

# Executive Cotton Update

U.S. Macroeconomic Indicators &  
the Cotton Supply Chain



April 2023

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

**Macroeconomic Overview:** Uncertainty surrounding the trajectory of U.S. economic growth persists. The labor market continues to add jobs, and wages continue to rise at rates higher than those experienced in the decade following the financial crisis. Inflation also remains higher than the rates experienced in the decade following the financial crisis. As a result, the Federal Reserve has continued to boost interest rates (the Federal Funds rate was increased another 0.25 points in late March).

There have been fears of a recession for some time, and those concerns have yet to be realized. The continued strength of the labor market and consumer spending are giving increasing support to ideas that a “soft landing” may be possible despite the Federal Reserve lifting interest rates from zero to nearly five percent in the span of about one year (rate increases began in March 2022). Stresses associated with rate increases contributed to the recent turmoil in the banking sector, and there are concerns that the issues could spread into other segments of the economy. The effects of higher interest rates tend to be lagged, and it remains unknown what the complete eventual impact might be.

Consumer spending, which represents the majority of U.S. economic activity, has proven robust. Overall spending is up 9.7% relative to the average in 2019. Spending on apparel is up 25.7%. A tight job market and savings accumulated during the pandemic have supported consumers’ willingness to spend. However, wage growth has not kept up with inflation since the first half of 2021. Savings rates have plummeted from record highs with stimulus payments (reaching levels over 25%) to readings below those witnessed in the decade after the financial crisis (was above five percent between 2010 and early 2020, currently below five percent).

**Employment:** The U.S. economy is estimated to have added +236,000 jobs in March. While this figure could have been considered reasonably strong before COVID, it ranks as the smallest monthly addition since December 2020. Revisions to figures for previous months were mixed. The value for January fell -32,000 to +472,000. The value for February rose +15,000 to +326,000. The current twelve-month average is +345,000 jobs per month.

The unemployment rate decreased from 3.6% to 3.5% between February and March. Since January 2022, levels have held below four percent and rank among the lowest on record. With continued job growth, a factor that has prevented the unemployment rate from falling even lower has been the entry of more workers into the economy. It is estimated that 480,000 more people wanted to work in March than in February. Year-over-year, the Bureau of Labor Statistics indicated that there were 2.4 million more workers. The proportion of people in the labor force has also been rising. The labor participation rate collapsed with the onset of COVID, but the current value (62.6%) is within the range of values experienced in the five years before the pandemic.

Average hourly wage growth has been trending lower since March 2022, when they reached a post-outbreak peak of 5.9%. All the readings since October 2022 have been below five percent. The latest value (March) was 4.2%. The overall rate of inflation was 6.0% in March.

**Consumer Confidence & Spending:** After two monthly decreases, the Conference Board’s Index of Consumer Confidence increased marginally in March (+0.8 points to 104.2). The index continues to hold levels above the long-term average (near 93) but below the post-COVID peak of 128.9 (June 2021).

After a substantial 1.5% month-over-month increase in January, overall consumer spending decreased -0.1% month-over-month in February and was up 2.4% year-over-year. Spending on garments also surged in January (+3.5% month-over-month) and experienced a slight pullback in February (-0.6% month-over-month). Year-over-year, overall spending was up 2.5% in February, and spending on clothing was up 4.4%.

**Consumer Prices & Import Data:** Retail prices for apparel increased 0.7% month-over-month in February. Year-over-year, the CPI for clothing was up 3.9%. Relative to the average in 2019, before the pandemic, retail apparel prices were 4.4% higher in February.

In February, average import costs per square-meter equivalent (SME) of cotton-dominant apparel were \$4.04 in seasonally-adjusted terms. This is down from the recent peak of \$4.32/SME in November, but it is well-above levels before the pandemic (averaged \$3.36/SME in 2018 and \$3.45/SM in 2019) and significantly higher than the post-COVID low marked in March 2021 (\$2.99/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	

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U.S. Macroeconomic Indicators & Cotton Prices  
April 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%	2.6%	% 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	54.7	50.9	48.1	47.1	47.4	47.7	46.3	Index	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	57.2	54.9	53.5	53.8	55.2	55.1	51.2	Index	Institute for Supply Management
Consumer Confidence	114.2	103.6	104.4	104.5	106.0	103.4	104.2	Index	The Conference Board
Change in Non-Farm Payrolls	121.5	345.4	314.5	344.7	472	326	236	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	4.9%	3.6%	3.6%	3.5%	3.4%	3.6%	3.5%	Rate	Bureau of Labor Statistics
<b>US Interest Rates</b>									
Federal Funds	1.4%	2.8%	4.1%	4.5%	4.3%	4.6%	4.7%	Interest rate	Federal Reserve
10-year Treasury Bill	2.1%	3.4%	3.7%	3.6%	3.5%	3.8%	3.7%	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	111.6	112.9	110.9	110.2	110.3	110.3	110.0	Index	The Conference Board
Housing Starts	14.2	15.0	14.0	1.4	1.3	1.3	1.5	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.5	4.8	4.3	4.2	4.0	4.0	4.6	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	100.5	102.7	102.6	101.9	103.0	101.6	102.0	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	121.3	159.3	165.5	162.2	163.5	161.3	161.9	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	2.4	2.1	1.9	2.2	1.7	1.8	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	1.45	1.57	1.61	1.59	1.59	1.59	1.59	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	2.6%	2.2%	2.1%	2.4%	1.9%	2.7%	2.5%	% Chg. Year/Year	Department of Commerce
Clothing	7.0%	0.8%	2.1%	4.2%	3.7%	4.4%	4.4%	% Chg. Year/Year	Department of Commerce
<b>Consumer Price Indices</b>									
Overall	3.8%	7.8%	7.0%	6.3%	6.5%	6.4%	6.0%	% Chg Year/Year	Bureau of Labor Statistics
Clothing	0.2%	4.9%	4.4%	3.8%	3.6%	3.7%	3.9%	% Chg. Year/Year	Bureau of Labor Statistics

### Retail 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		
Retail Inventory/Sales Ratio									
Clothing and Clothing Accessory Stores	2.6	2.2	2.2	2.2	2.2	2.2	2.1	Ratio	Department of Commerce
Department Stores	2.0	2.1	2.1	2.1	2.1	2.2	1.9	Ratio	Department of Commerce

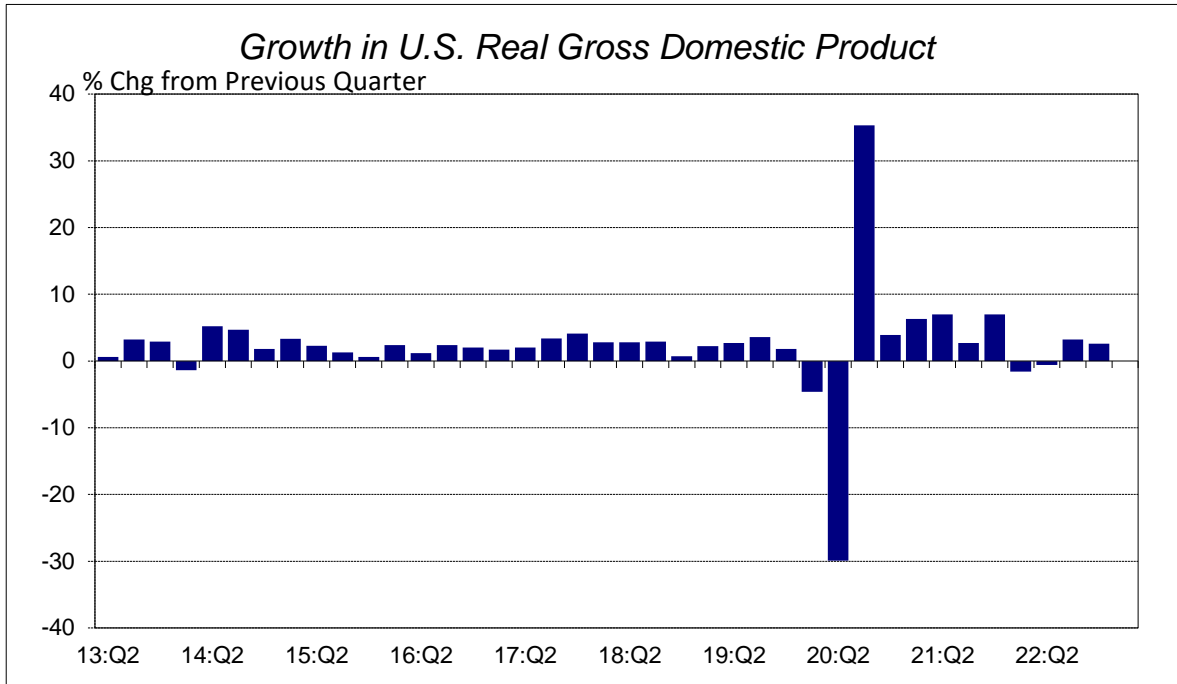
# Executive Cotton Update

Daily Cotton Price and Currency Data  
April 2023

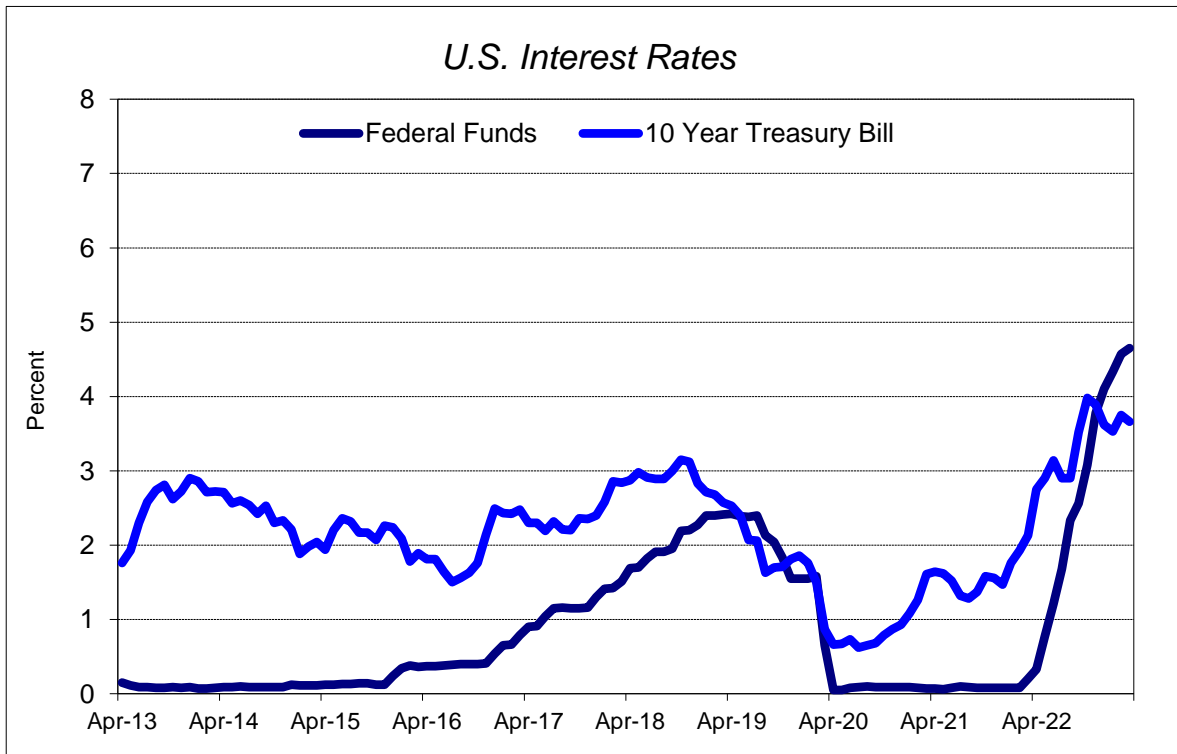


Daily Cotton Price Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	January	February	March		
NY Nearby	84.0	102.2	83.0	83.0	84.6	83.9	80.9	cents/pound	ICE
A Index	94.8	119.3	99.3	98.1	100.3	99.4	95.4	cents/pound	Cotlook

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	116.5	117.7	123.3	121.0	121.2	120.3	121.5	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.74	6.68	6.98	6.86	6.86	6.79	6.93	Chinese Renminbi/US dollar	Reuters
Indian Rupee	73.90	76.32	82.35	82.45	82.73	82.70	81.93	Indian Rupee/US dollar	Reuters
Japanese Yen	114.66	118.08	138.13	133.49	132.42	131.25	136.80	Japanese Yen/US dollar	Reuters
Pakistani Rupee	166.35	183.93	240.49	259.35	227.25	275.18	275.63	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	4.75	5.29	5.20	5.21	5.25	5.19	5.20	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.31	1.30	1.36	1.36	1.35	1.35	1.37	Canadian dollar/US dollar	Reuters
Mexican Peso	20.07	20.57	19.27	18.80	19.15	19.06	18.17	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.78	0.78	0.85	0.83	0.83	0.83	0.84	British Pound/US dollar	Reuters
Euro	0.89	0.89	0.97	0.94	0.94	0.94	0.94	Euro/US dollar	Reuters
Swiss Franc	0.96	0.93	0.95	0.93	0.93	0.92	0.94	Swiss Franc/US dollar	Reuters
Turkish Lira	9.28	11.81	18.72	18.84	18.77	18.83	18.92	Turkish Lira/US dollar	Reuters



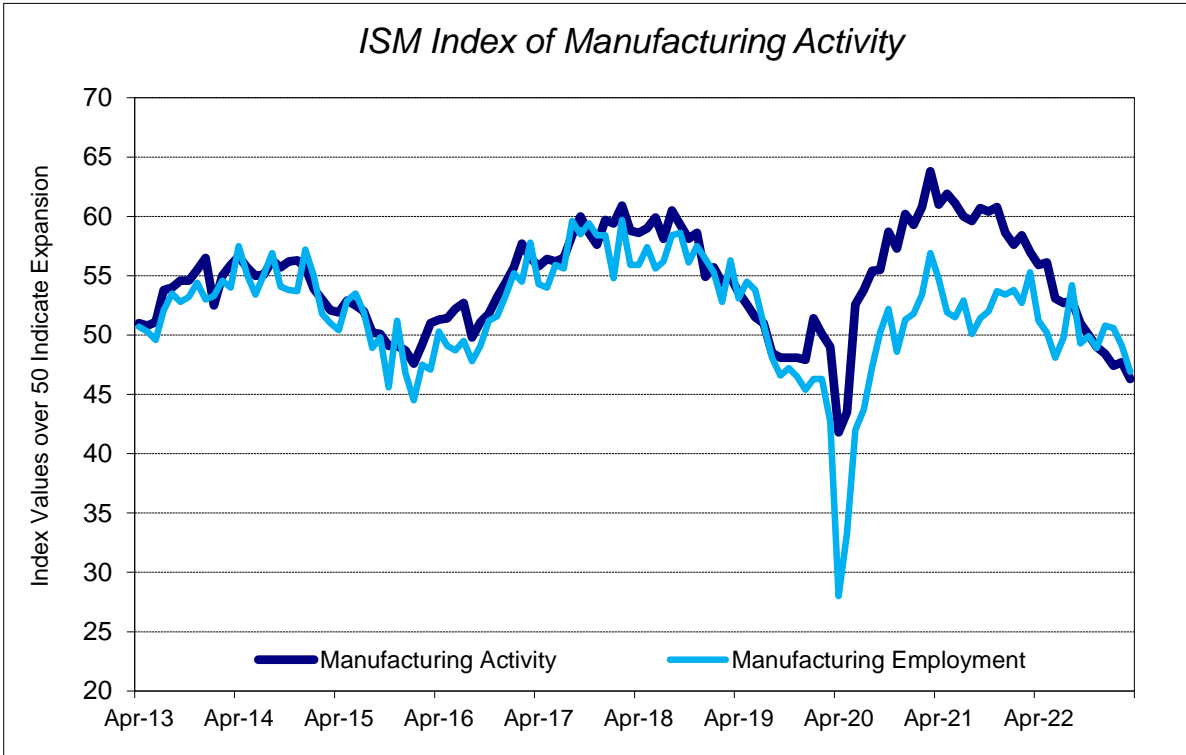
Seasonally Adjusted Annual Rate; Source: Department of Commerce  
 \*Based on chained 2005\$.



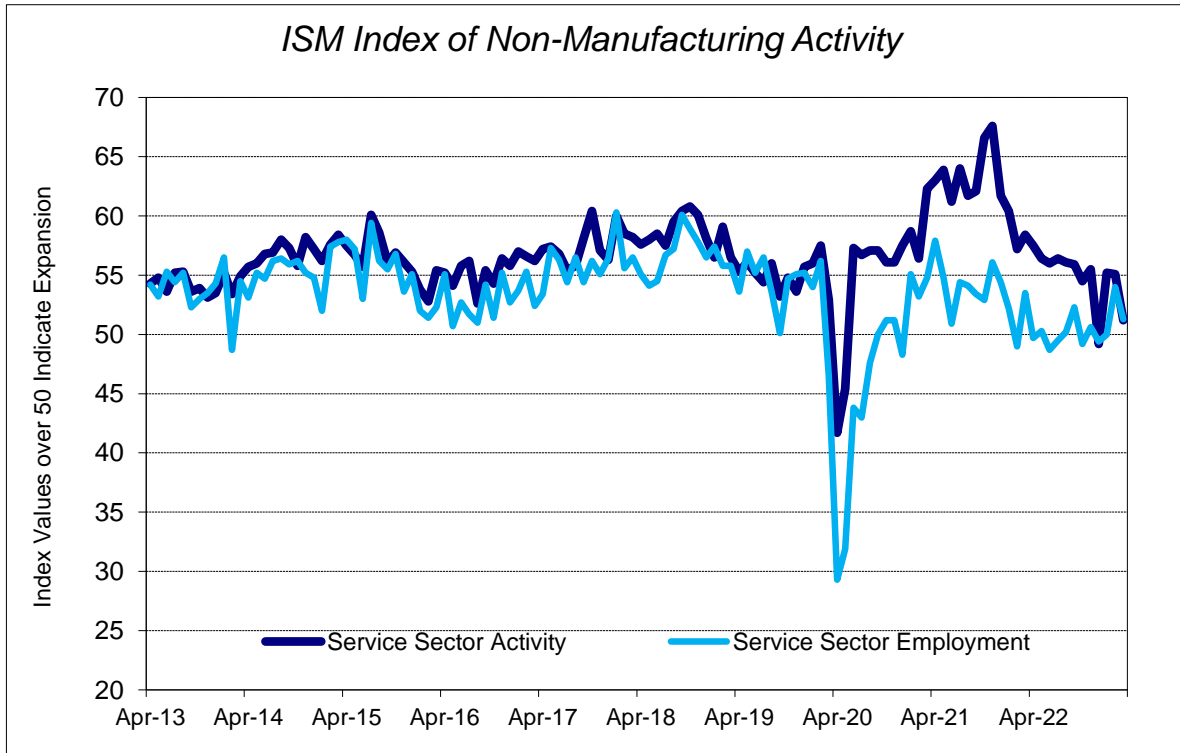
Source: Federal Reserve

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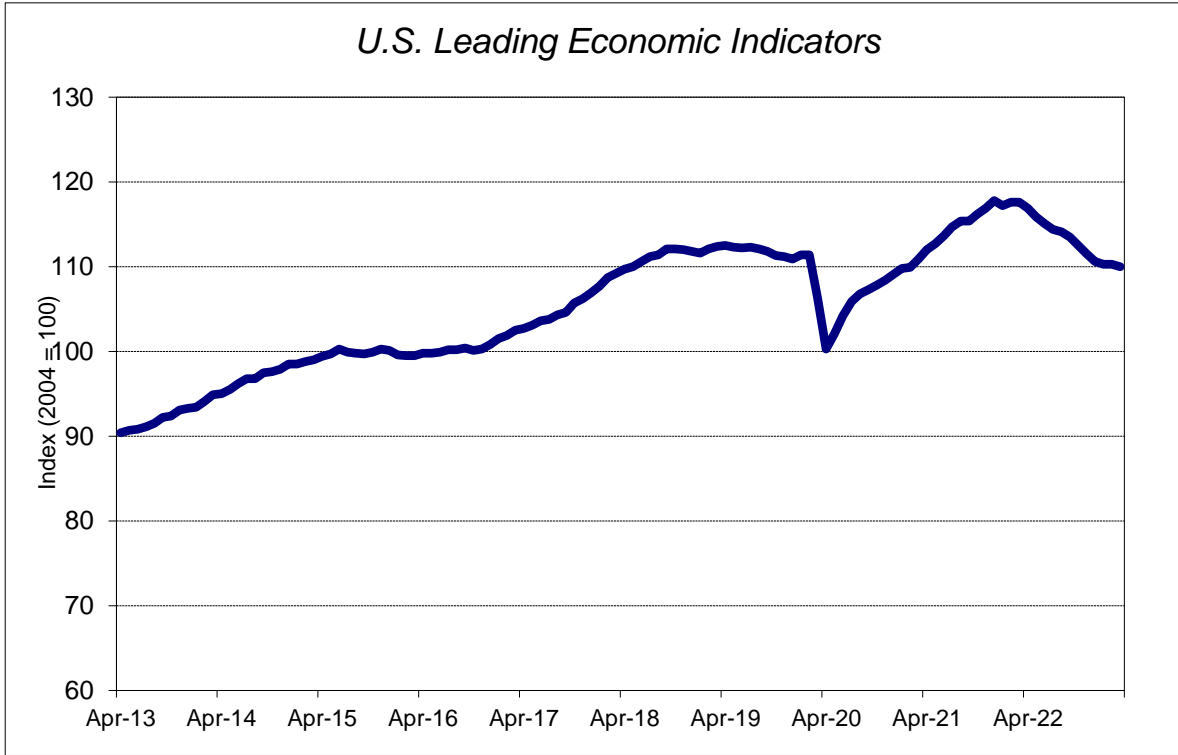
Source: Institute for Supply Chain Management



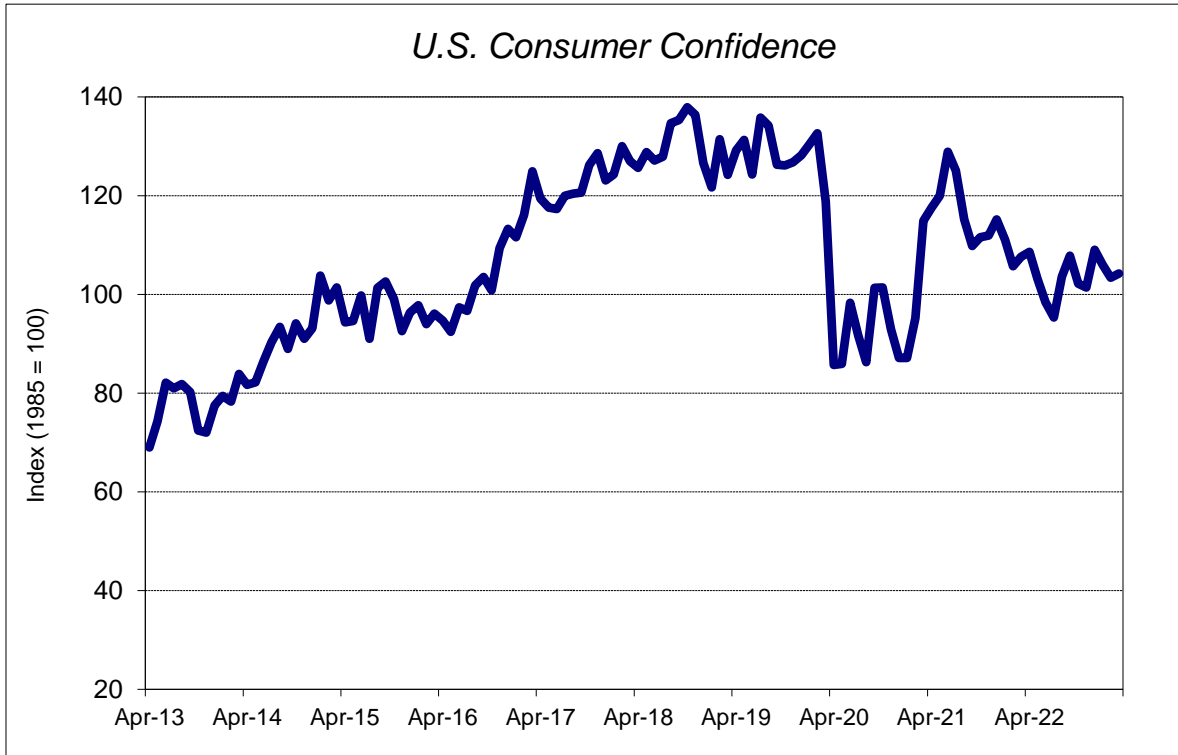
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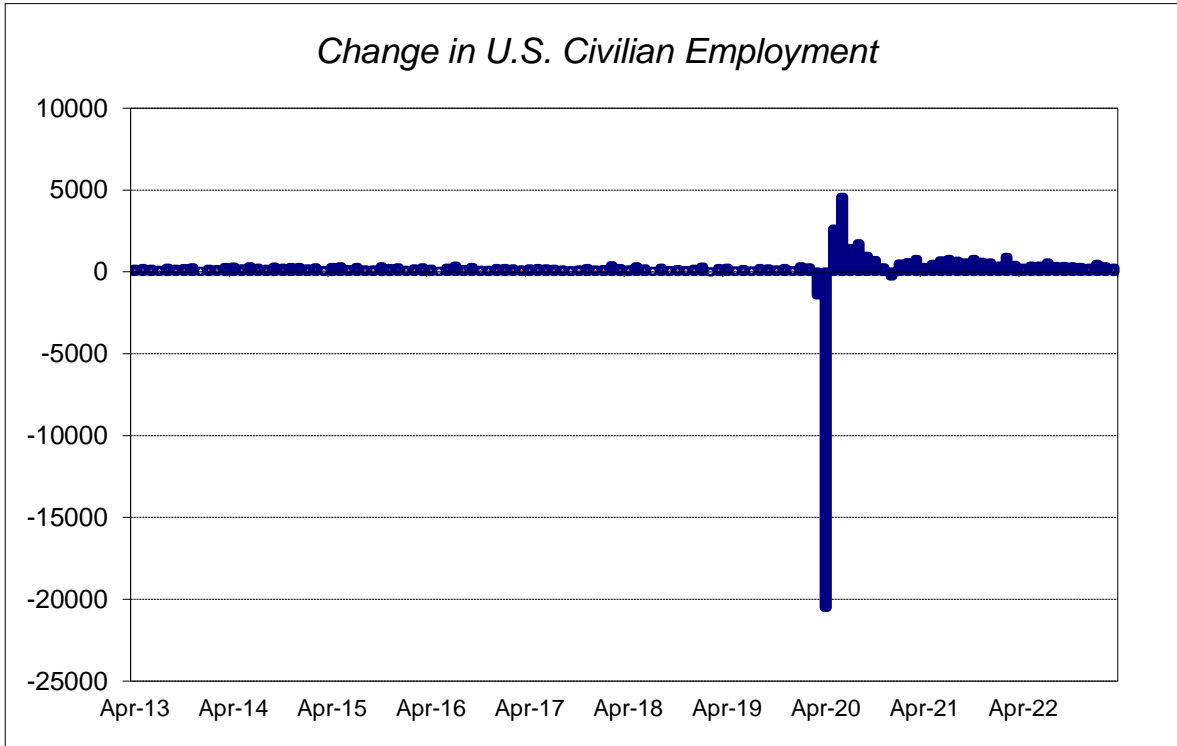
Source: The Conference Board



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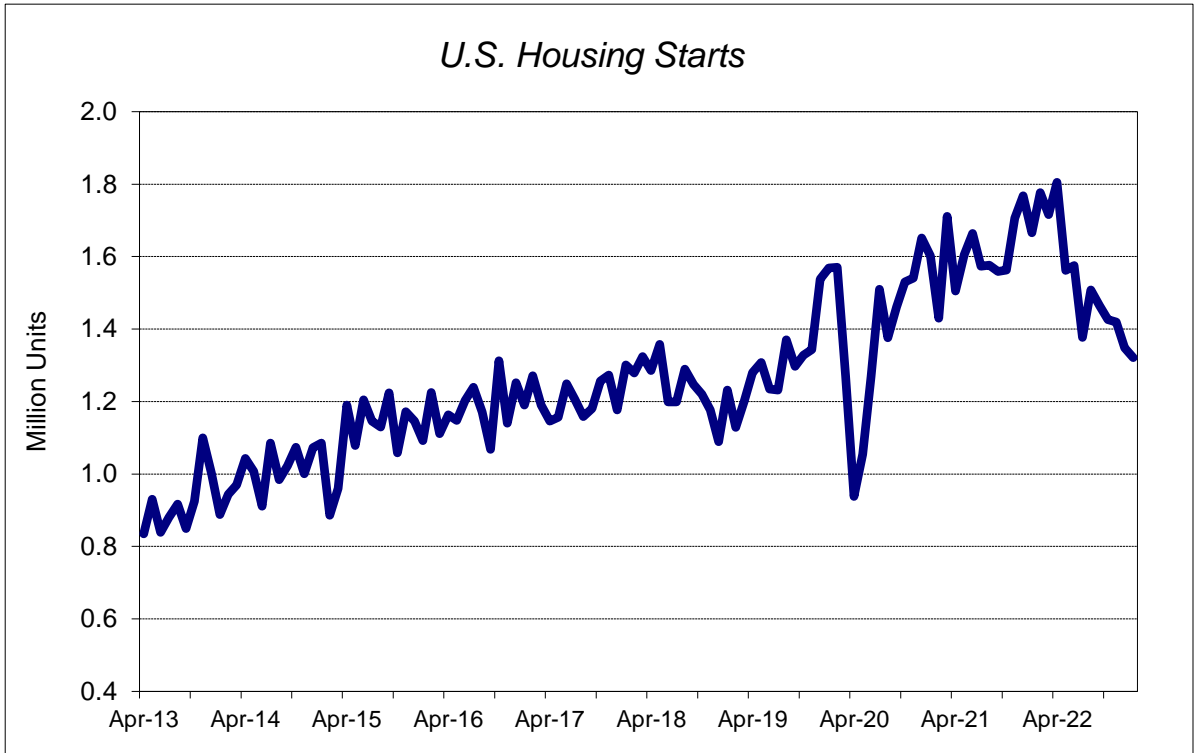
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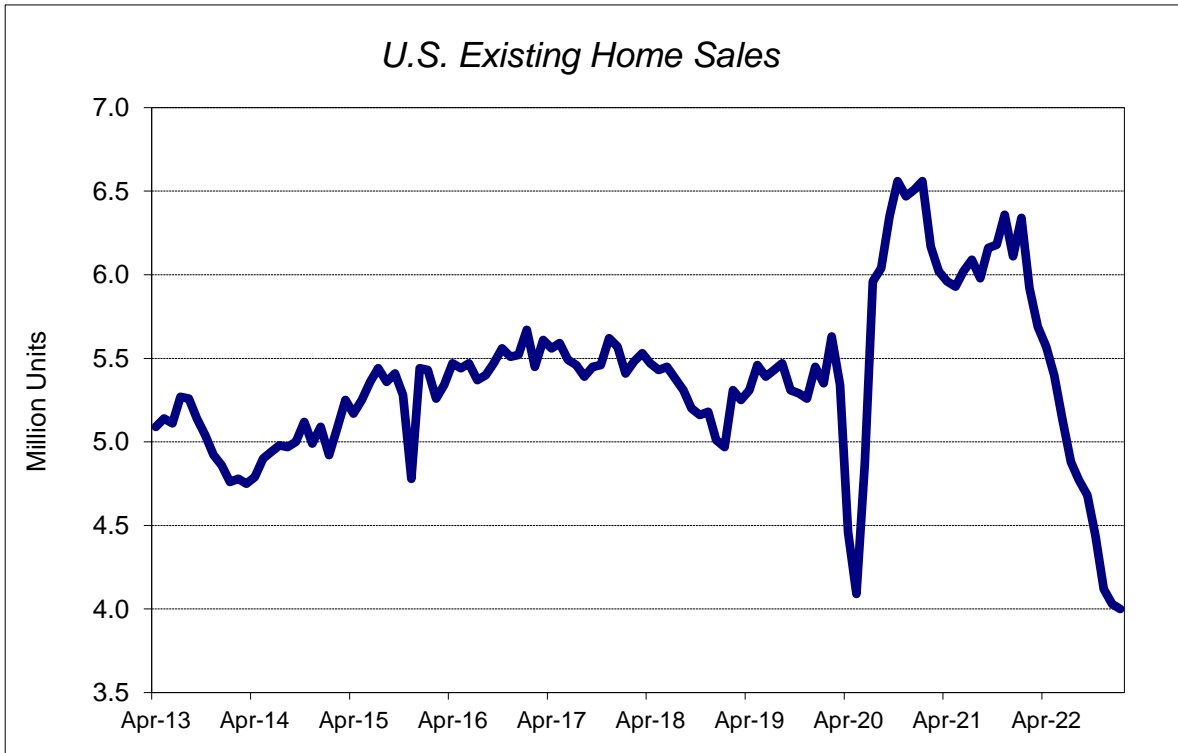
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Seasonally Adjusted Annual Rate; Source: Department of Commerce

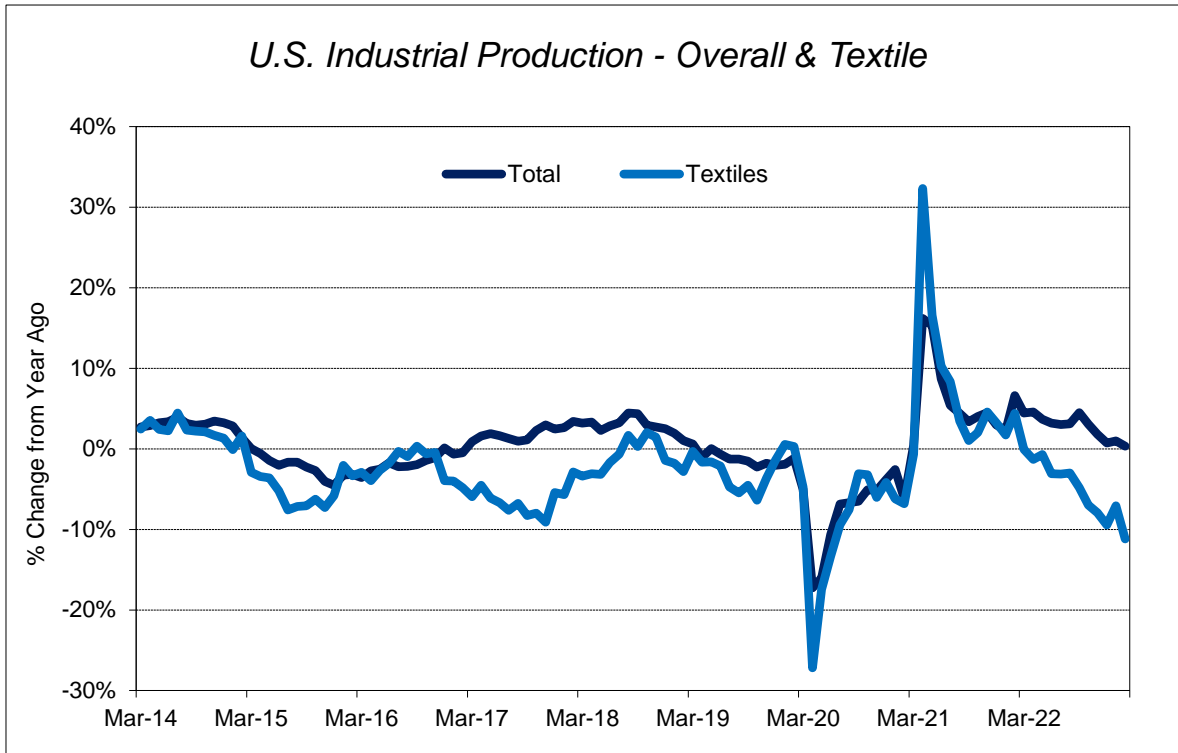


Seasonally Adjusted Annual Rate; Source: National Association of Realtors

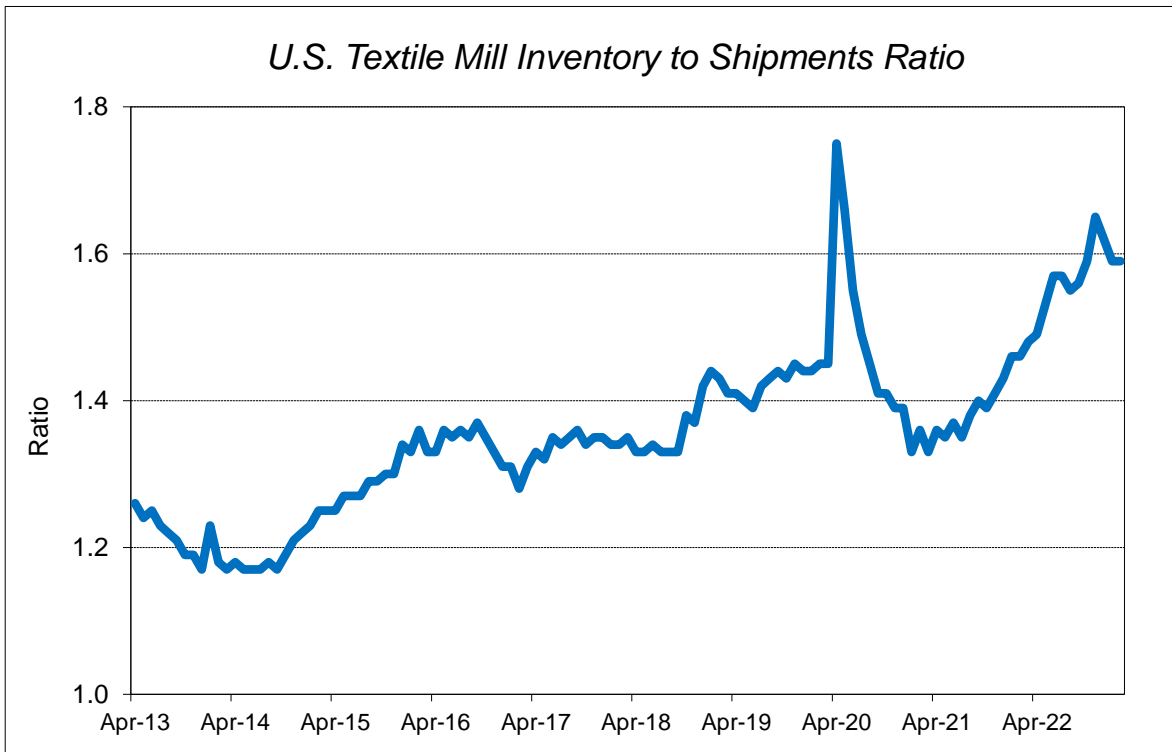
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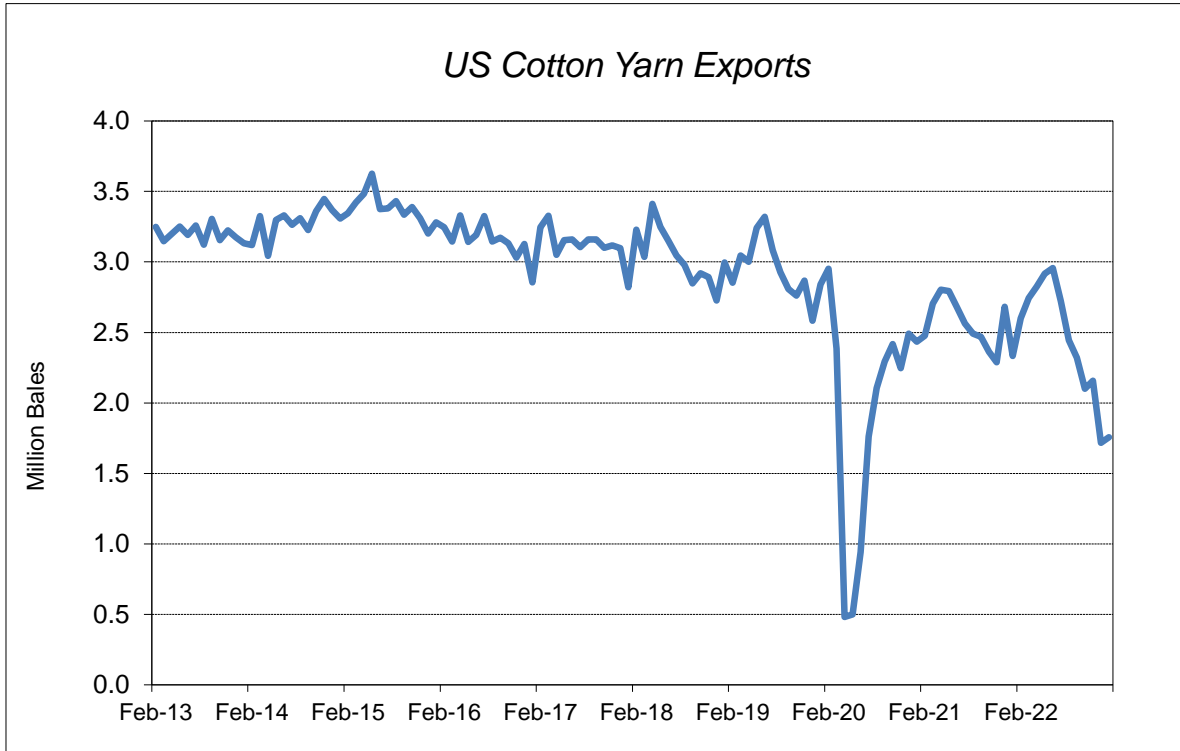
Source: Federal Reserve. Historical data revised to 1997 baseline.



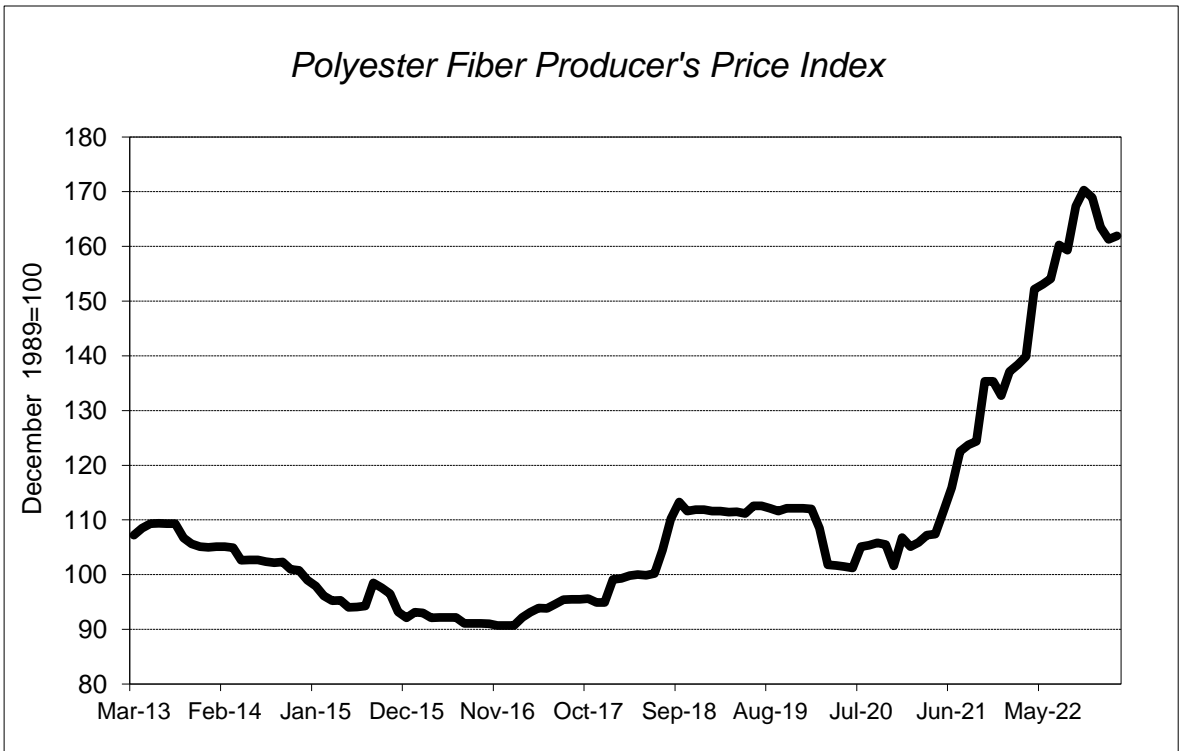
Seasonally Adjusted; Source: Department of Commerce

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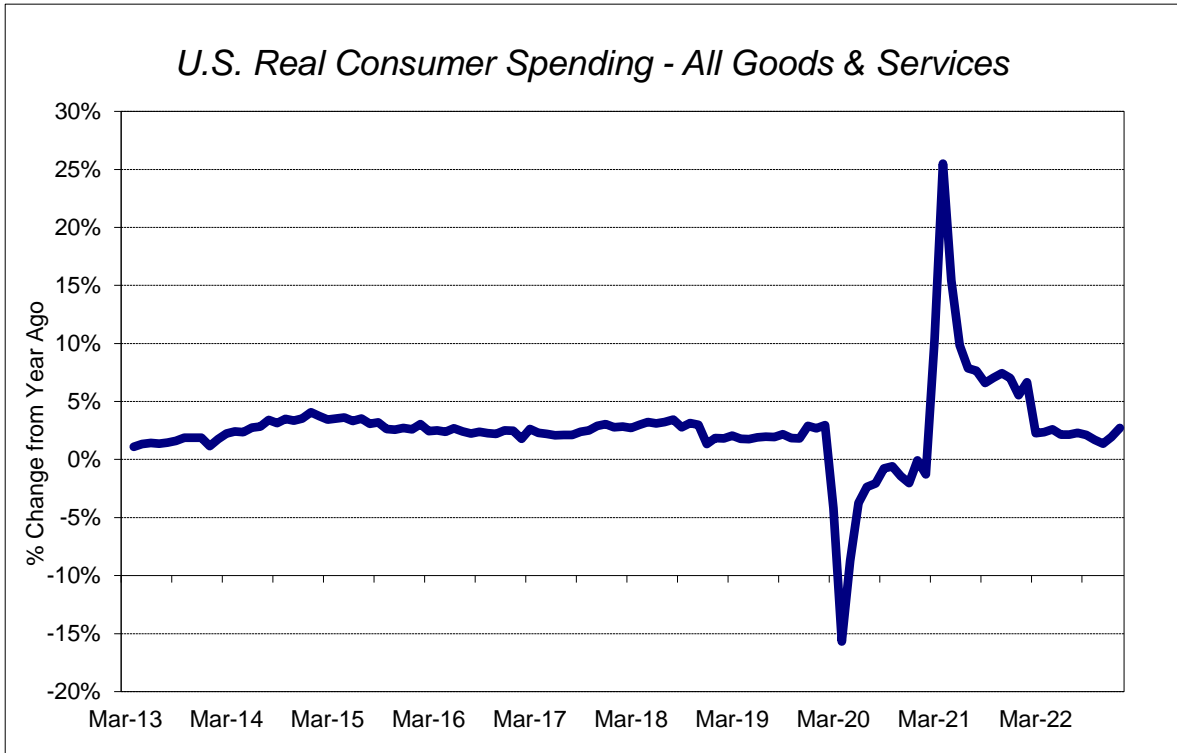
Seasonally Adjusted Annual Rate  
 Source: USDA ERS



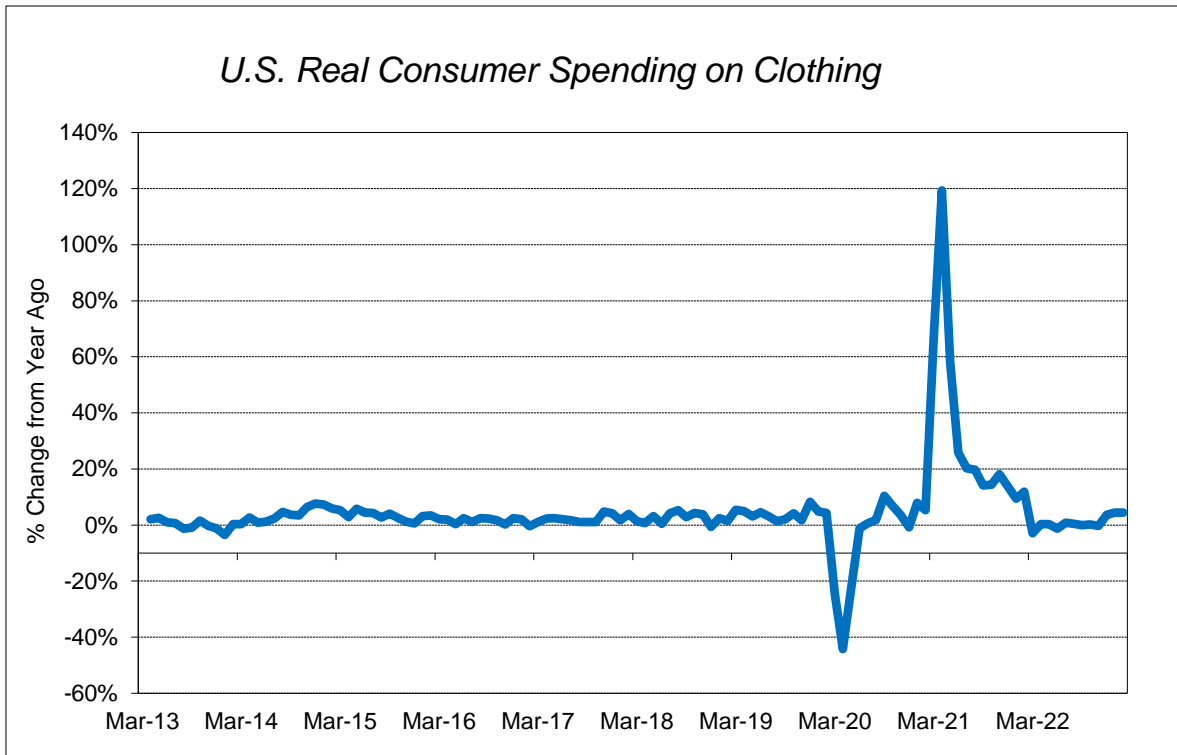
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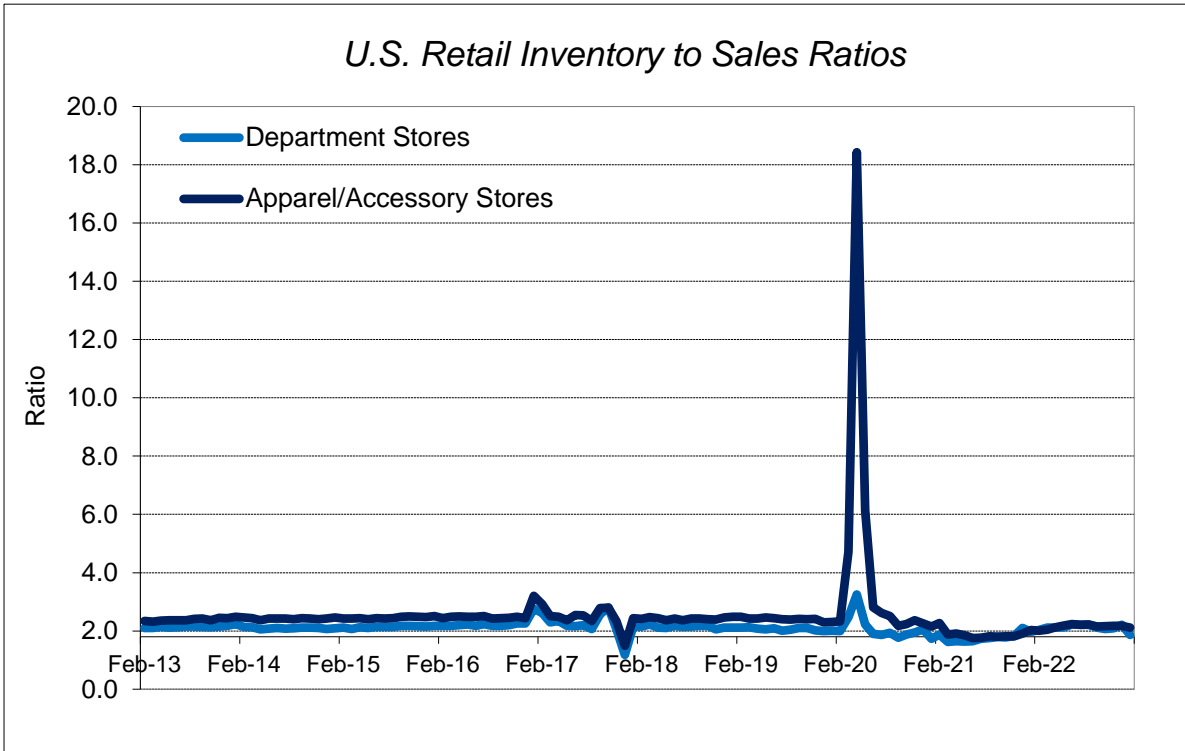
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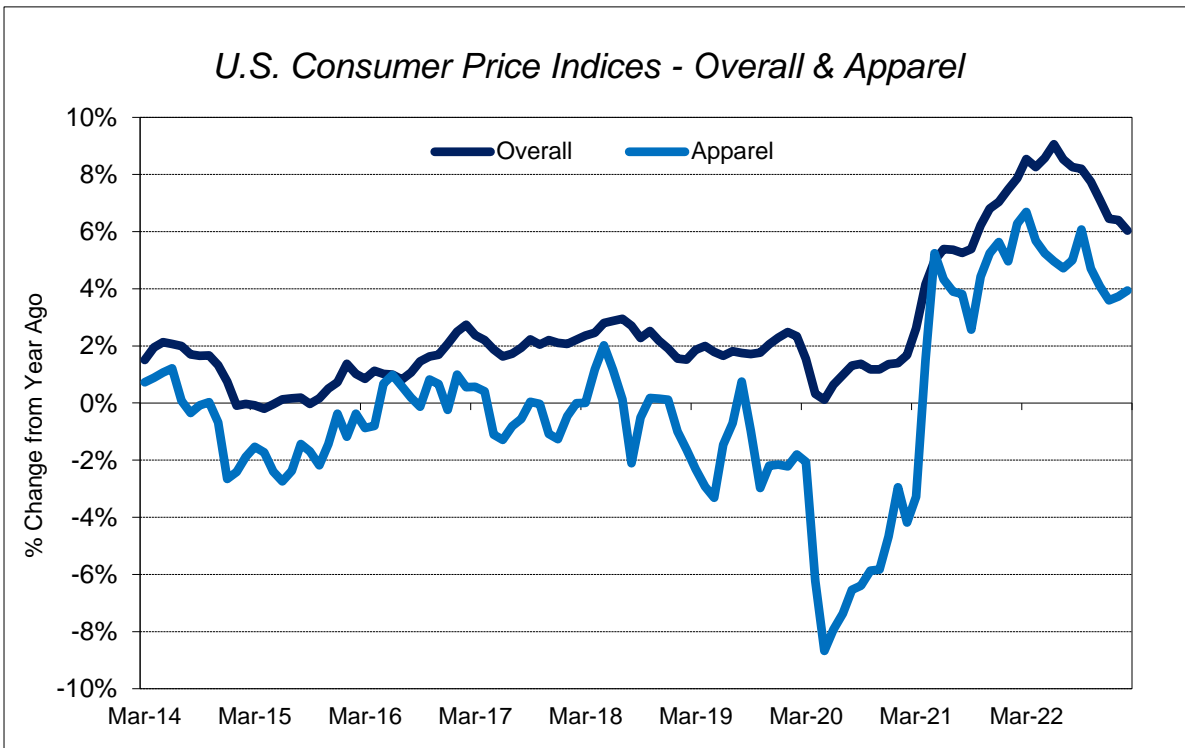
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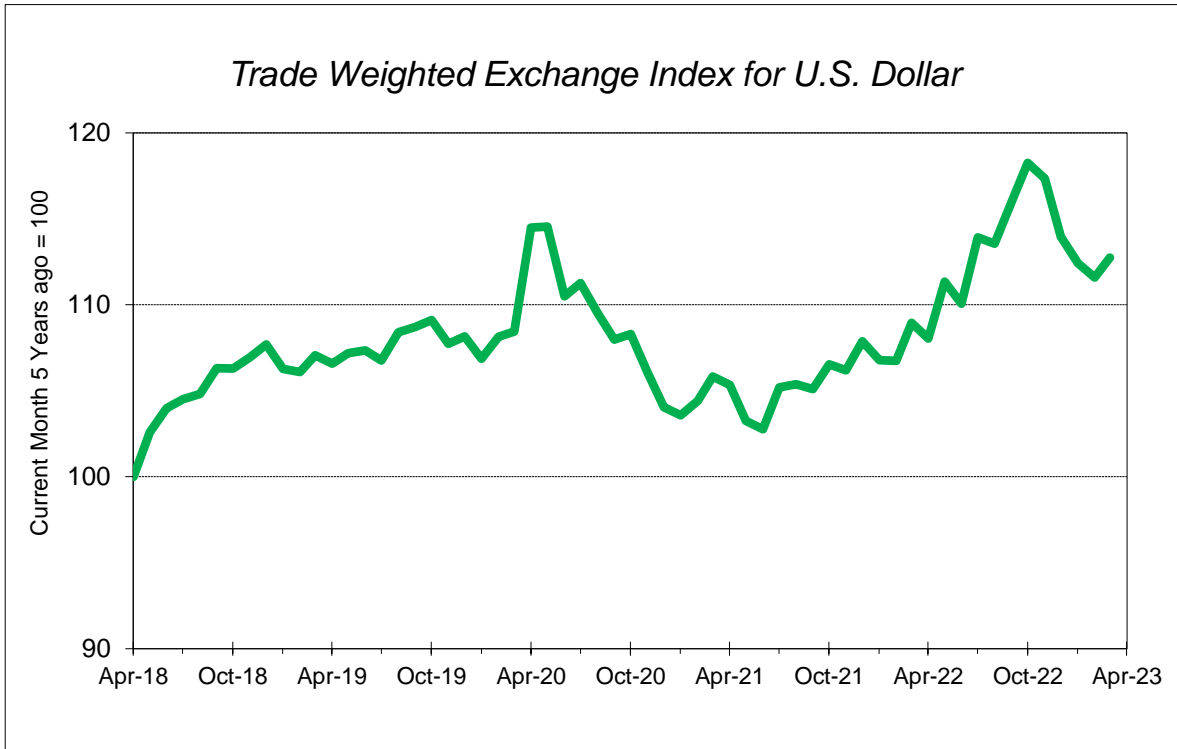
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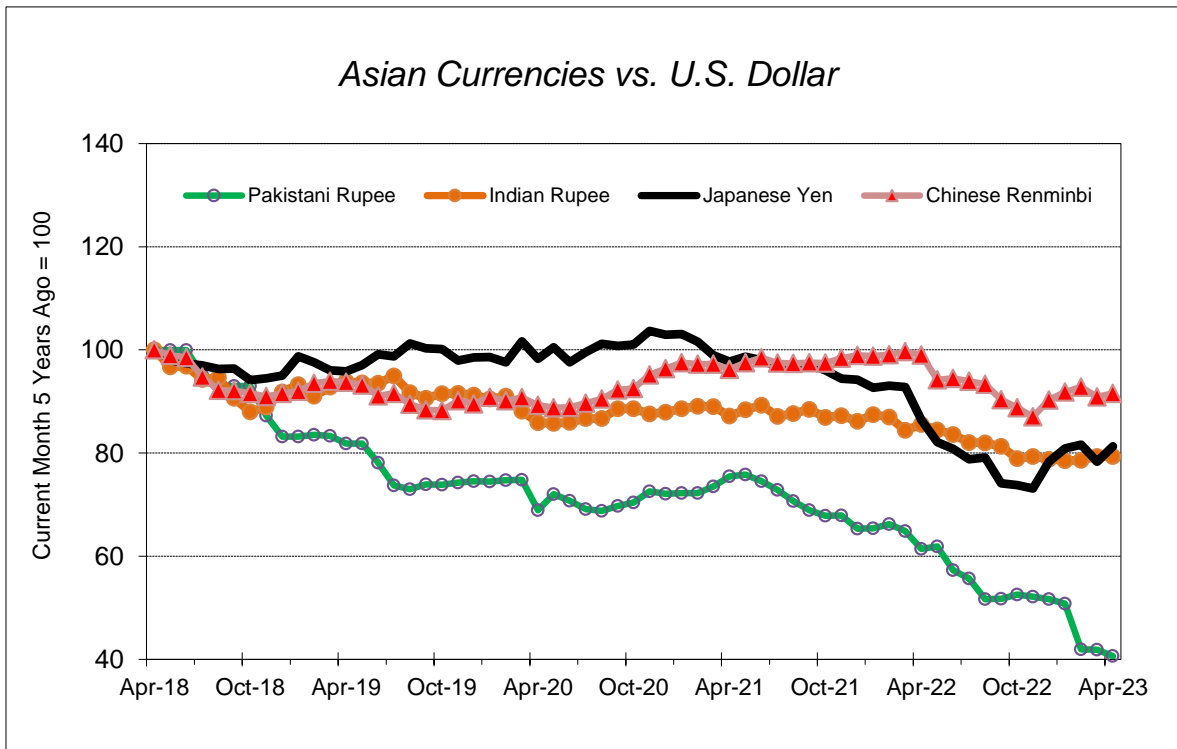
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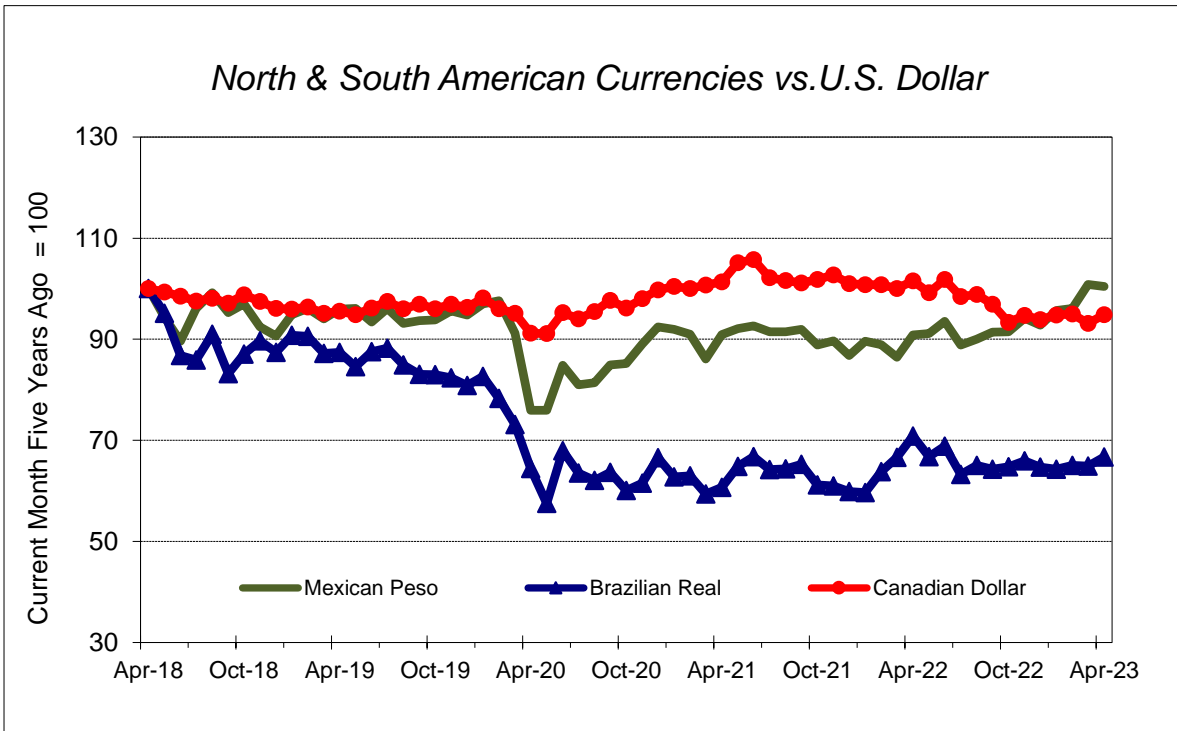
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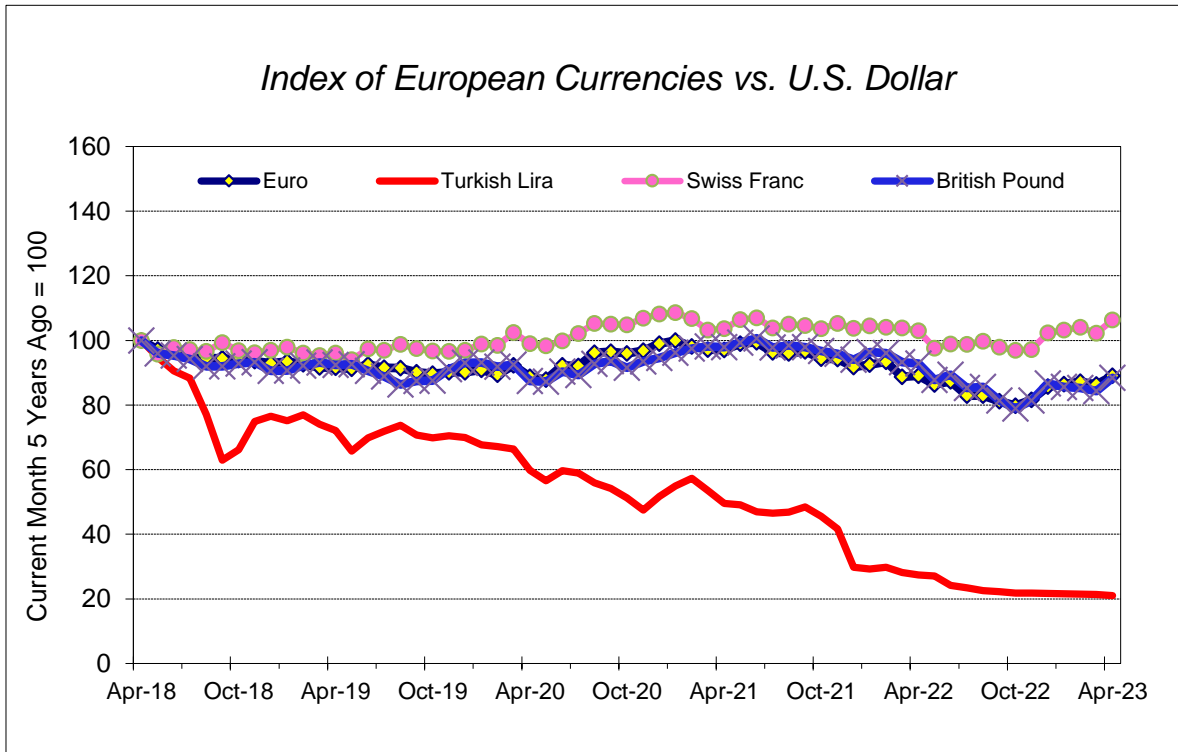
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Source: Reuters



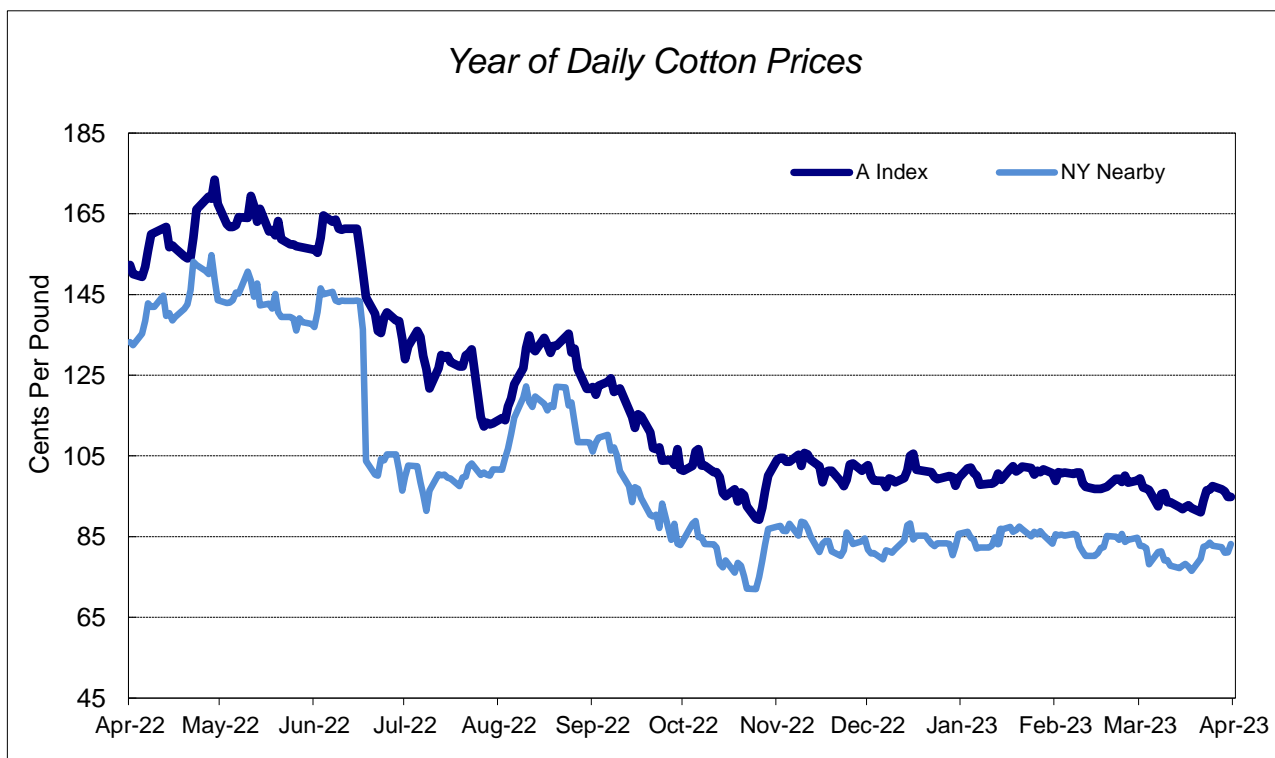
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## U.S. Balance Sheet

million 480 lb. bales	2018/19	2019/20	2020/21	2021/22	2022/23 February	2022/23 March
Beginning Stocks	4.2	4.9	7.3	3.2	3.8	3.8
Production	18.4	19.9	14.6	17.5	14.7	14.7
Imports	0.0	0.0	0.0	0.0	0.0	0.0
Supply	22.6	24.8	21.9	20.7	18.4	18.4
Mill-Use	3.0	2.2	2.4	2.6	2.1	2.1
Exports	14.8	15.5	16.4	14.6	12.0	12.0
Demand	17.8	17.7	18.8	17.2	14.1	14.1
Ending Stocks	4.9	7.3	3.2	3.8	4.3	4.3
Stocks/Use Ratio	27.2%	41.0%	16.8%	21.8%	30.5%	30.5%



Sources: ICE Futures U.S. & Cotton Outlook

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