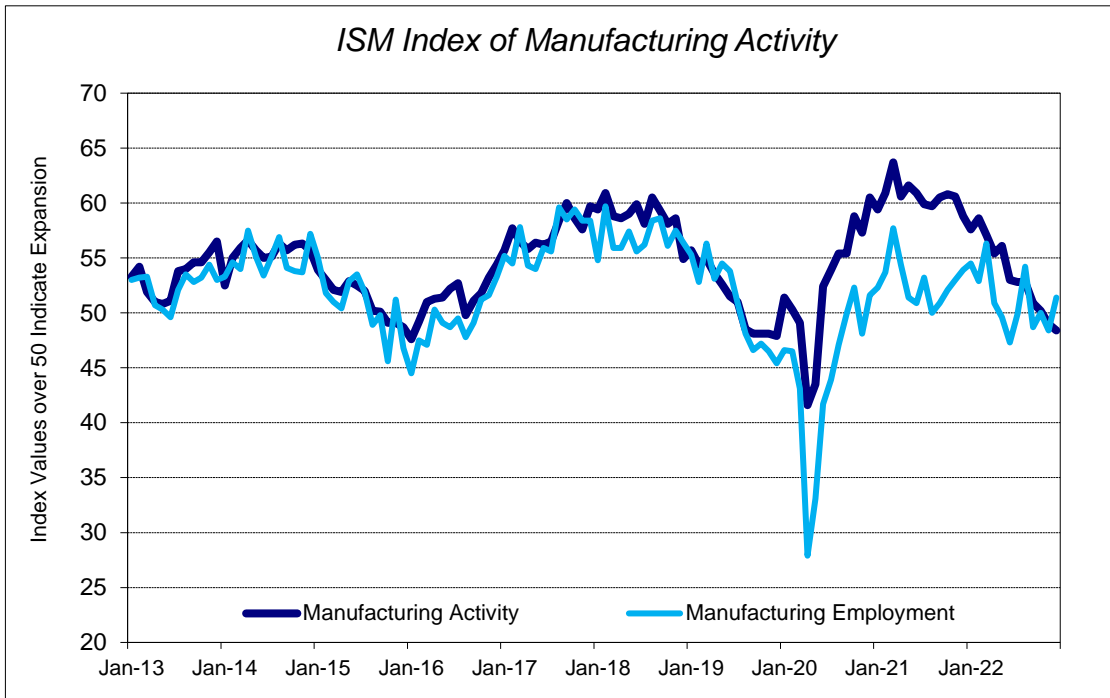
Seasonally Adjusted Annual Rate; Source: Department of Commerce  
 \*Based on chained 2005\$.



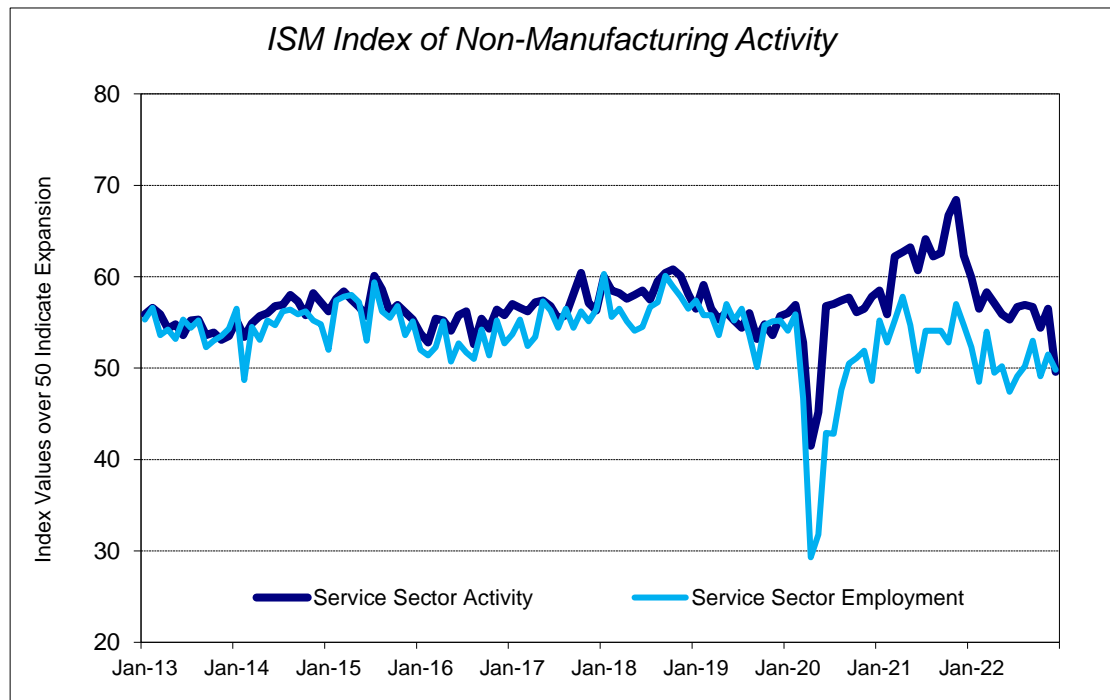
Source: Federal Reserve

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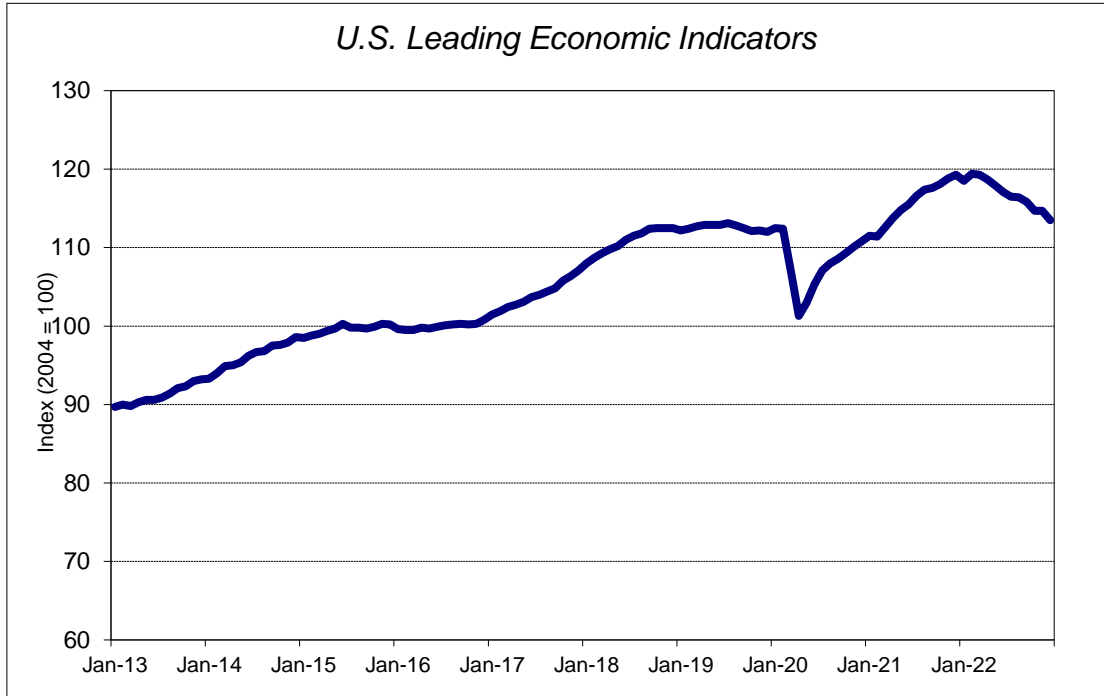
Source: Institute for Supply Chain Management



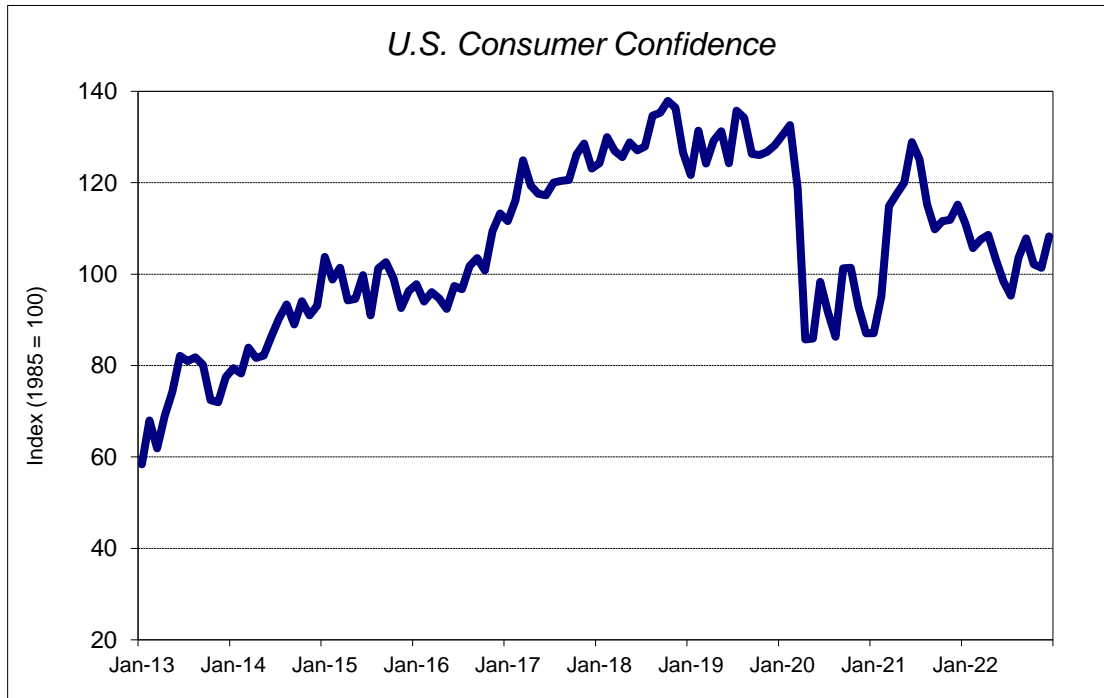
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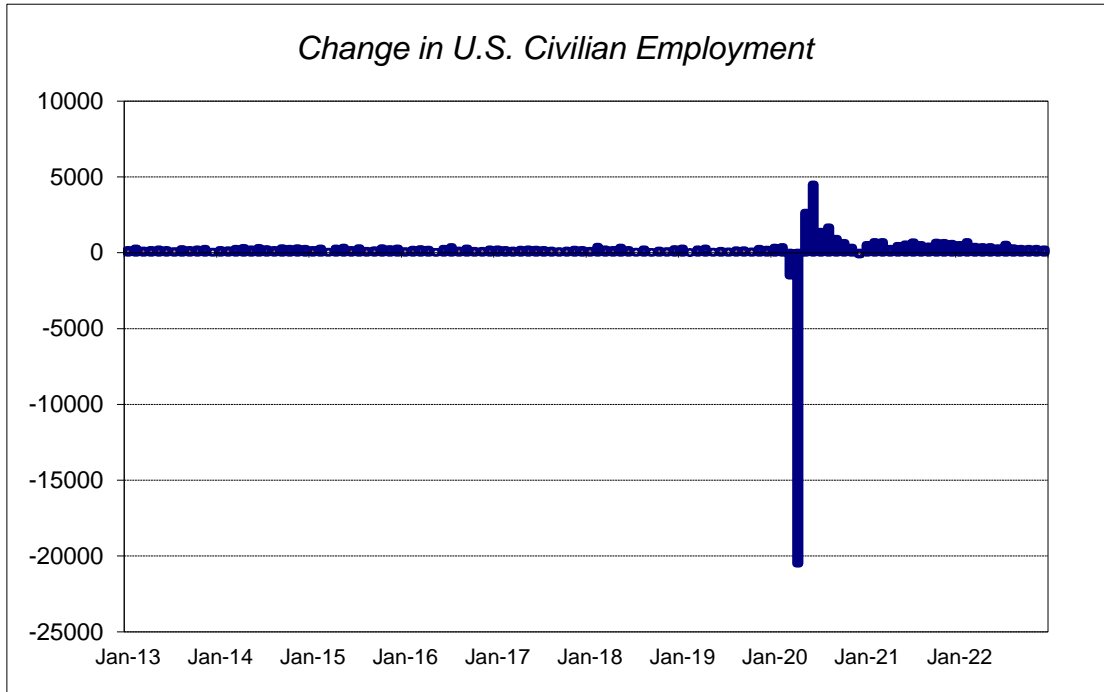
Source: The Conference Board



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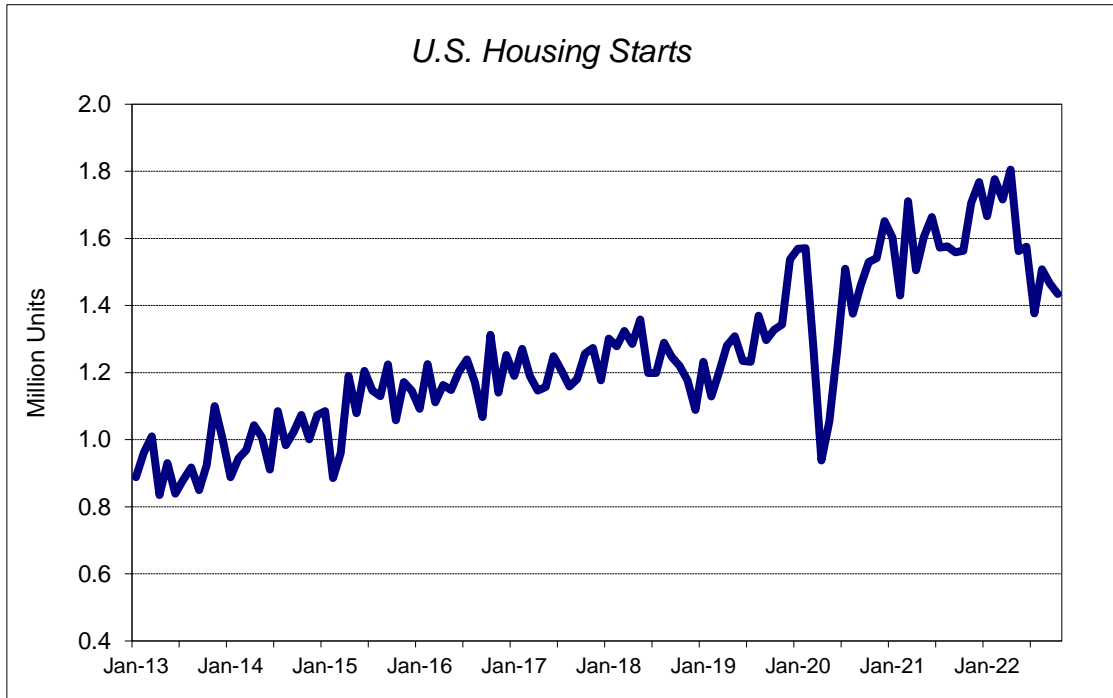
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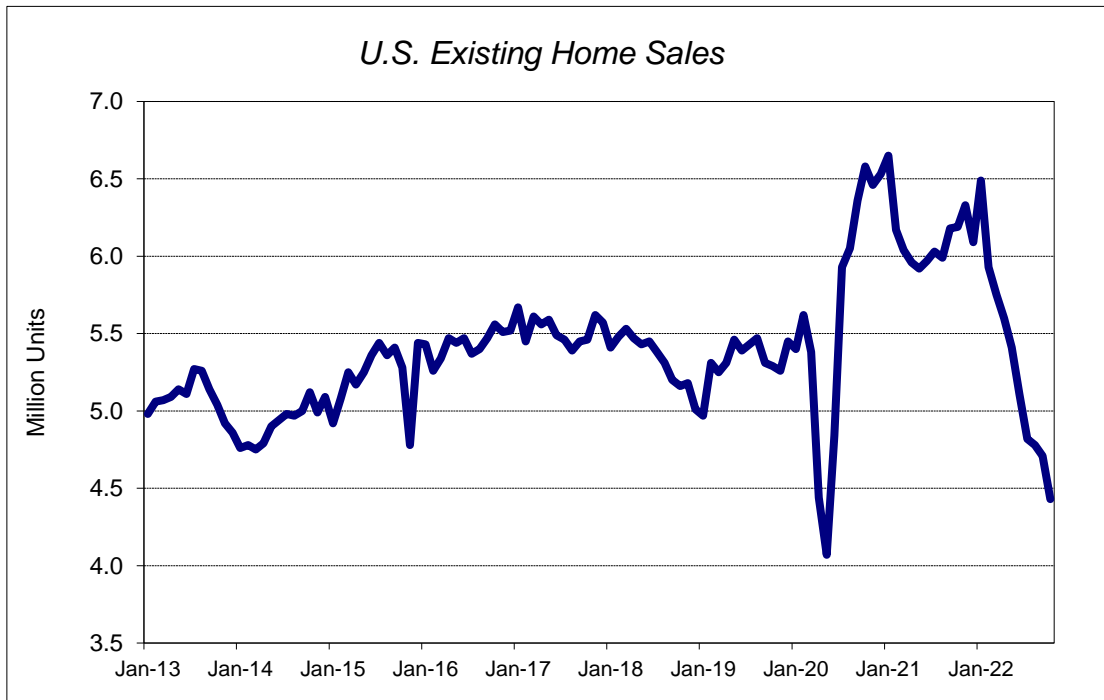
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Seasonally Adjusted Annual Rate; Source: Department of Commerce

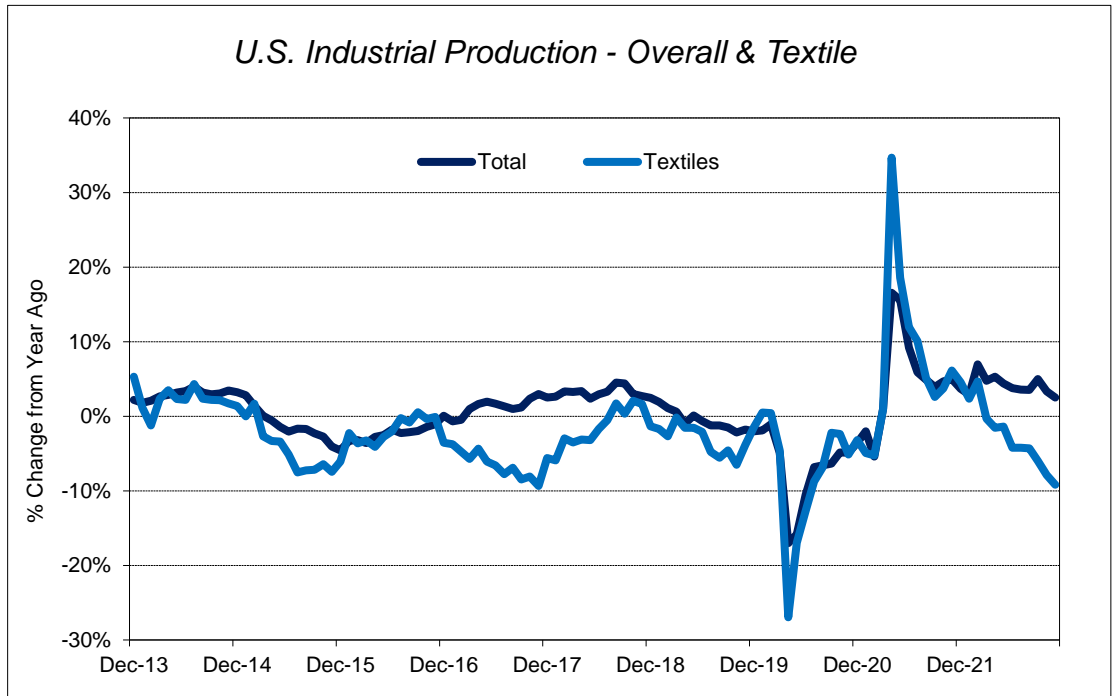


Seasonally Adjusted Annual Rate; Source: National Association of Realtors

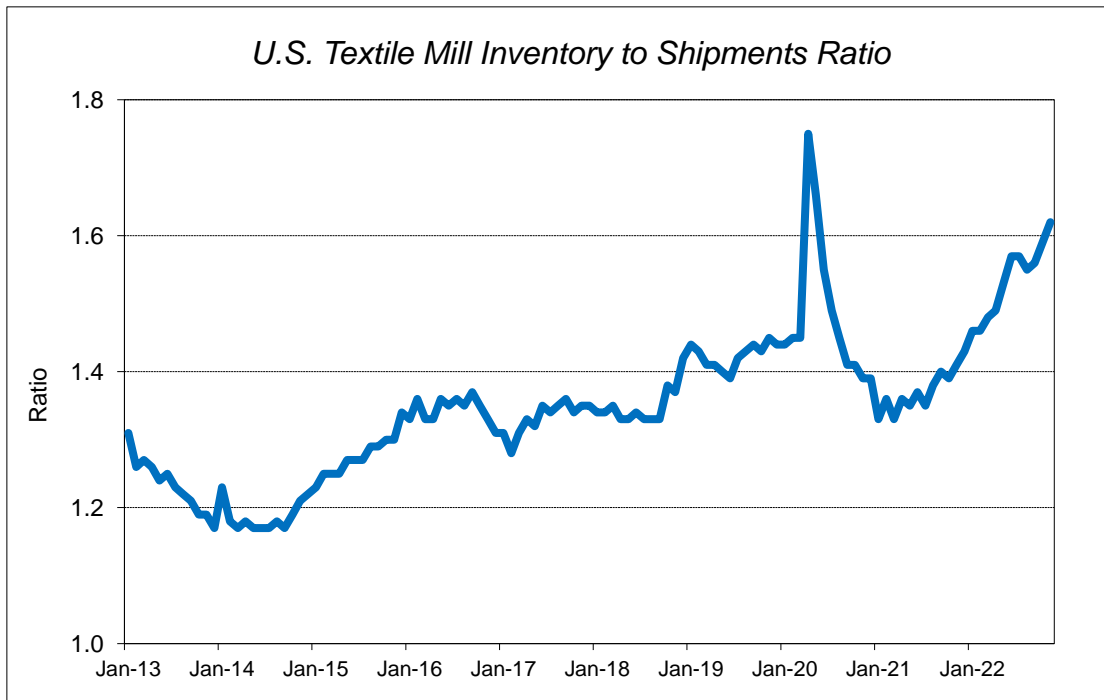
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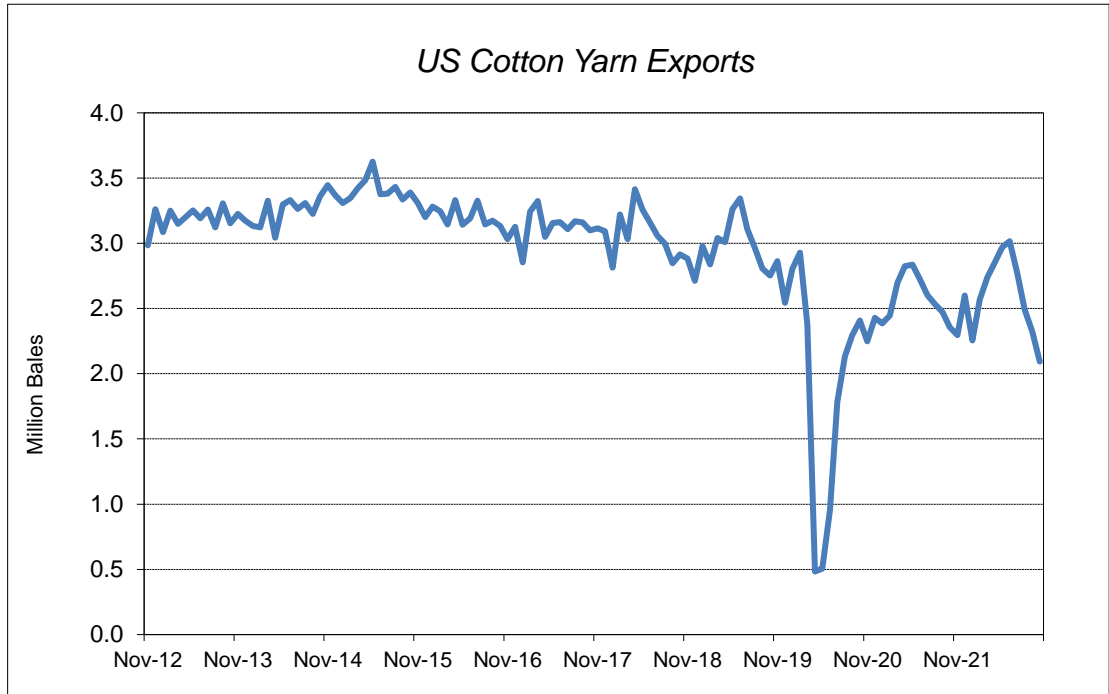
Source: Federal Reserve. Historical data revised to 1997 baseline.



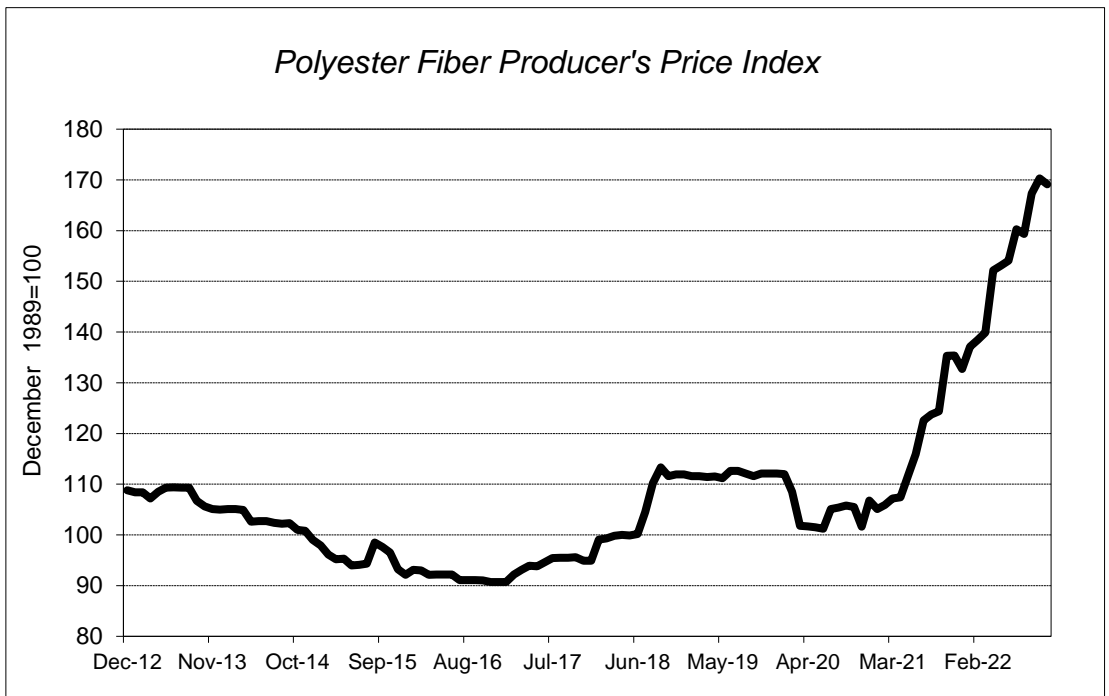
Seasonally Adjusted; Source: Department of Commerce

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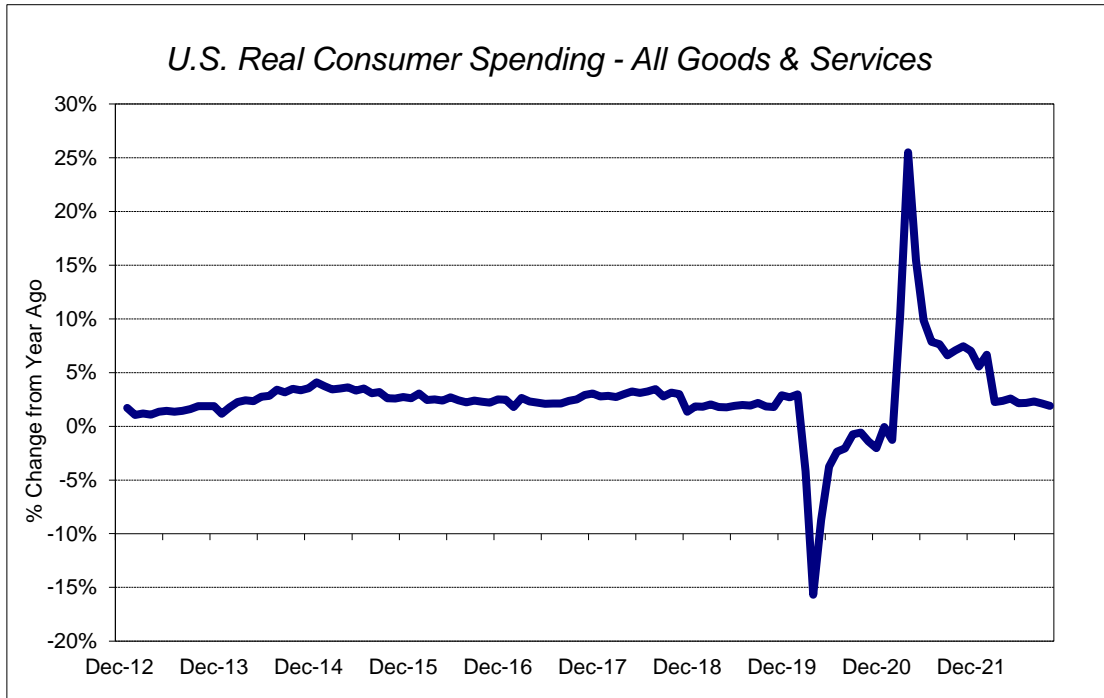
Seasonally Adjusted Annual Rate  
 Source: USDA ERS



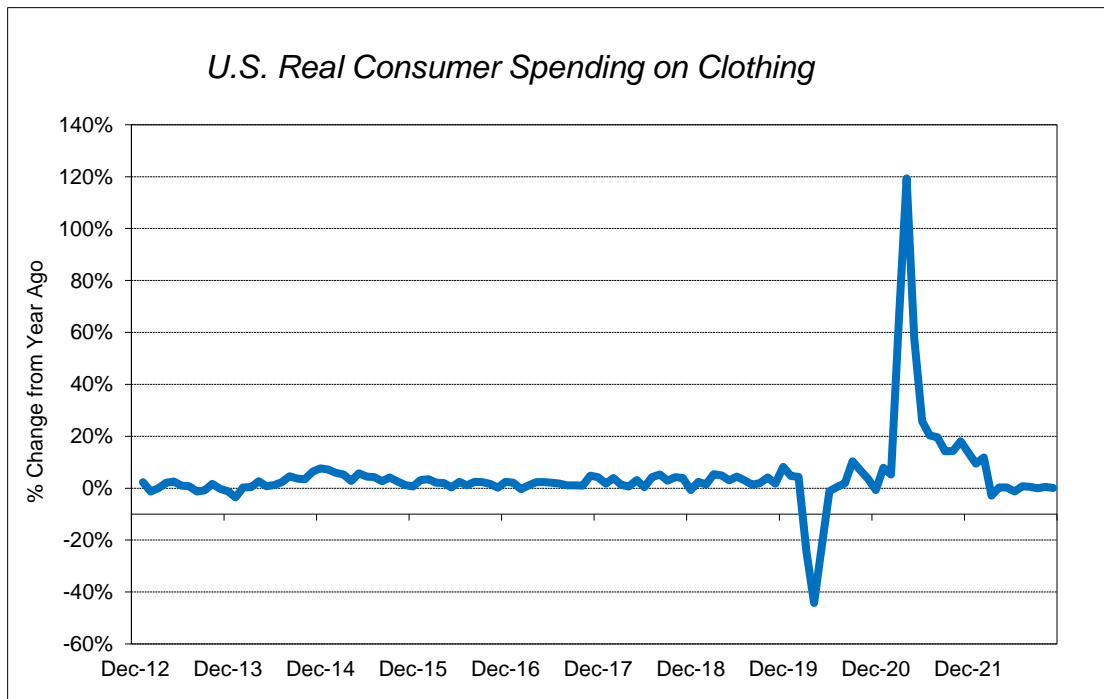
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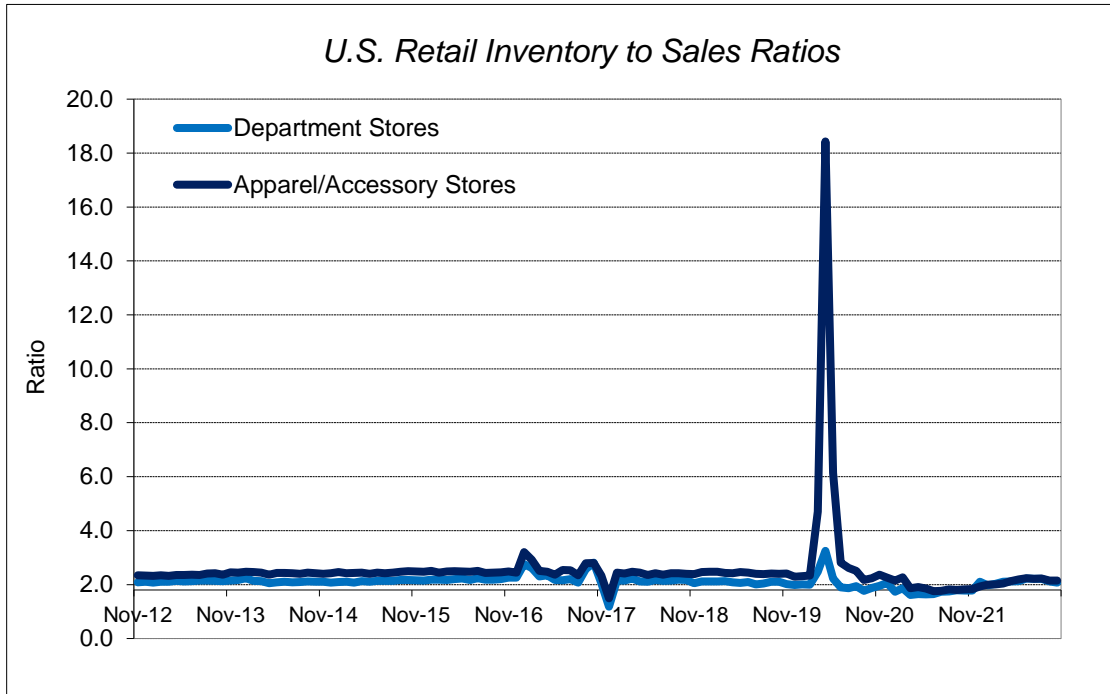
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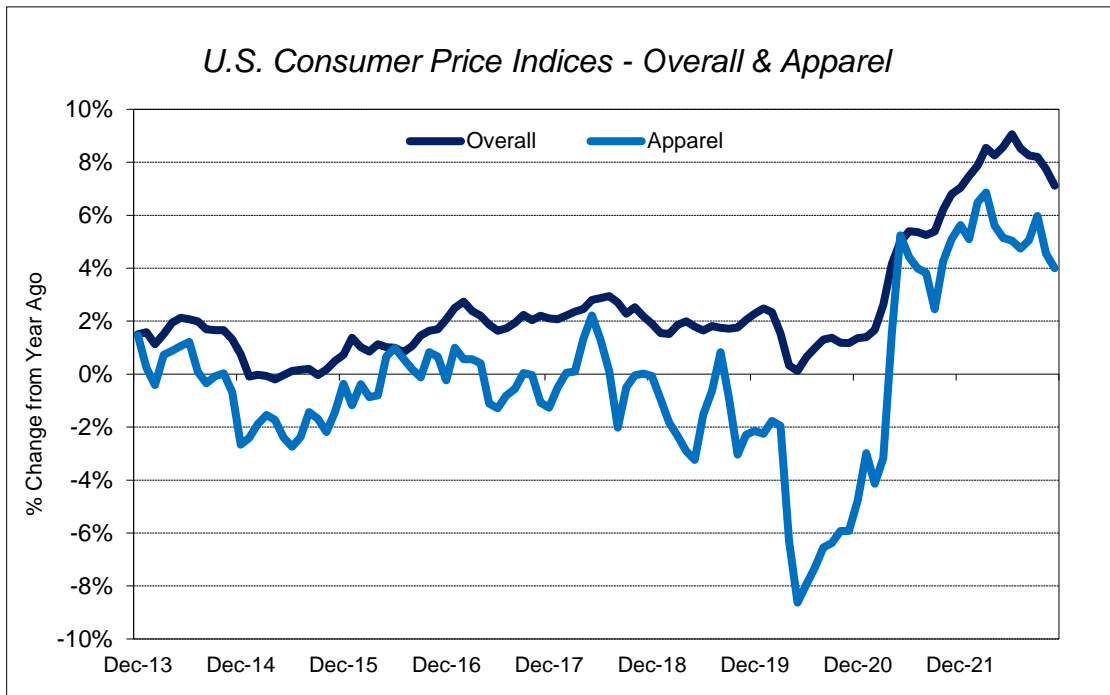
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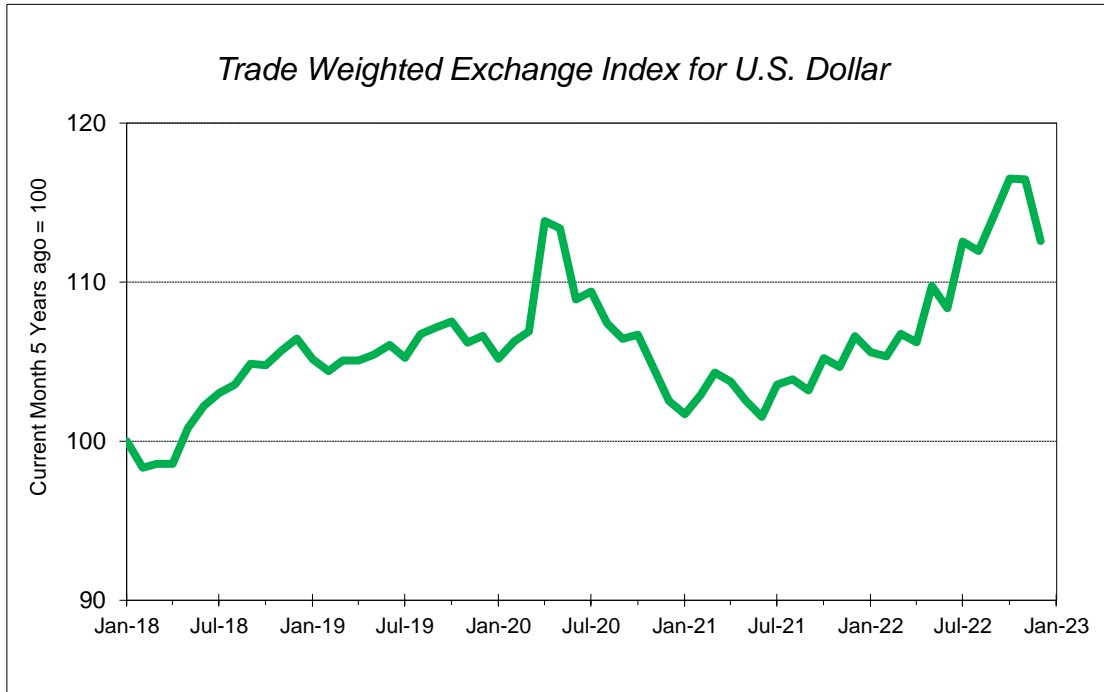
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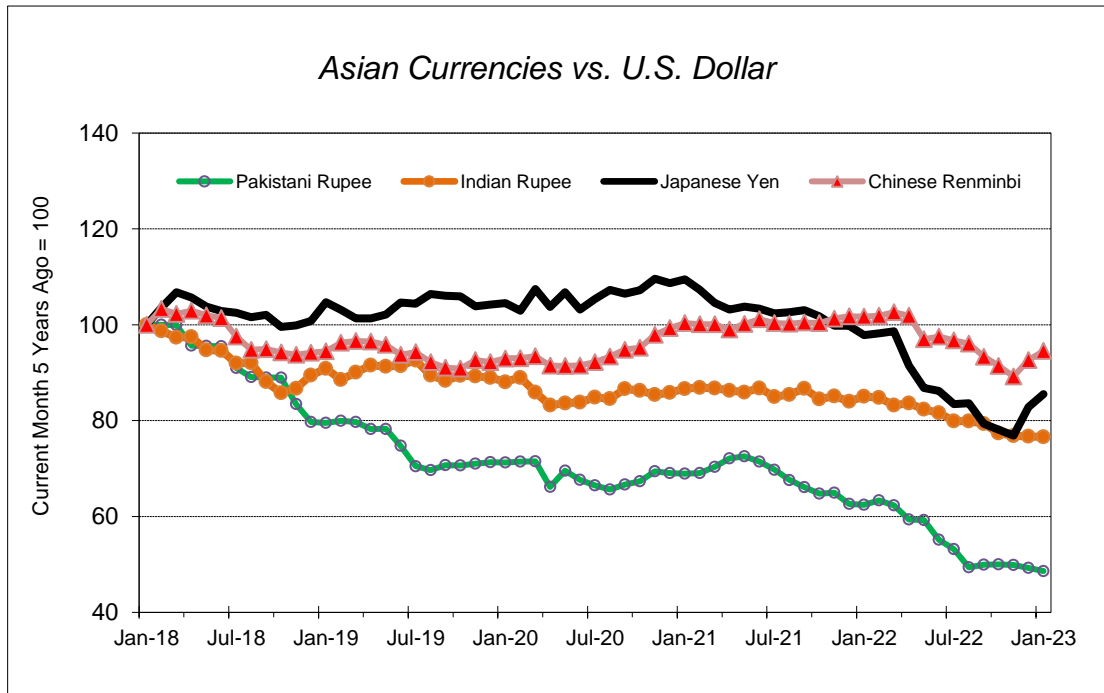
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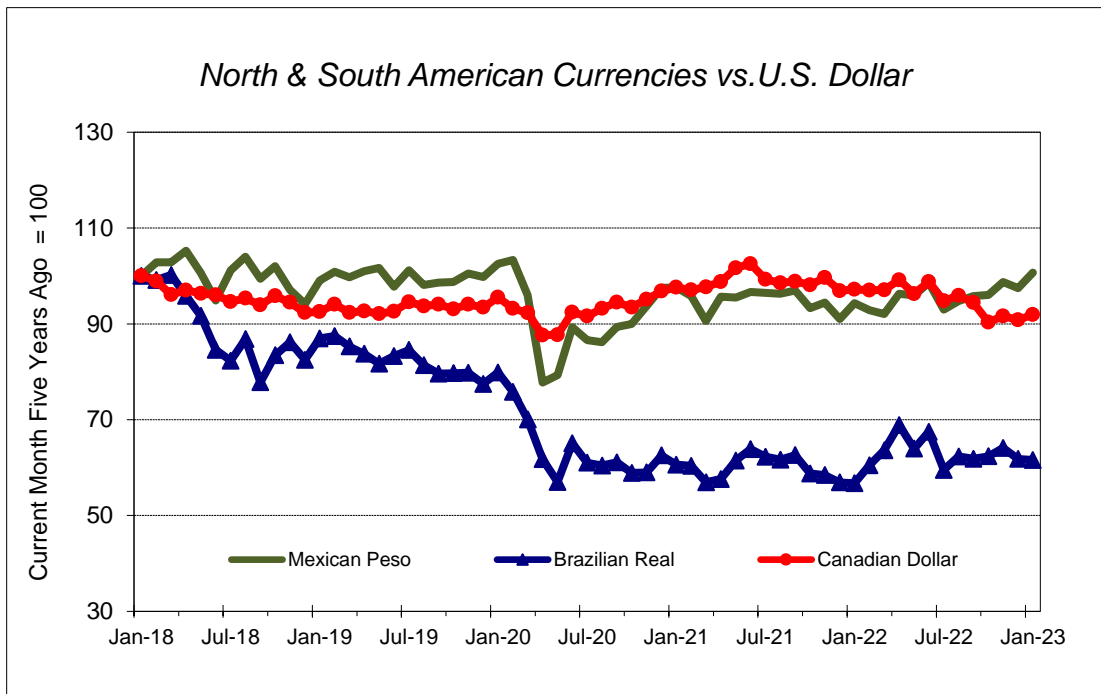
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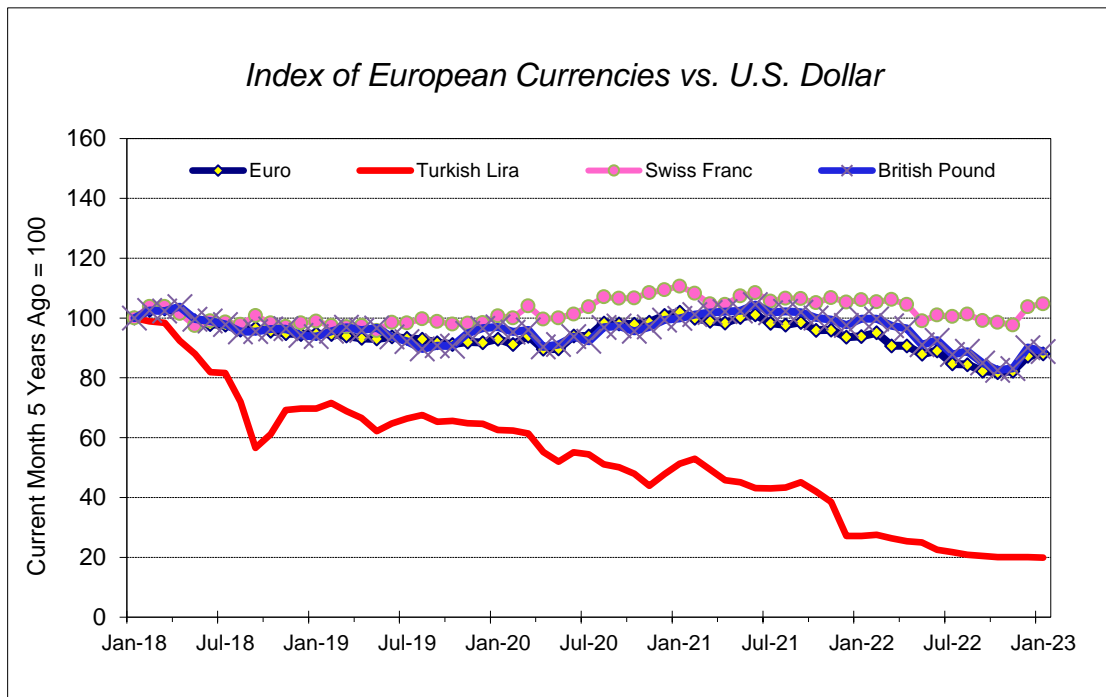
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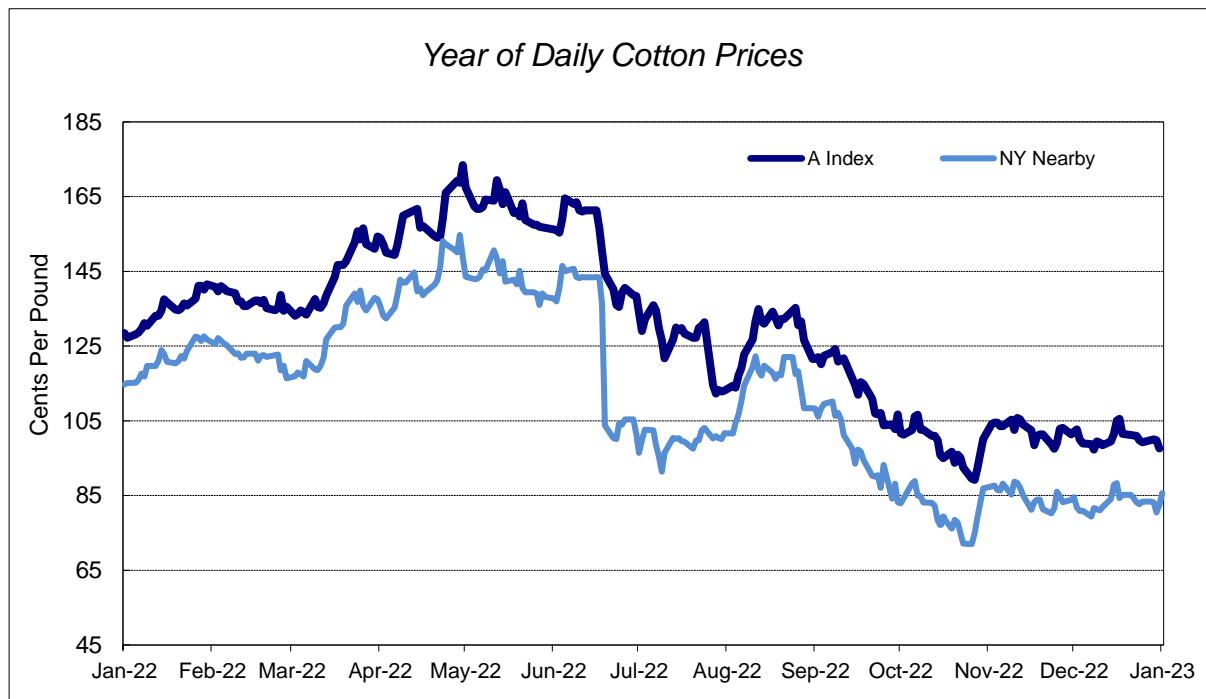
Source: Reuters

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## U.S. Balance Sheet

million 480 lb. bales	2018/19	2019/20	2020/21	2021/22	2022/23 November	2022/23 December
Beginning Stocks	4.2	4.9	7.3	3.2	3.8	3.8
Production	18.4	19.9	14.6	17.5	14.0	14.2
Imports	0.0	0.0	0.0	0.0	0.0	0.0
Supply	22.6	24.8	21.9	20.7	17.8	18.0
Mill-Use	3.0	2.2	2.4	2.6	2.3	2.2
Exports	14.8	15.5	16.4	14.6	12.5	12.3
Demand	17.8	17.7	18.8	17.2	14.8	14.5
Ending Stocks	4.9	7.3	3.2	3.8	3.0	3.5
Stocks/Use Ratio	27.2%	41.0%	16.8%	21.8%	20.3%	24.2%



Sources: ICE Futures U.S. & Cotton Outlook

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