

Executive Cotton Update

U.S. Macroeconomic Indicators &
the Cotton Supply Chain



February 2023

www.cottoninc.com

Macroeconomic Overview: The International Monetary Fund (IMF) released an updated set of global estimates for economic growth in late January. The headline for the report was “Inflation Peaking Amid Low Growth”, suggesting that while a major challenge for the global economy may be fading, another remains.

After growth forecasts were repeatedly lowered in 2022, a notable change in the latest round of revisions was that forecasts for world GDP were increased. The current projection for 2023 is +2.9%, which is +0.2 percentage points higher than the +2.7% figure released in October (+2.7%). Despite the upward revision, the January number still calls for a rate of global economic growth that is nearly one full percentage point below the +3.8% average from 2000-19. The numbers that describe world GDP growth are small, but this represents a -24% decrease in the growth rate relative to the average over the first two decades since the year 2000.

One reason IMF growth projections were increased was that consumers in the U.S. and European Union proved more resilient to inflation than was feared. Factors that contributed to consumer demand included the release of pent-up demand following COVID, strong labor markets that supported wage gains, savings that were deployed to support spending, and easing cost pressures from the supply side as logistical bottlenecks were relieved.

While several of these factors may continue to support growth in 2023, but savings cannot be drawn down indefinitely. In the U.S., savings rates have fallen below three percent. There is only one other period on record when savings have been so low (data back to 1960, the other period of low savings was in 2005, around that decade’s peak in the housing market). Wage growth has been strong, but it remains below the overall inflation rate, requiring consumers to rely on savings to support spending.

If an eventual pullback in consumer spending surfaces, it will weigh on overall growth. In the fourth quarter, the U.S. Bureau for Economic Analysis (BEA) estimates the economy grew at a +2.9% annualized rate. For the 2022 calendar year, the BEA estimates U.S. growth was +2.1%. The IMF is forecasting U.S. GDP will expand +1.4% in 2023 and +1.0% in 2024.

Interest rates tend to have a lagged effect on the economy, and the series of increases in interest rates throughout 2022 is expected to weigh on growth into the future. The Federal Reserve increased rates +0.25 points after its latest meeting on February 1st. The current range for the Federal Funds rate that the central bank controls is between 4.50% to 4.75%. It was nearly zero one year ago.

Employment: The U.S. economy was estimated to have added +517,000 jobs in January. This is the strongest increase in five months (was +568,000 in July) and nearly double the level in December (+260,000). Revisions to figures from the last two months were positive (November +34,000 to +290,000 and December +37,000 to +260,000). The current twelve-month average is +414,000.

The unemployment rate decreased slightly, from 3.5% to 3.4%, and ranks among the lowest values on record (was only this low in the late 1950s and late 1960s). Wages were up +4.4% year-over-year in January. Wage growth has been trending lower since March 2022, when it reached +5.9%. The overall inflation rate was +6.5% in December.

Consumer Confidence & Spending: The Conference Board’s Index of Consumer Confidence decreased -1.9 points month-over-month in January. The current level (107.1) is higher than most values posted in the second half of 2022, but is lower than levels recorded in most of 2021. The long-term average is 94.0 (since 1970).

In November, total consumer spending was down (-0.3%) month-over-month but +2.2% higher year-over-year. Spending on clothing was -1.5% lower month-over-month but up +3.4% year-over-year.

Consumer Prices & Import Data: Retail prices for garments increased +0.7% month-over-month in December. Year-over-year, retail apparel prices were +3.6% higher. Compared to the average in 2019 (before COVID), clothing prices were +2.5% higher. Compared to the average in 2018, clothing prices in December were up only +0.7%.

As represented by the cost per square meter equivalent (SME) of cotton-dominant apparel, import prices were \$4.26/SME in seasonally-adjusted terms for December. Apart from the readings in October and November, this is the highest value on record. Import costs have been volatile, with recent high costs following a near-record low posted in March 2021 (\$2.98/SME).

There has been volatility in import volumes as well. For the 2022 calendar year, U.S. apparel imports were +0.4% higher year-over-year in terms of SME. However, annual figures mask sharp monthly changes. In the first half of 2022, import volumes set records. Excluding COVID, monthly imports in 2022 touched both the highest (April) and lowest volumes (November) recorded since 2005. From peak to trough, the swing in monthly volumes was 45% in seasonally-adjusted data. A reversal in the macroeconomic outlook, inventory accumulation, higher costs, and concerns about the trajectory of consumer spending all contributed to volatility in orders.

U.S. Macroeconomic & Cotton Supply Chain Charts

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

Executive Cotton Update

U.S. Macroeconomic Indicators & Cotton Prices
February 2023



Macroeconomic Data

Quarterly Data

	Recent Averages				Values in Recent Quarters			Unit	Source
	5-year	1-year	6-month	3-month	Q2 : 2022	Q3 : 2022	Q4 : 2022		
Growth in US Real GDP	2.6%	2.5%	1.3%	3.2%	-0.6%	3.2%	2.9%	% 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	55.1	52.7	49.8	48.3	49.0	48.4	47.4	Index	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	57.4	55.7	54.4	53.3	55.5	49.2	55.2	Index	Institute for Supply Management
Consumer Confidence	115.0	104.2	105.2	105.8	101.4	109.0	107.1	Index	The Conference Board
Change in Non-Farm Payrolls	123.4	413.9	348.8	355.7	290	260	517	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	4.9%	3.6%	3.6%	3.5%	3.6%	3.5%	3.4%	Rate	Bureau of Labor Statistics
US Interest Rates									
Federal Funds	1.3%	2.0%	3.4%	4.1%	3.8%	4.1%	4.3%	Interest rate	Federal Reserve
10-year Treasury Bill	2.1%	3.1%	3.6%	3.7%	3.9%	3.6%	3.5%	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	111.6	114.3	112.3	111.3	111.6	111.6	110.7	Index	The Conference Board
Housing Starts	14.2	15.6	14.3	1.4	1.4	1.4	1.4	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.5	5.1	4.5	4.2	4.4	4.1	4.0	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	101.0	103.9	104.4	104.1	104.8	104.8	103.4	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	119.2	155.4	164.9	167.6	170.3	168.9	163.5	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	2.2	2.3	2.1	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	1.44	1.55	1.60	1.64	1.64	1.65	1.63	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	2.7%	2.8%	2.1%	1.9%	1.8%	1.7%	2.2%	% Chg. Year/Year	Department of Commerce
Clothing	7.0%	1.9%	0.9%	1.3%	0.6%	0.0%	3.4%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	3.6%	8.0%	7.7%	7.1%	7.7%	7.1%	6.5%	% Chg. Year/Year	Bureau of Labor Statistics
Clothing	0.1%	5.2%	4.7%	4.1%	4.6%	4.0%	3.6%	% 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	2.6	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	2.1	2.1	2.1	Ratio	Department of Commerce

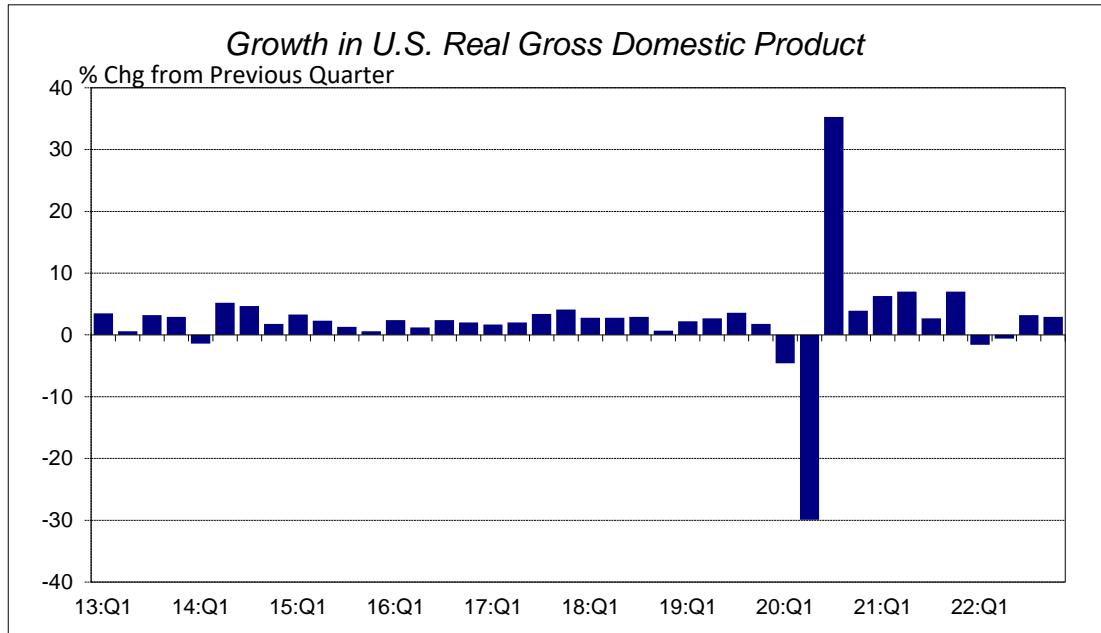
Executive Cotton Update

Daily Cotton Price and Currency Data
February 2023

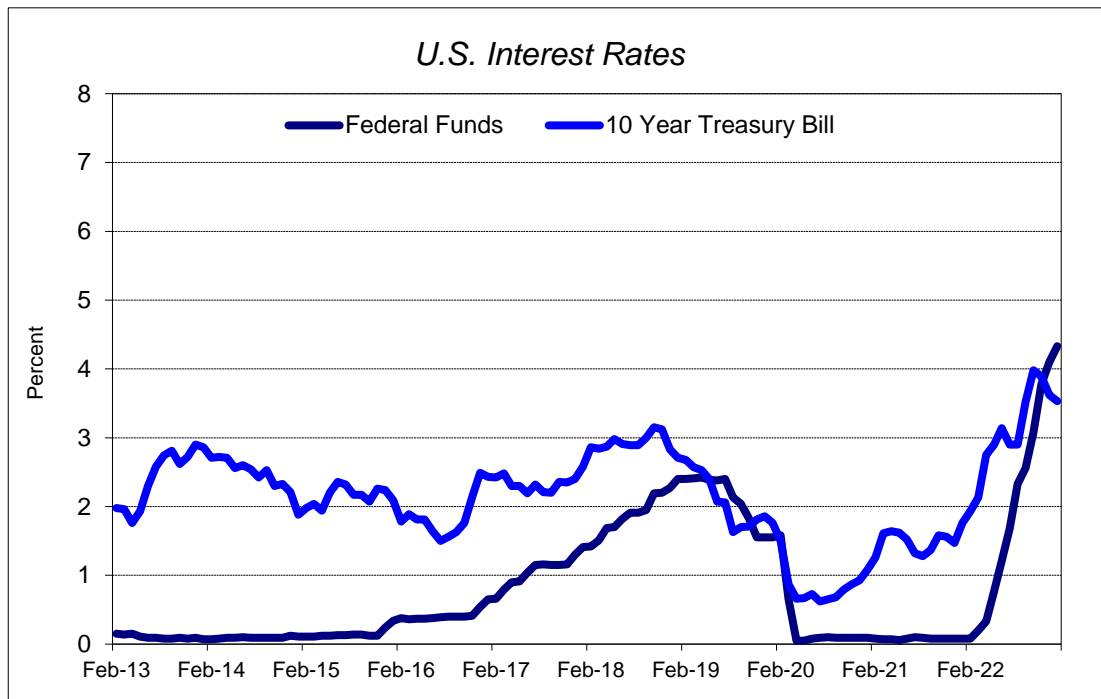


Daily Cotton Price Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	November	December	January		
NY Nearby	81.6	116.7	131.2	139.4	140.5	145.0	132.7	cents/pound	ICE
A Index	91.4	129.3	147.5	157.7	155.3	163.8	154.2	cents/pound	Cotlook

Daily Currency Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	November	December	January		
Dollar Trade Weighted Exchange Index	116.1	117.4	124.2	123.5	126.5	122.8	121.2	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.72	6.69	6.98	7.03	7.24	6.98	6.86	Chinese Renminbi/US dollar	Reuters
Indian Rupee	73.31	75.78	81.44	82.38	81.93	82.49	82.73	Indian Rupee/US dollar	Reuters
Japanese Yen	113.78	116.61	140.10	138.53	146.47	136.71	132.42	Japanese Yen/US dollar	Reuters
Pakistani Rupee	160.86	177.22	223.17	224.13	221.50	223.63	227.25	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	4.68	5.25	5.21	5.20	5.12	5.22	5.25	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.30	1.30	1.34	1.35	1.35	1.36	1.35	Canadian dollar/US dollar	Reuters
Mexican Peso	20.07	20.62	19.80	19.45	19.45	19.75	19.15	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.77	0.77	0.85	0.84	0.87	0.82	0.83	British Pound/US dollar	Reuters
Euro	0.88	0.89	0.98	0.97	1.00	0.95	0.94	Euro/US dollar	Reuters
Swiss Franc	0.96	0.94	0.97	0.95	0.99	0.94	0.93	Swiss Franc/US dollar	Reuters
Turkish Lira	8.78	11.10	18.46	18.66	18.58	18.64	18.77	Turkish Lira/US dollar	Reuters



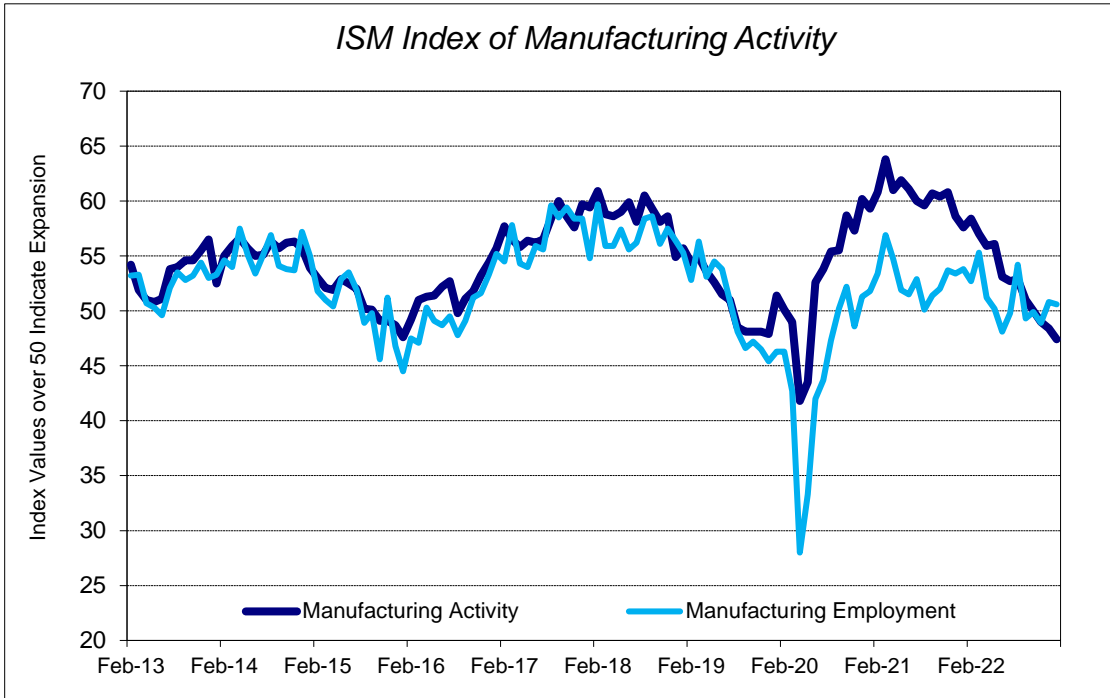
Seasonally Adjusted Annual Rate; Source: Department of Commerce
 *Based on chained 2005\$.



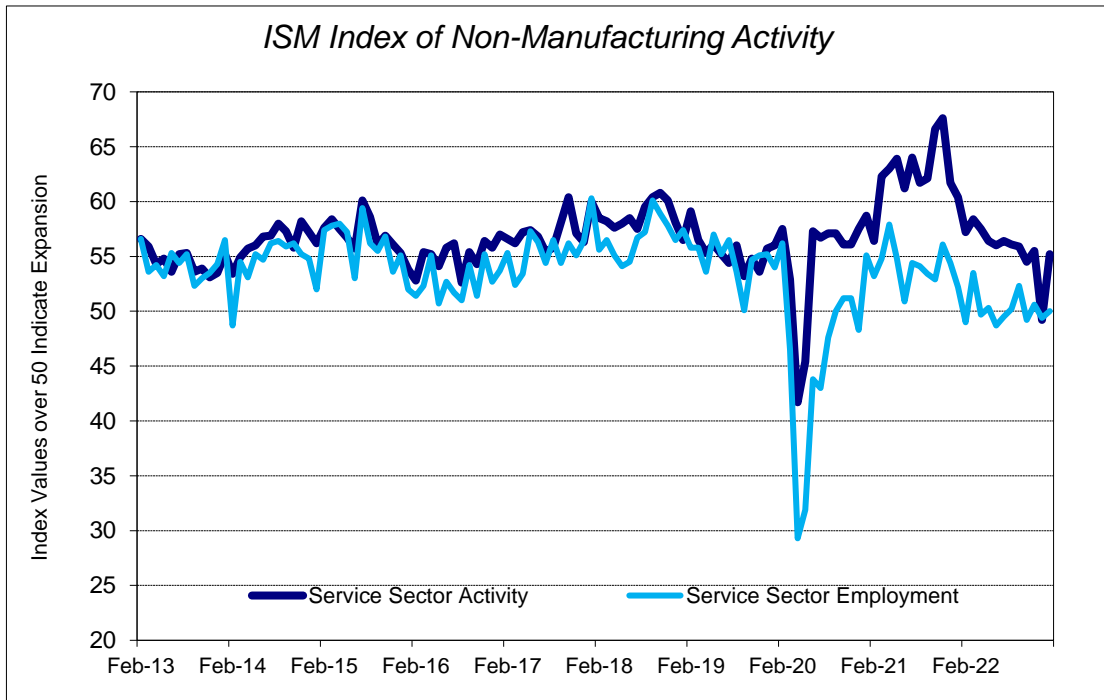
Source: Federal Reserve

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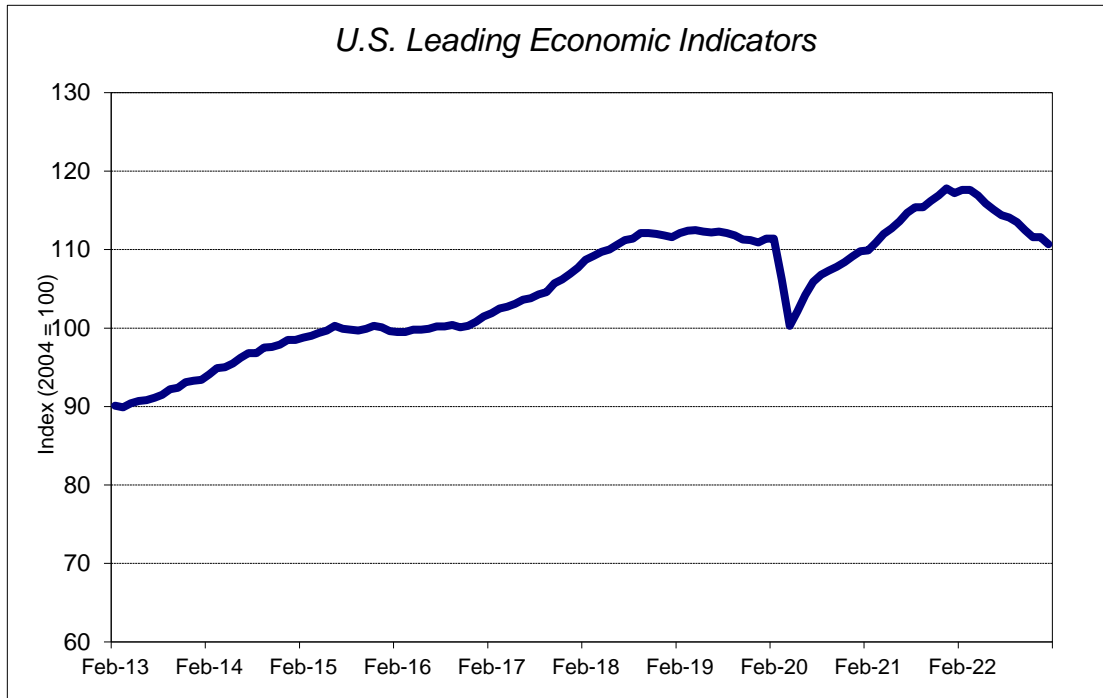
Source: Institute for Supply Chain Management



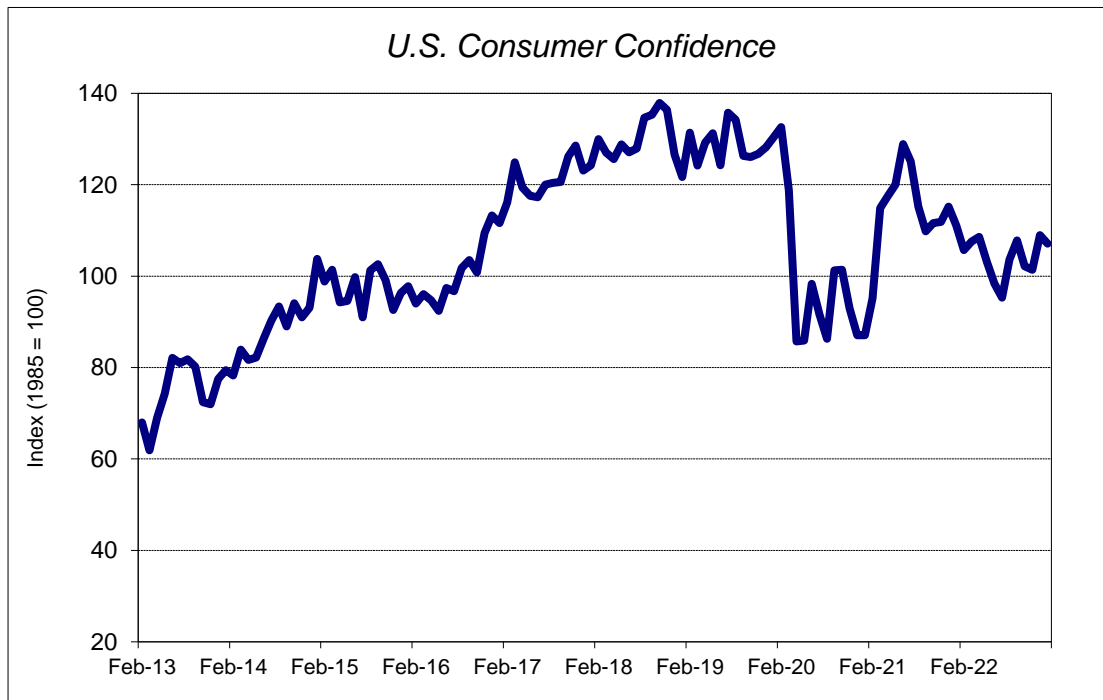
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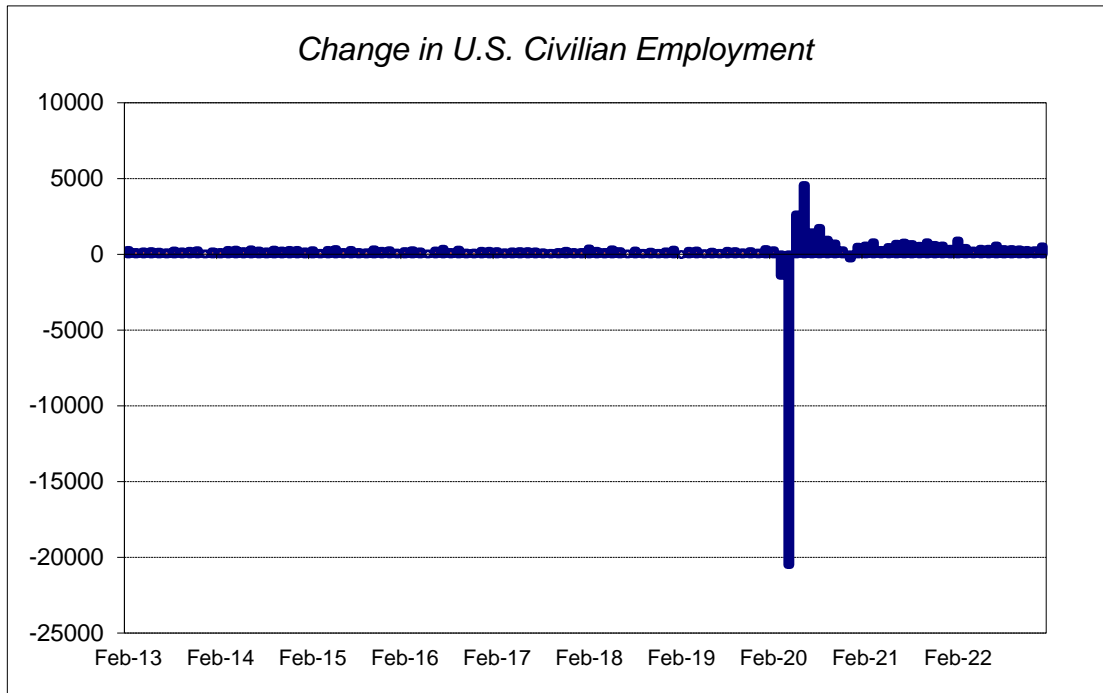
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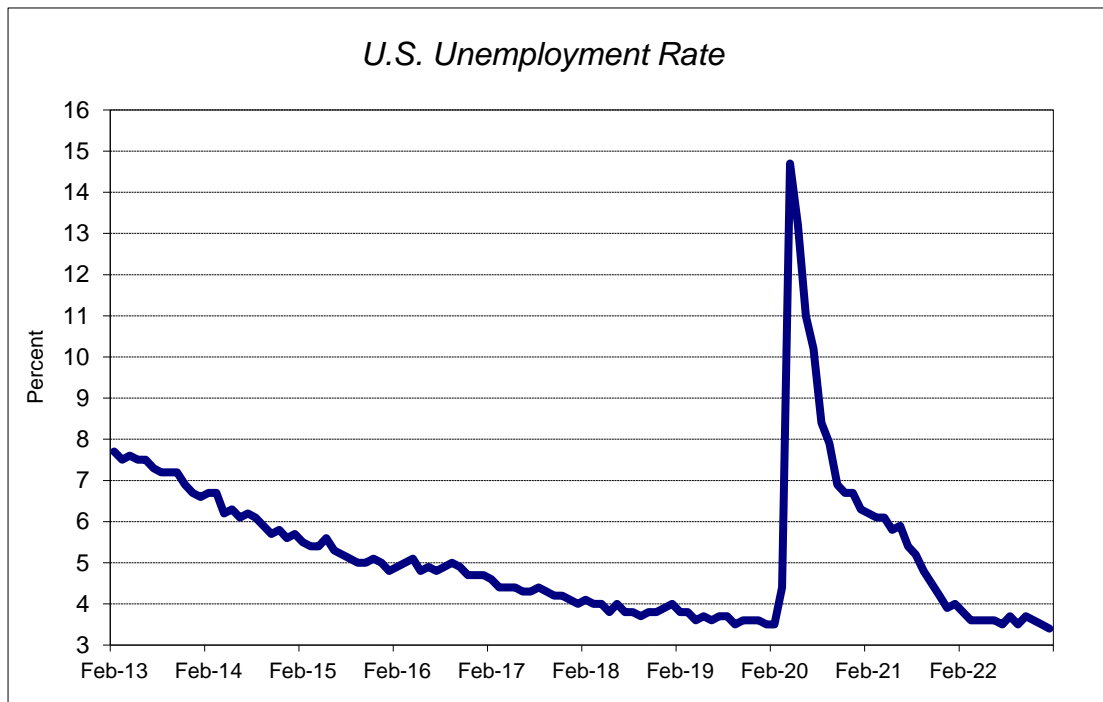
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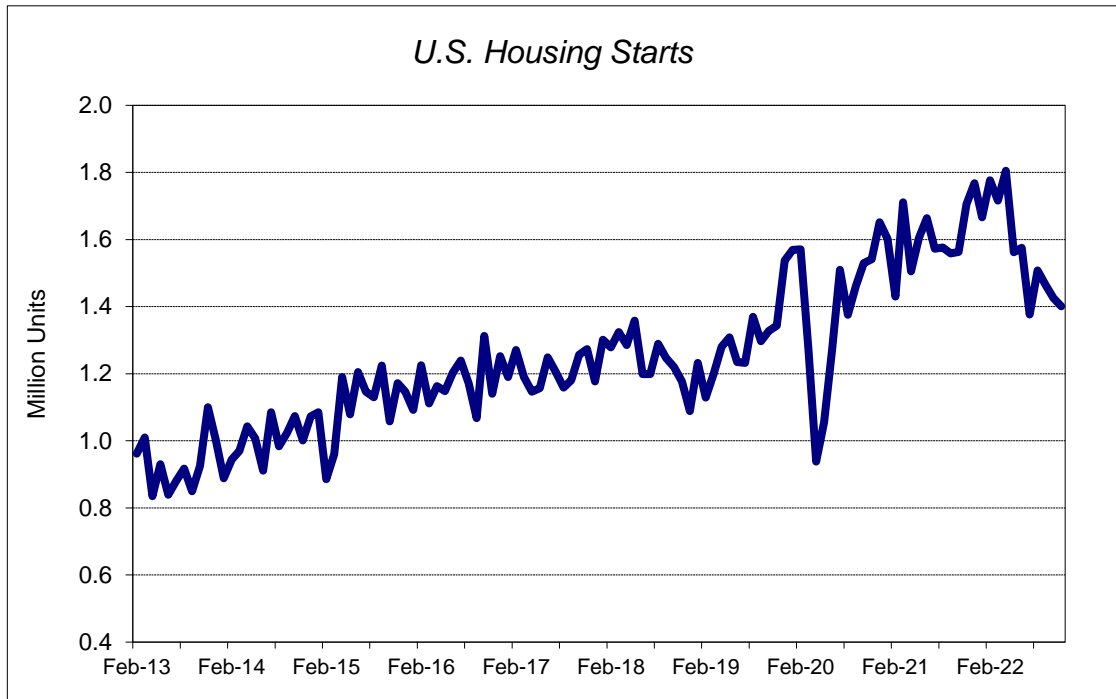
Source: Bureau of Labor Statistics



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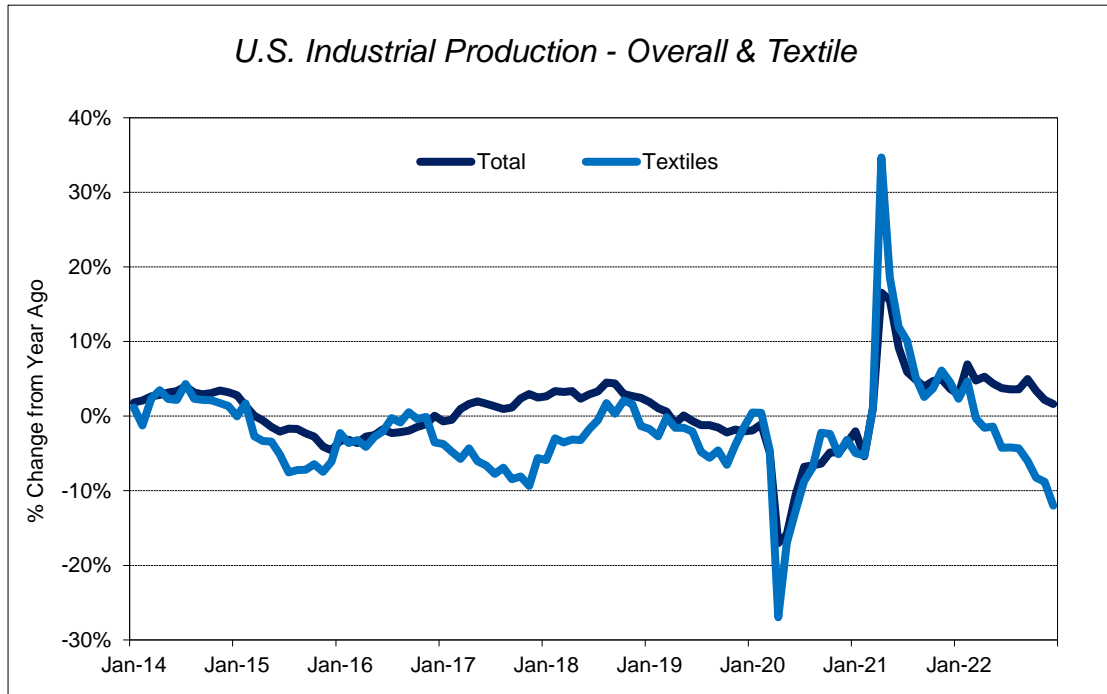
Seasonally Adjusted Annual Rate; Source: Department of Commerce



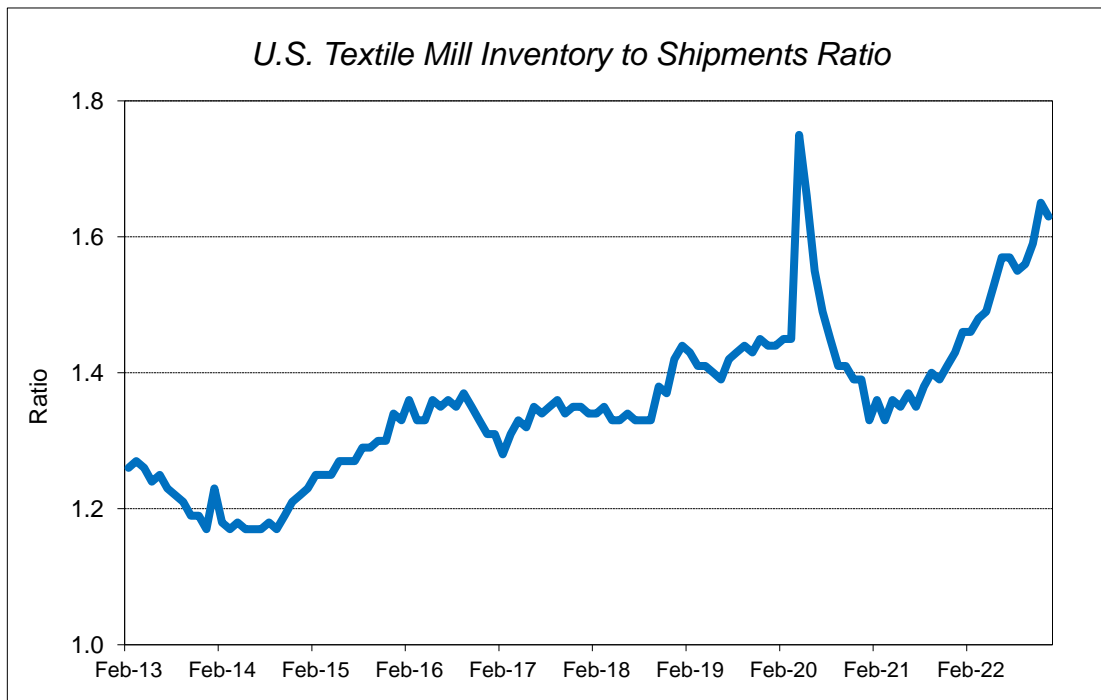
Seasonally Adjusted Annual Rate; Source: National Association of Realtors

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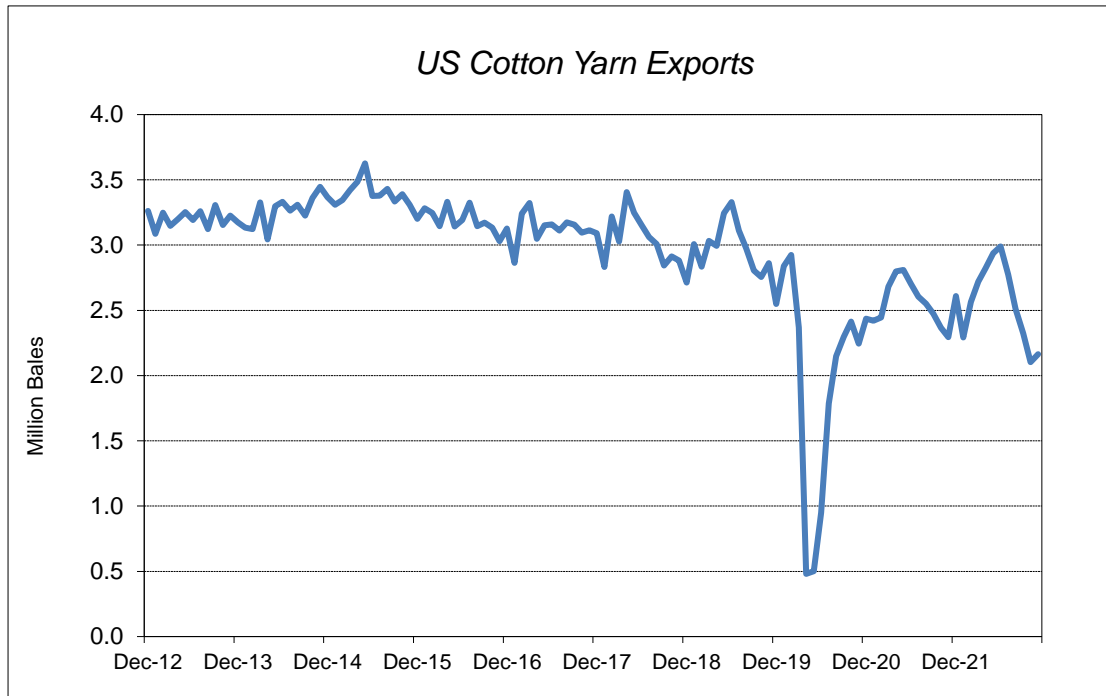
Source: Federal Reserve. Historical data revised to 1997 baseline.



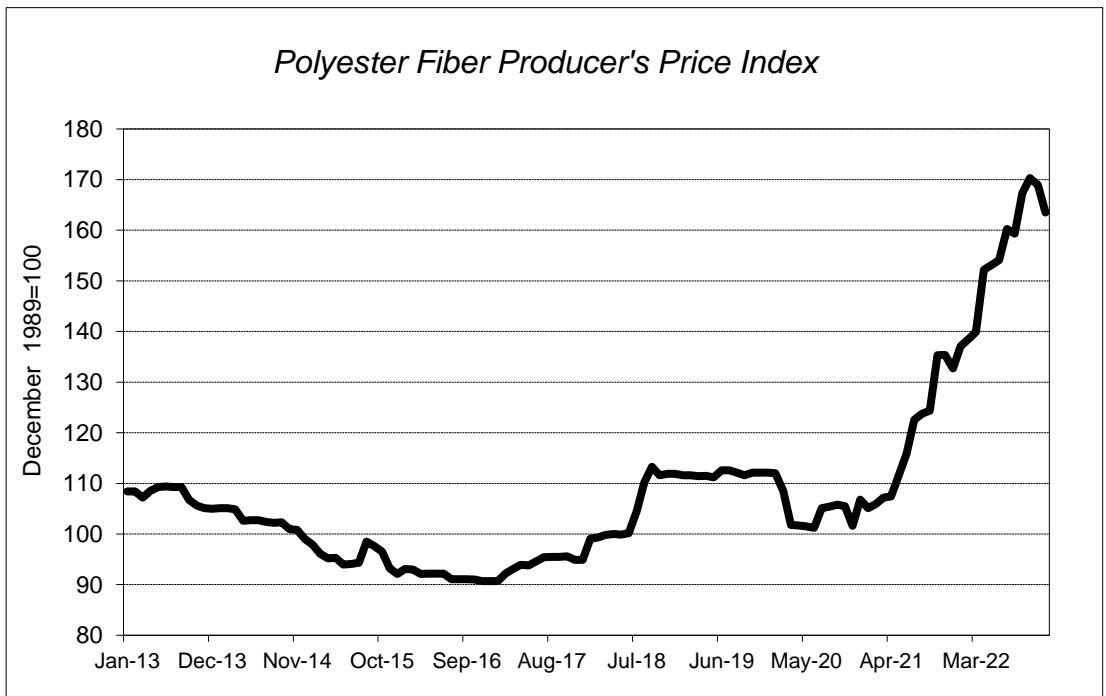
Seasonally Adjusted; Source: Department of Commerce

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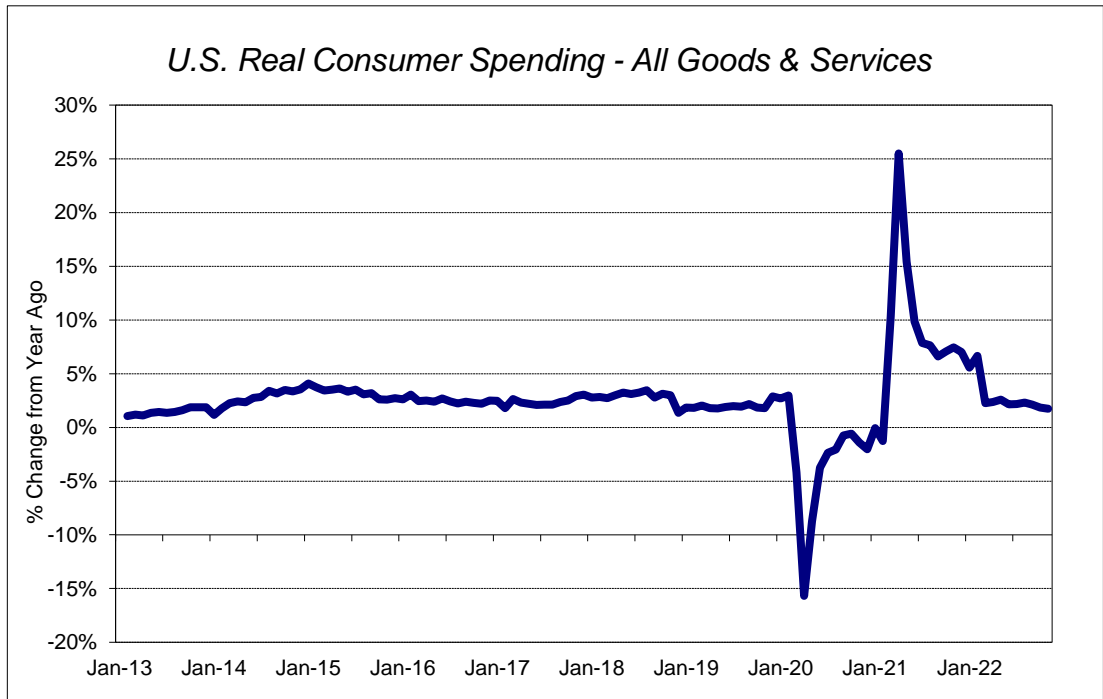
Seasonally Adjusted Annual Rate
 Source: USDA ERS



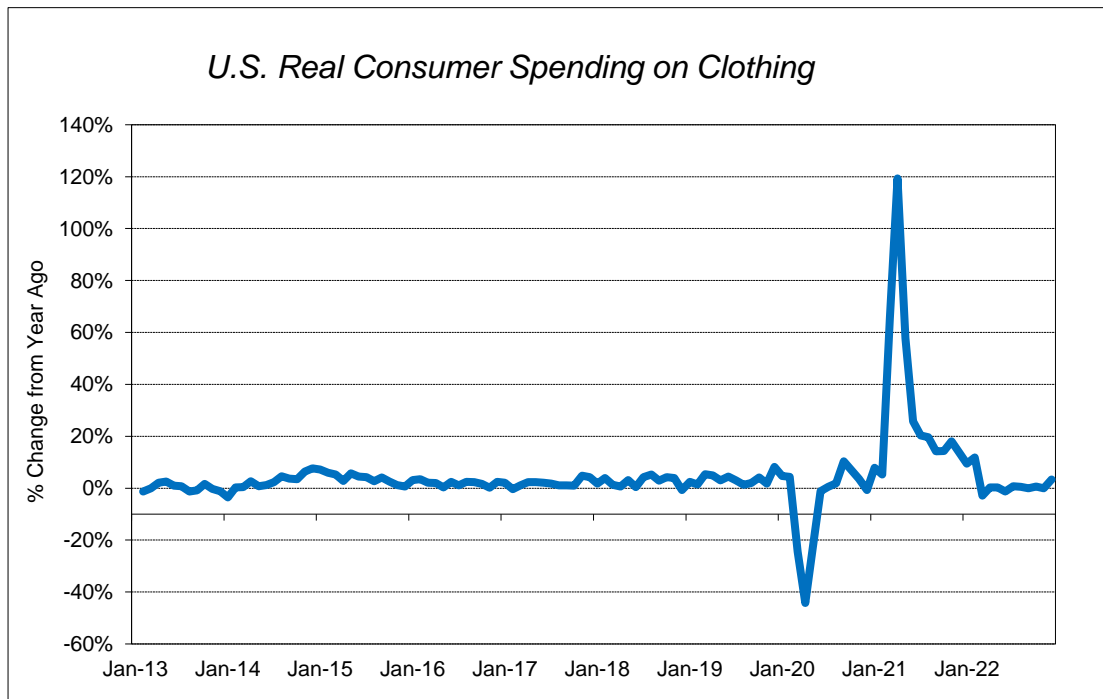
Source: Bureau of Labor Statistics

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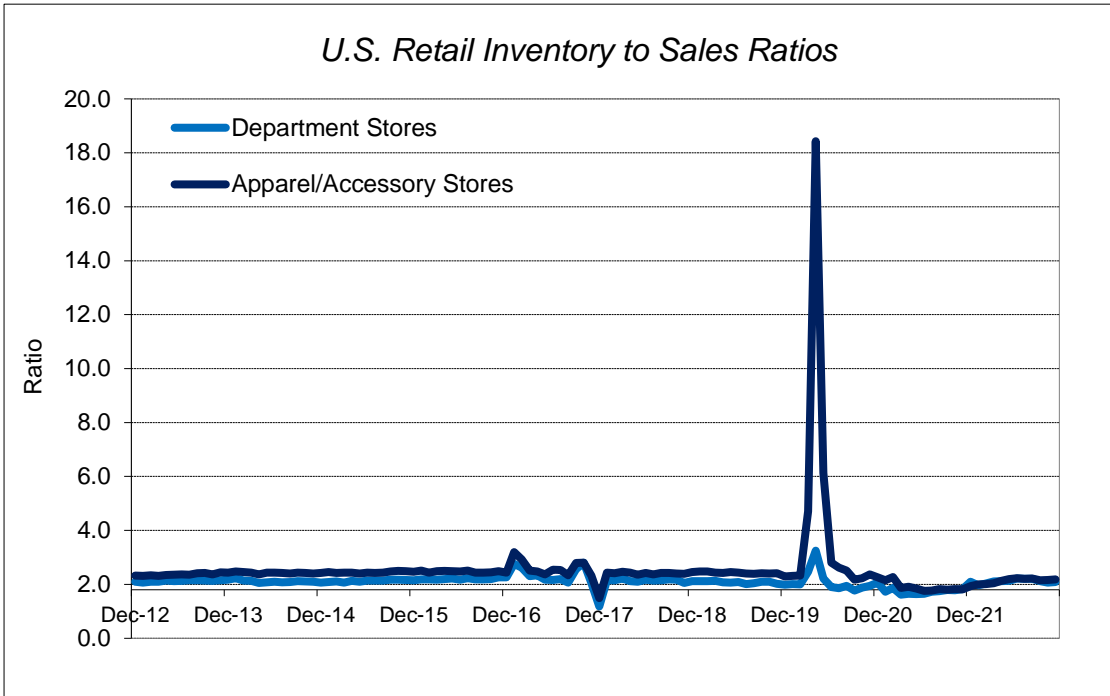
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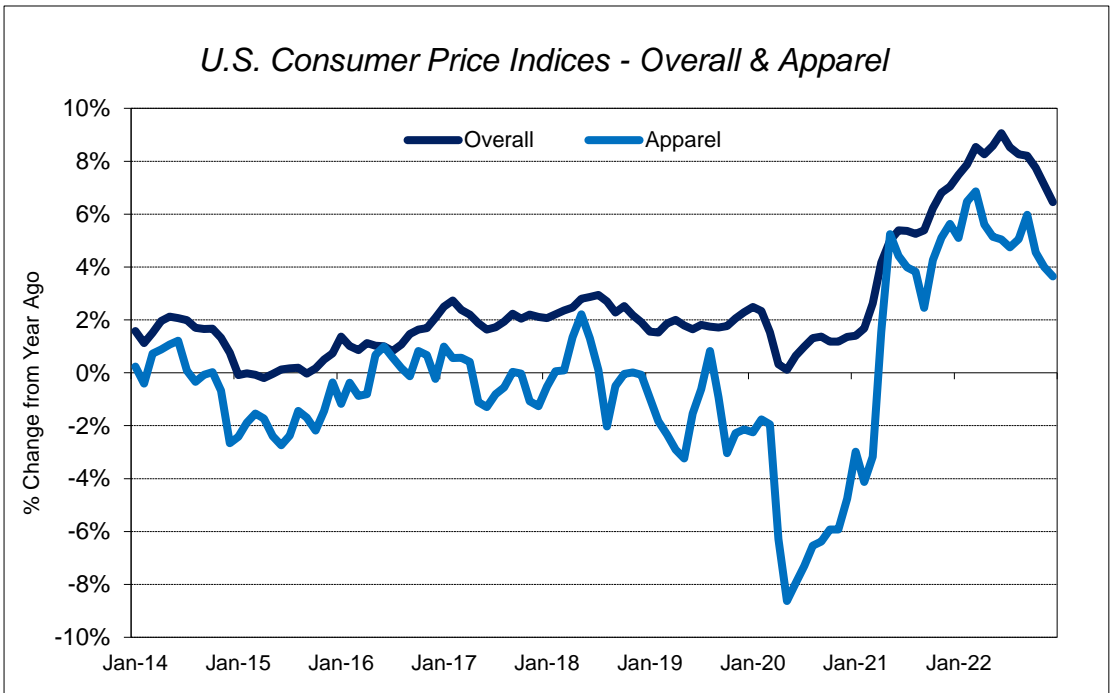
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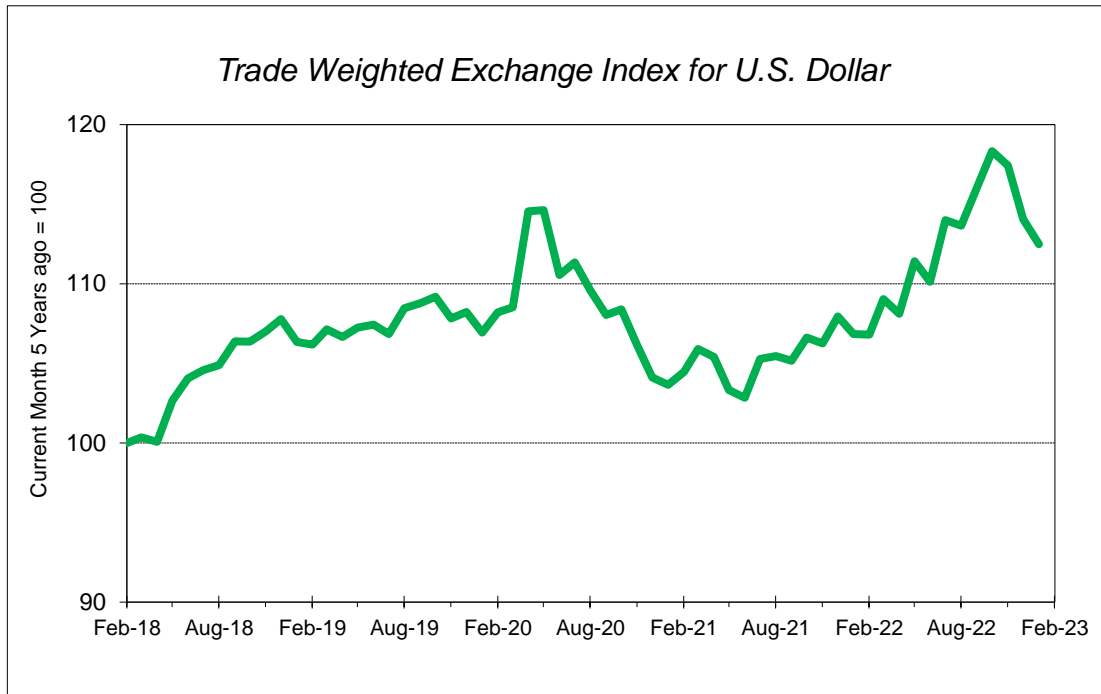
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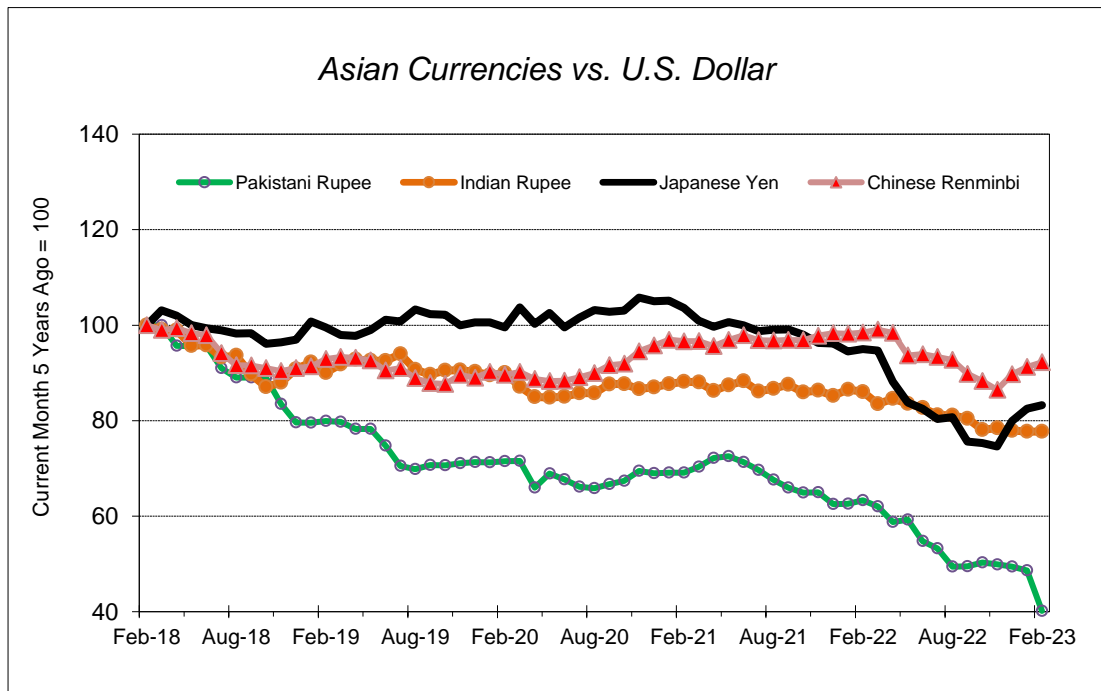
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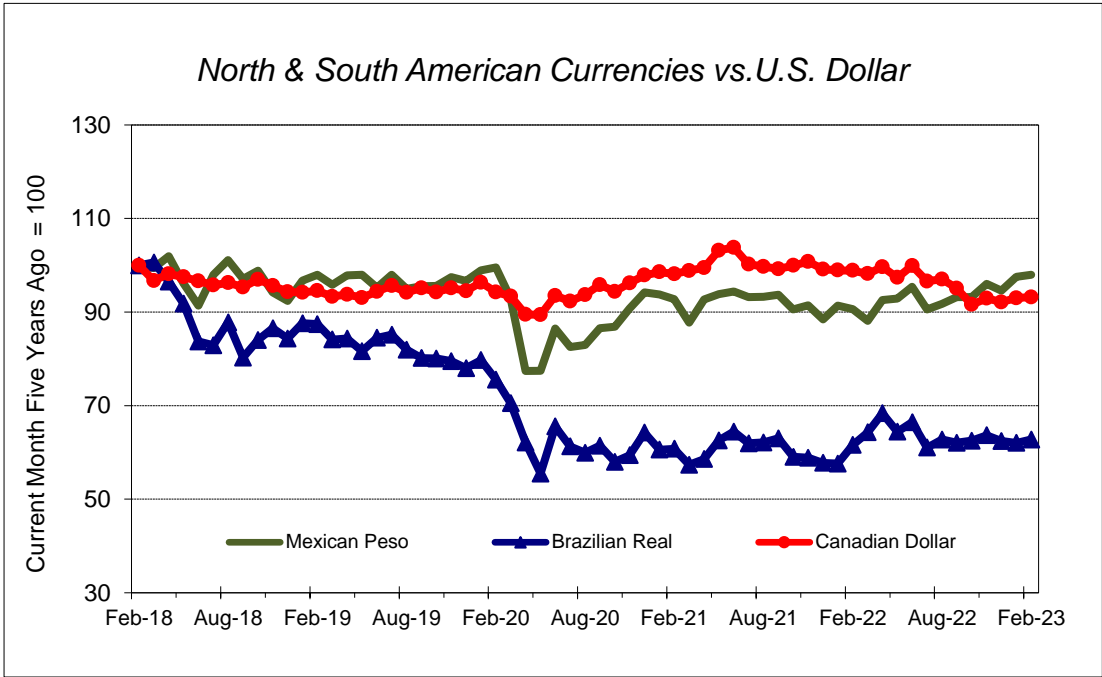
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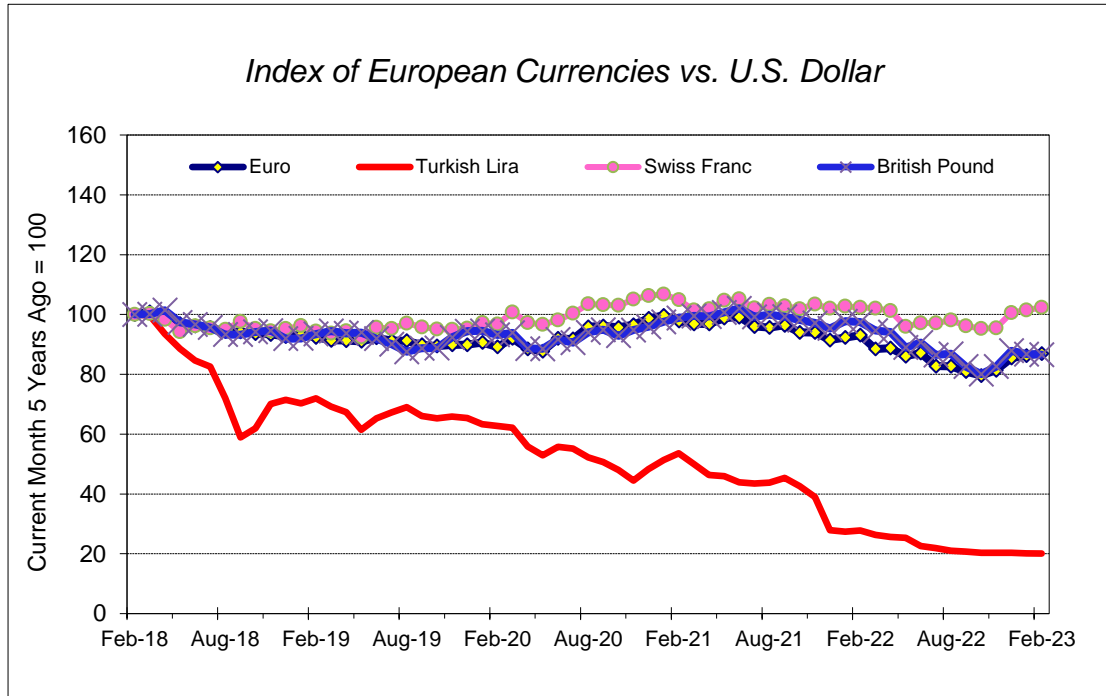
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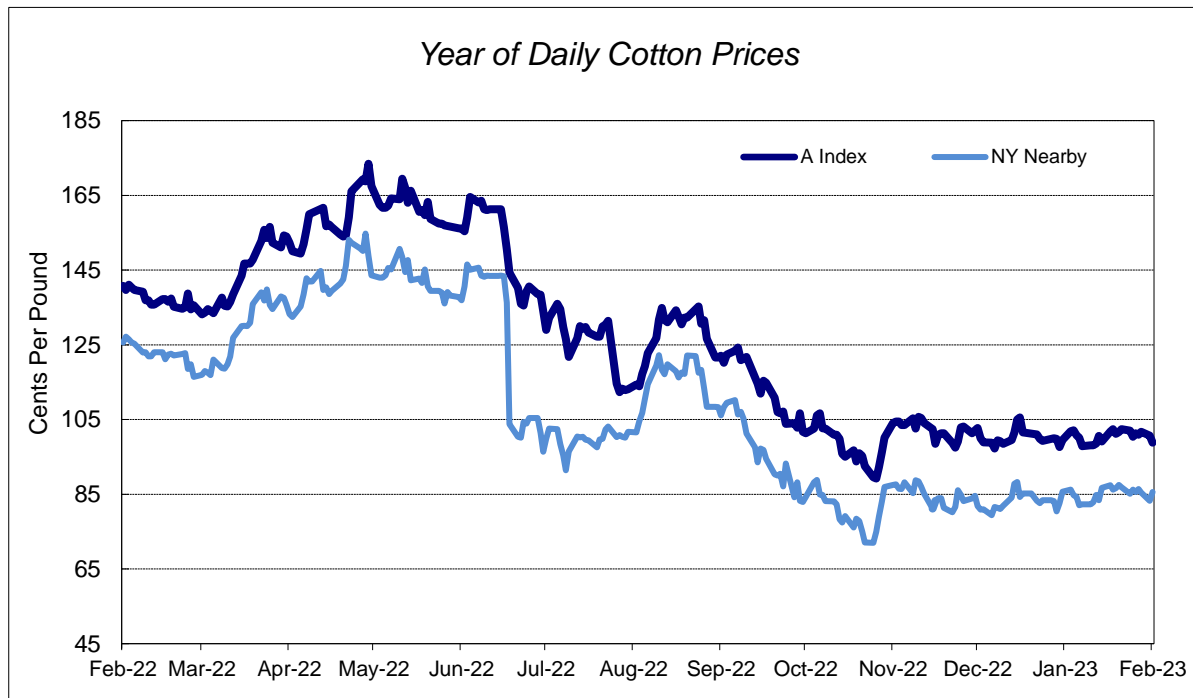
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U.S. Balance Sheet

million 480 lb. bales	2018/19	2019/20	2020/21	2021/22	2022/23 December	2022/23 January
Beginning Stocks	4.2	4.9	7.3	3.2	3.8	3.8
Production	18.4	19.9	14.6	17.5	14.2	14.7
Imports	0.0	0.0	0.0	0.0	0.0	0.0
Supply	22.6	24.8	21.9	20.7	18.0	18.4
Mill-Use	3.0	2.2	2.4	2.6	2.2	2.2
Exports	14.8	15.5	16.4	14.6	12.3	12.0
Demand	17.8	17.7	18.8	17.2	14.5	14.2
Ending Stocks	4.9	7.3	3.2	3.8	3.5	4.2
Stocks/Use Ratio	27.2%	41.0%	16.8%	21.8%	24.2%	29.6%



Sources: ICE Futures U.S. & Cotton Outlook

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