

Executive Cotton Update

U.S. Macroeconomic Indicators &
the Cotton Supply Chain



November 2023

www.cottoninc.com

Macroeconomic Overview: Mixed signals surfaced for the U.S. economy over the past month. After a surprisingly strong GDP figure (+4.9% in the third quarter) came a weaker number for job growth (+150,000 in October, which was about half the value of +297,000 posted for September). The slowdown in hiring last month was affected by the strike by autoworkers. The strike appears to be near a conclusion, and it might be a distortive factor for employment numbers again whenever strikers return to work.

The precedent for a U.S. recession to follow interest rate increases is strong, with the U.S. consistently dipping into recession after cycles of rate increases in recent decades. A commonly cited reason why the economy has been able to hold off a contraction is that the labor market has been robust. In modern U.S. history, it has been rare that the unemployment rate has been able to hold onto levels below four percent, but unemployment has not been higher than four percent since the fourth quarter of 2021.

There may be several reasons why the labor market has held up so well. These include demographics (the large baby boomer generation has been retiring, and replacements have been needed) and the stimulus unleashed during COVID. Estimates regarding the amount that consumers may still have in savings vary, but whatever the level is, it has been supplemented by wage growth. With the collapse in inflation, the year-over-year rate of change in income has exceeded the year-over-year rate of change in the cost of living since May.

Both savings and income likely contributed to the growth of consumer spending since the pandemic and the 4.0% quarter-over-quarter increase in expenditures in the fourth quarter. Spending growth in the fourth quarter was the highest rate since the fourth quarter of 2022, when stimulus was fresh. Consumer spending represents more than half of GDP, and a recent uptick in outlays drove the latest GDP number. Nonetheless, there are still fears that a slowdown in consumer demand may be looming due to the steep rise in interest rates over the past year and a half.

Forecasts for the important holiday sales period suggest slower growth in spending than in recent years. The National Retail Federation (NRF) recently published a projection indicating growth of 3-4%. The rate is lower than any other year since the pandemic (+9.1% in 2020, +12.7% in 2021, +5.4% in 2022), but it is in line with the average experienced between the financial crisis and the onset of COVID.

Employment: The U.S. economy is estimated to have added +150,000 new jobs in October. Revisions to numbers for previous months were negative (August -62,000 to +165,000 and September -39,000 to +297,000). The current twelve-month average is +258,000.

The unemployment rate increased slightly, from 3.8 to 3.9%, but remains at a historically low level.

Wage growth continues to slow. The peak post-stimulus was 5.9% year-over-year in March 2022, and the year-over-year increase in October was 4.1%.

Consumer Confidence & Spending: The Conference Board's Index of Consumer Confidence decreased for the third consecutive month. In October, the value dropped 1.7 points, from 104.3 to 102.6. It remains in the range between 102 and 115, which has held values since August 2022. The index was virtually unchanged year-over-year in October (it was 102.2 in October 2022).

Overall consumer spending was +0.4% higher month-over-month in September. Year-over-year, overall spending was +2.4% higher. Spending on garments was up +0.9% month-over-month but was down -0.6% year-over-year. September marked the seventh straight month that apparel spending was lower year-over-year. Overall spending has been higher year-over-year for more than thirty consecutive months.

Consumer Prices & Import Data: Retail prices for apparel decreased month-over-month for the second consecutive month in September. The decrease in August was small (-0.04%), but the change in September was meaningful (-1.1%). Year-over-year, the CPI for apparel was +2.7% higher, which was the lowest annual rate of increase in two years. Price levels remain above the values before the pandemic, and excluding the figure from the past three months, current values are the highest since 2013.

Average import prices for cotton-dominant apparel increased slightly month-over-month in September (+\$0.05 per square meter equivalent or SME). The latest value is -12.4% lower than the peak set in November 2022 but is +9.6% higher than the average in 2019.

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	Polyester PPI	Europe	

Executive Cotton Update

U.S. Macroeconomic Indicators & Cotton Prices

November 2023



Macroeconomic Data

Quarterly Data

	Recent Averages				Values in Recent Quarters			Unit	Source
	5-year	1-year	6-month	3-month	Q1 : 2023	Q2 : 2023	Q3 : 2023		
Growth in US Real GDP	2.5%	5.6%	2.2%	2.1%	2.2%	2.1%	4.9%	% Chg. Quarter/Quarter	Department of Commerce

Macroeconomic 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		
ISM Index of Manufacturing Activity	53.3	47.4	47.1	47.8	47.6	49.0	46.7	Index	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	56.5	52.9	52.8	53.3	54.5	53.6	51.8	Index	Institute for Supply Management
Consumer Confidence	111.3	105.8	107.0	105.2	108.7	104.3	102.6	Index	The Conference Board
Change in Non-Farm Payrolls	123.3	243.1	205.7	204.0	165	297	150	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	4.9%	3.6%	3.7%	3.8%	3.8%	3.8%	3.9%	Rate	Bureau of Labor Statistics
US Interest Rates									
Federal Funds	1.8%	4.8%	5.2%	5.3%	5.3%	5.3%	5.3%	Interest rate	Federal Reserve
10-year Treasury Bill	2.2%	3.9%	4.1%	4.5%	4.2%	4.4%	4.8%	Interest rate	Federal Reserve

Macroeconomic Series with Latest Data for September

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	July	August	September		
Index of Leading Economic Indicators	111.0	107.6	105.6	105.1	105.3	105.3	104.6	Index	The Conference Board
Housing Starts	1.4	1.4	1.4	1.4	1.5	1.3	1.4	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.3	4.2	4.1	4.0	4.1	4.0	4.0	Annual pace, millions of units	National Association of Realtors

Industrial & Textile Data

Industrial & Textile Series with Latest Data for September

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	July	August	September		
US Industrial Production	100.5	102.9	103.1	103.4	102.3	103.3	103.6	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	126.6	155.9	149.9	149.7	149.4	149.6	150.2	Index, December 2003=100	Bureau of Labor Statistics

Industrial & Textile Series with Latest Data for August

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	June	July	August		
Bale Equivalence of US Cotton Yarn & Fabric Exports	3.2	#N/A	#N/A	#N/A	2.3	2.3	#N/A	million 480lb bales	USDA ERS

Industrial & Textile Series with Latest Data for September

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	July	August	September		
US Textile Mill Inventory/Shipments Ratio	1.52	1.70	1.71	1.70	1.70	1.71	1.68	Ratio	Department of Commerce

Retail Data

Retail Series with Latest Data for September

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	July	August	September		
US Real Consumer Spending									
All Goods and Services	2.6%	1.9%	2.1%	2.4%	2.6%	2.3%	2.4%	% Chg. Year/Year	Department of Commerce
Clothing	5.8%	0.0%	-1.1%	-0.5%	-0.2%	-0.6%	-0.7%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	3.9%	5.1%	3.7%	3.5%	3.2%	3.7%	3.7%	% Chg Year/Year	Bureau of Labor Statistics
Clothing	0.6%	4.0%	4.0%	3.7%	4.5%	3.9%	2.7%	% Chg. Year/Year	Bureau of Labor Statistics

Retail Series with Latest Data for August

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	June	July	August		
Retail Inventory/Sales Ratio									
Clothing and Clothing Accessory Stores	2.6	2.3	2.4	2.4	2.4	2.4	2.4	Ratio	Department of Commerce
Department Stores	2.0	2.0	2.0	2.1	2.1	2.0	2.0	Ratio	Department of Commerce

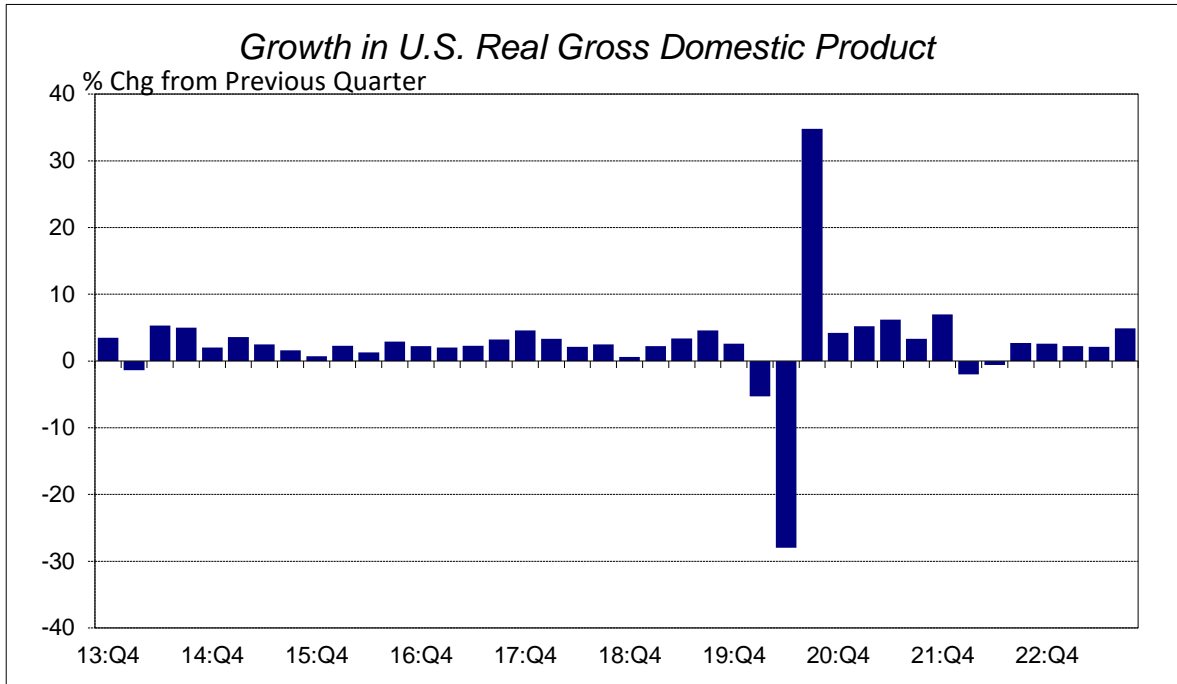
Executive Cotton Update

Daily Cotton Price and Currency Data
November 2023

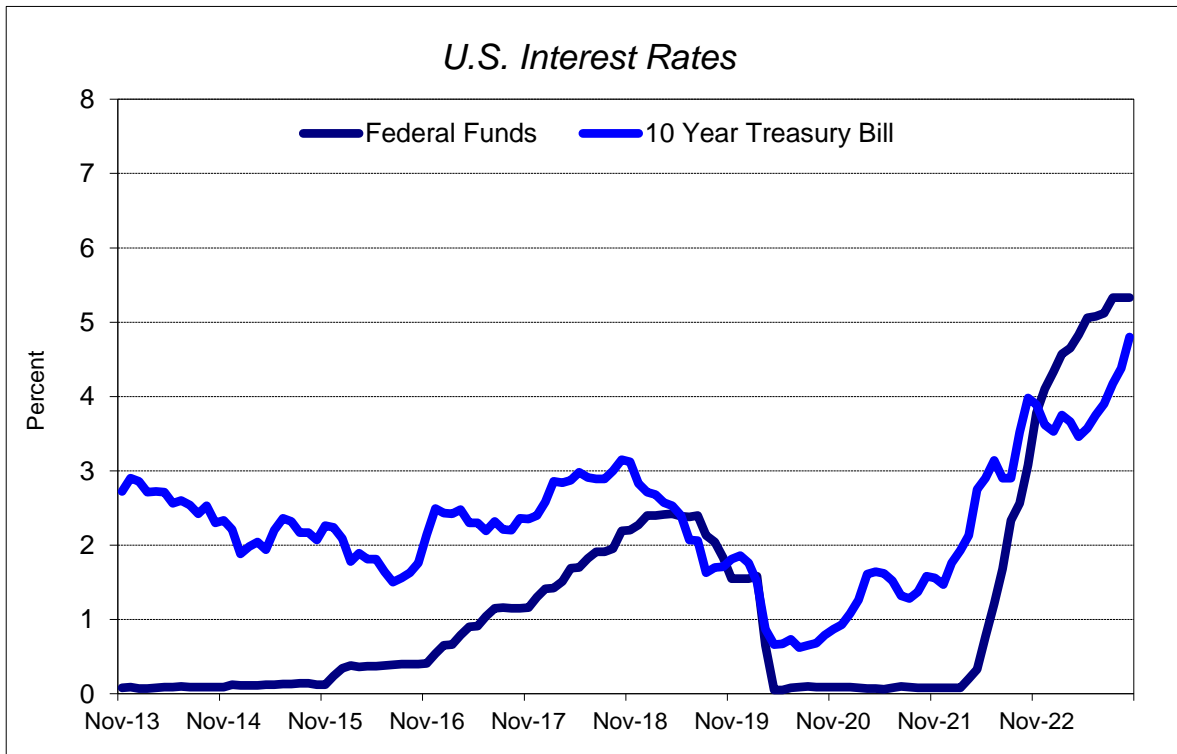


Daily Cotton Price Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	August	September	October		
NY Nearby	84.0	83.7	84.4	85.8	86.3	86.6	84.9	cents/pound	ICE
A Index	94.6	96.7	94.8	96.4	95.9	97.9	95.6	cents/pound	Cotlook

Daily Currency Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	August	September	October		
Dollar Trade Weighted Exchange Index	117.5	117.9	120.8	121.8	119.3	122.4	123.8	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.80	6.71	7.18	7.27	7.18	7.31	7.30	Chinese Renminbi/US dollar	Reuters
Indian Rupee	75.48	77.79	82.69	83.08	82.83	83.15	83.25	Indian Rupee/US dollar	Reuters
Japanese Yen	118.21	124.62	142.97	146.27	141.82	147.63	149.37	Japanese Yen/US dollar	Reuters
Pakistani Rupee	185.68	207.45	287.08	291.72	285.25	307.43	282.48	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	4.88	5.22	4.97	5.00	4.85	4.97	5.19	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.31	1.30	1.35	1.36	1.34	1.37	1.37	Canadian dollar/US dollar	Reuters
Mexican Peso	19.92	19.63	17.57	17.65	17.04	17.58	18.33	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.78	0.78	0.80	0.80	0.78	0.80	0.82	British Pound/US dollar	Reuters
Euro	0.90	0.90	0.93	0.93	0.91	0.93	0.95	Euro/US dollar	Reuters
Swiss Franc	0.95	0.93	0.90	0.89	0.87	0.89	0.91	Swiss Franc/US dollar	Reuters
Turkish Lira	11.48	15.07	24.75	27.14	26.98	26.82	27.62	Turkish Lira/US dollar	Reuters



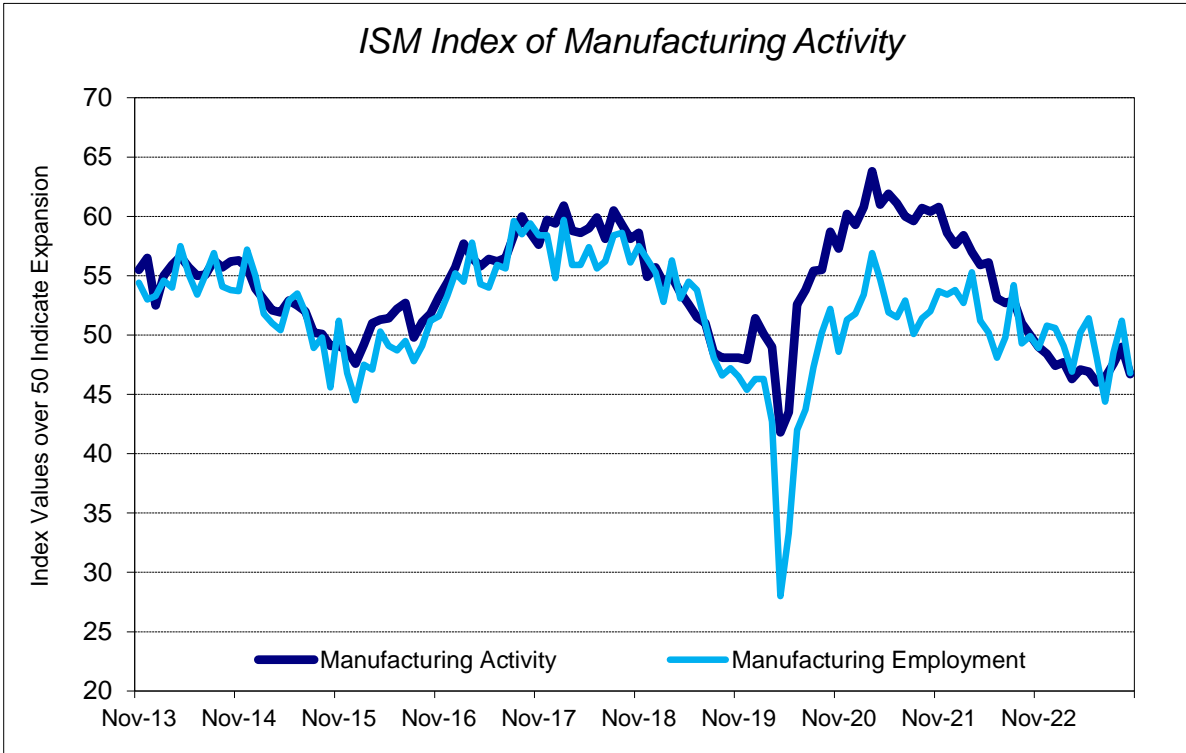
Seasonally Adjusted Annual Rate; Source: Department of Commerce
 *Based on chained 2005\$.



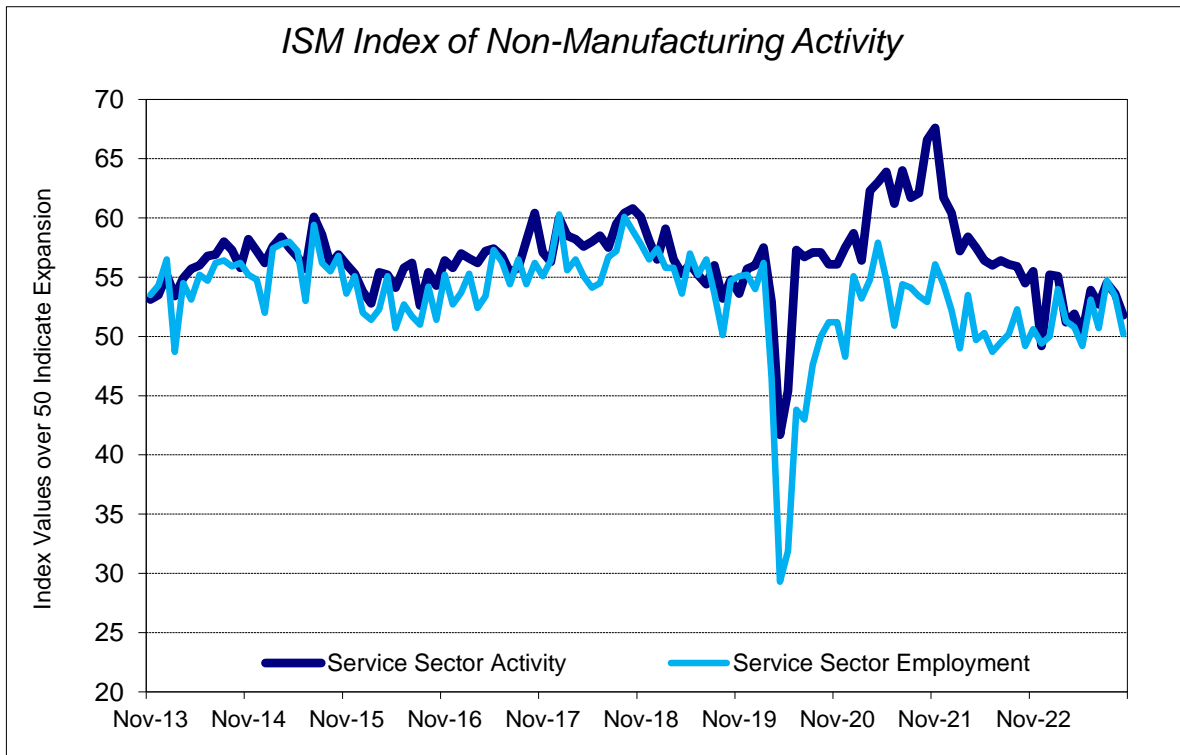
Source: Federal Reserve

[return to text](#)





Source: Institute for Supply Chain Management



Source: Institute for Supply Chain Management

[return to text](#)





Source: The Conference Board



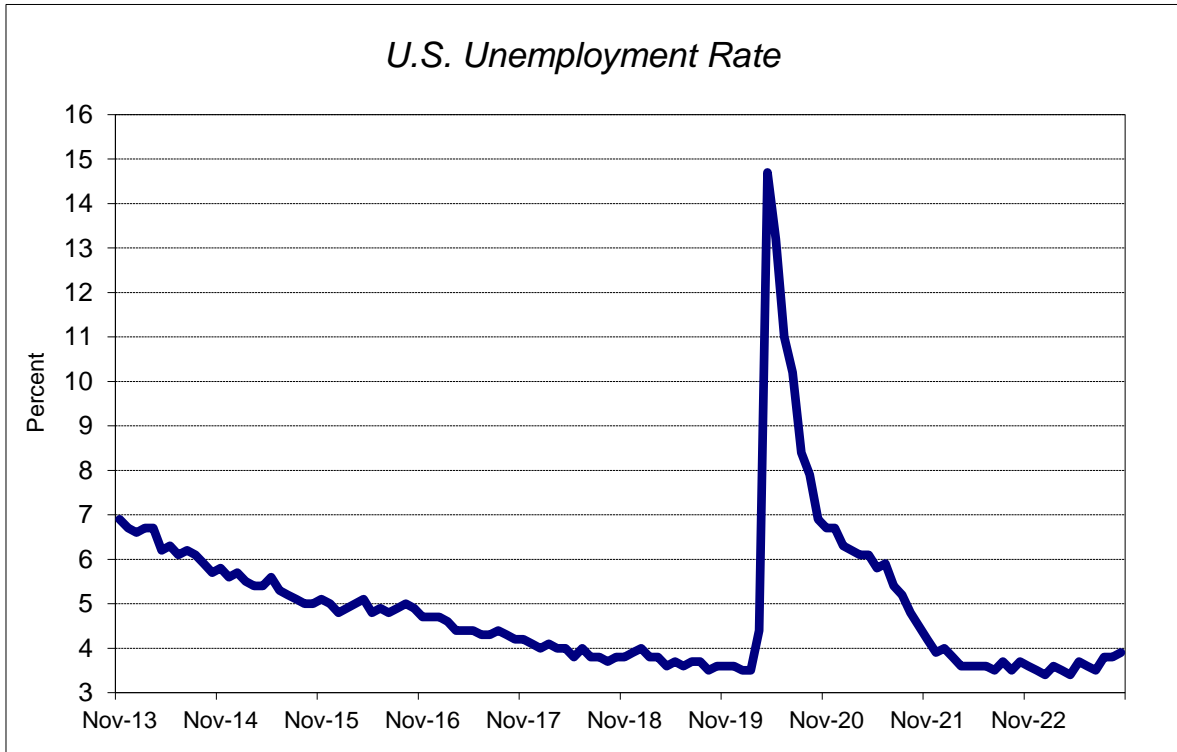
Source: The Conference Board

[return to text](#)





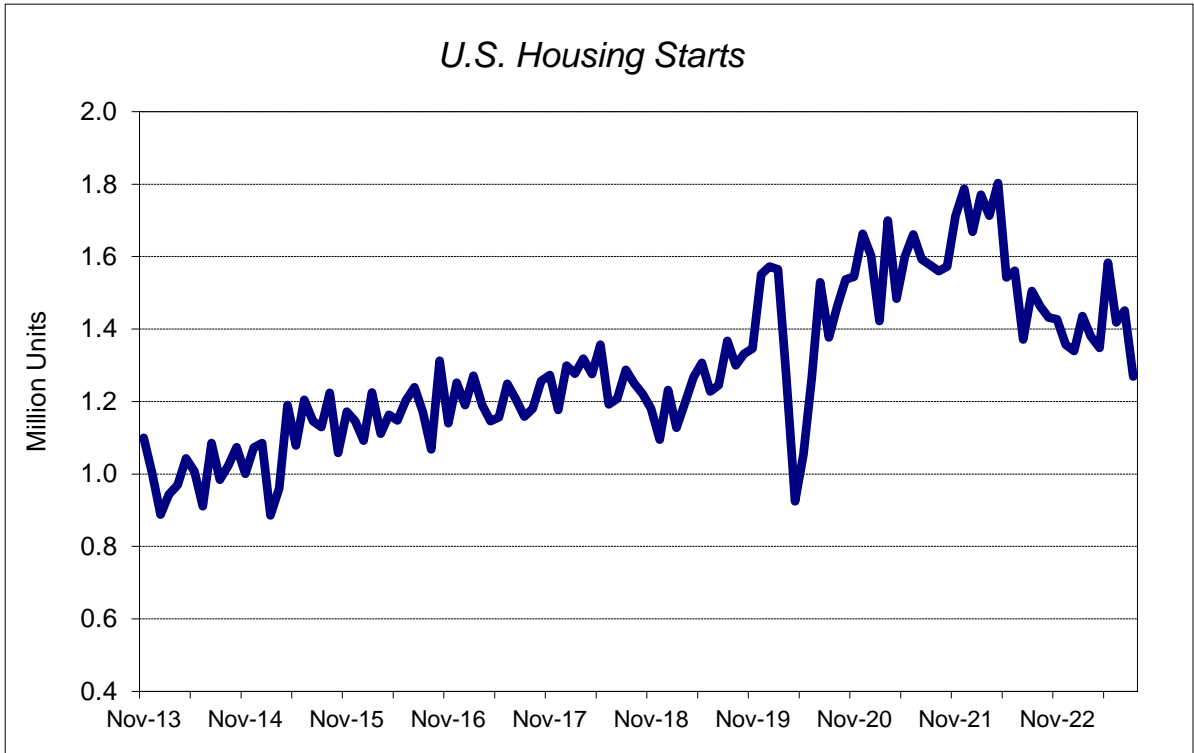
Source: Bureau of Labor Statistics



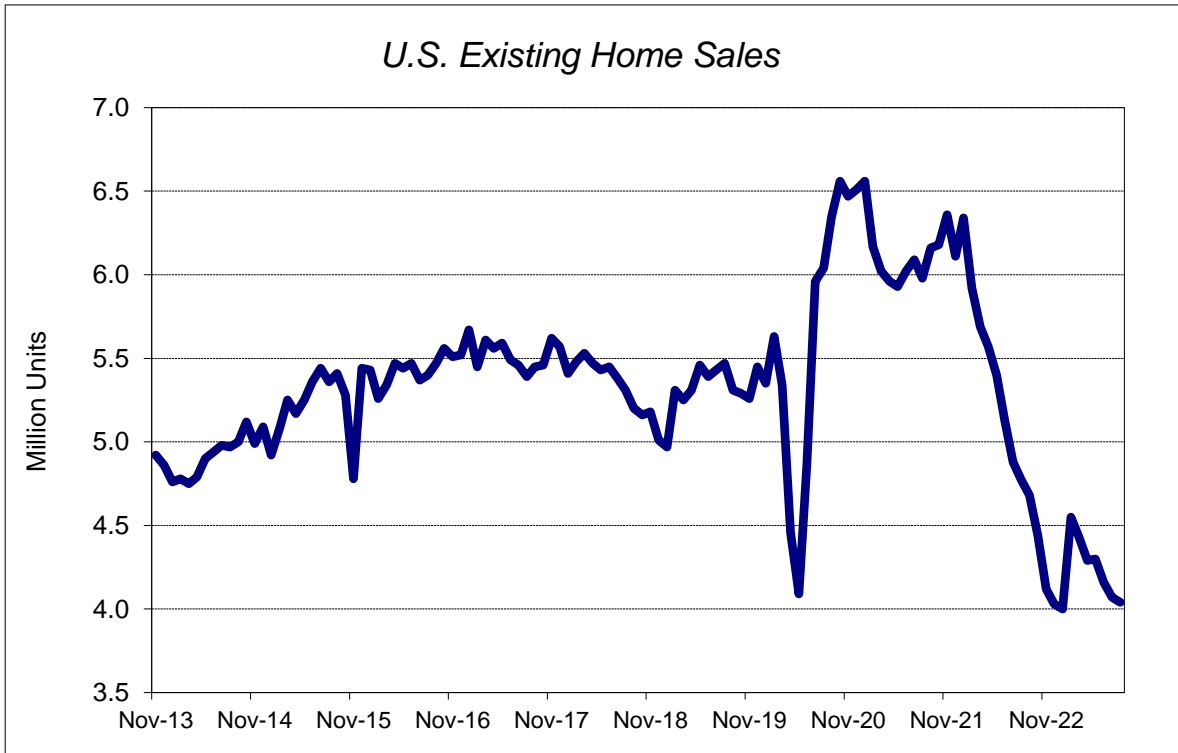
Source: Bureau of Labor Statistics

[return to text](#)





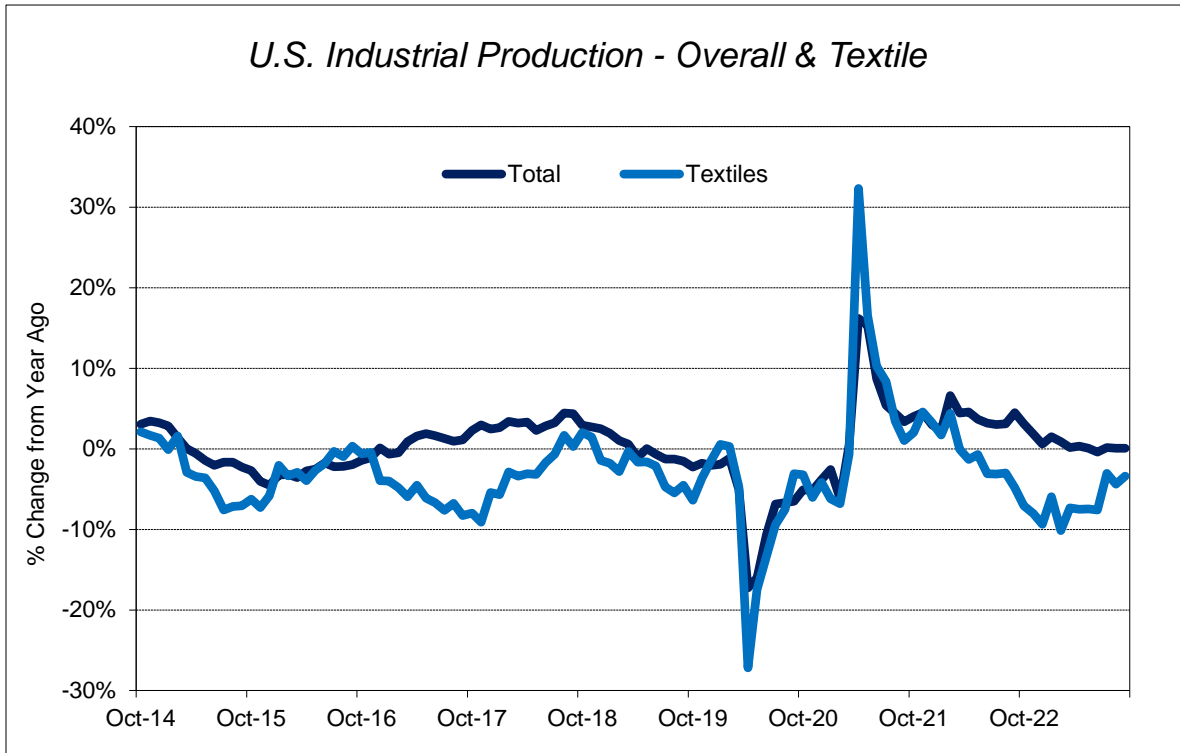
Seasonally Adjusted Annual Rate; Source: Department of Commerce



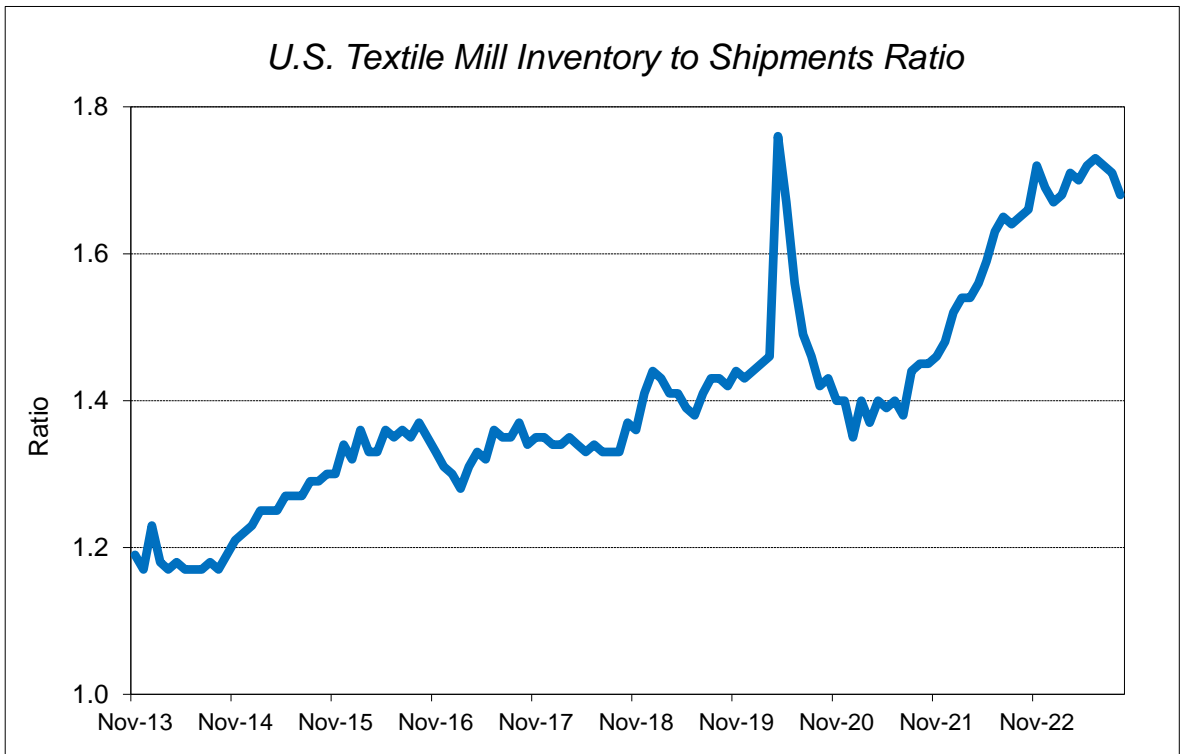
Seasonally Adjusted Annual Rate; Source: National Association of Realtors

[return to text](#)





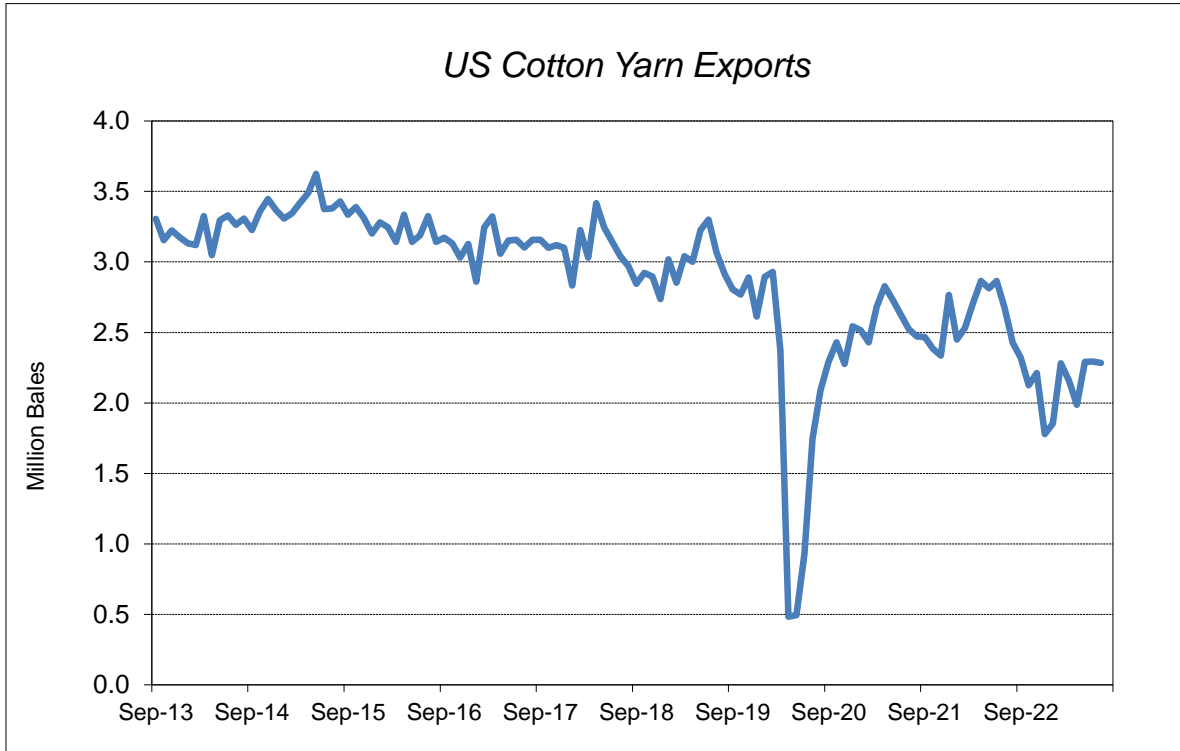
Source: Federal Reserve. Historical data revised to 1997 baseline.



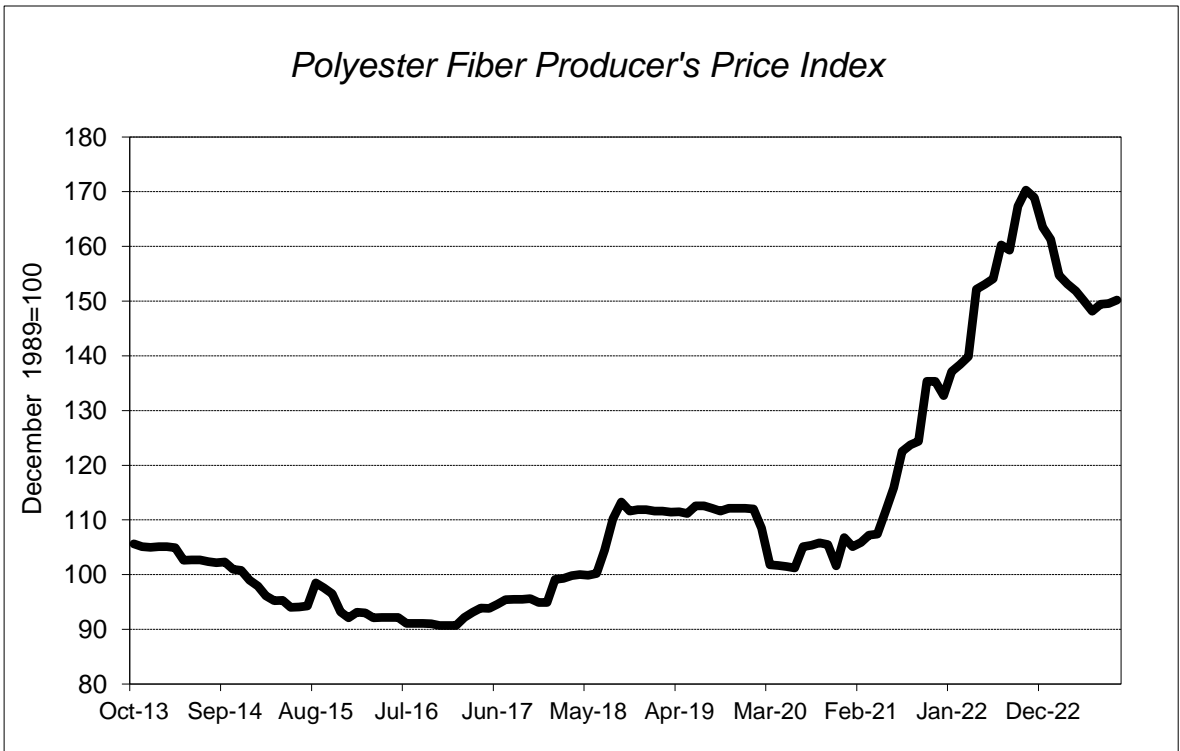
Seasonally Adjusted; Source: Department of Commerce

[return to text](#)





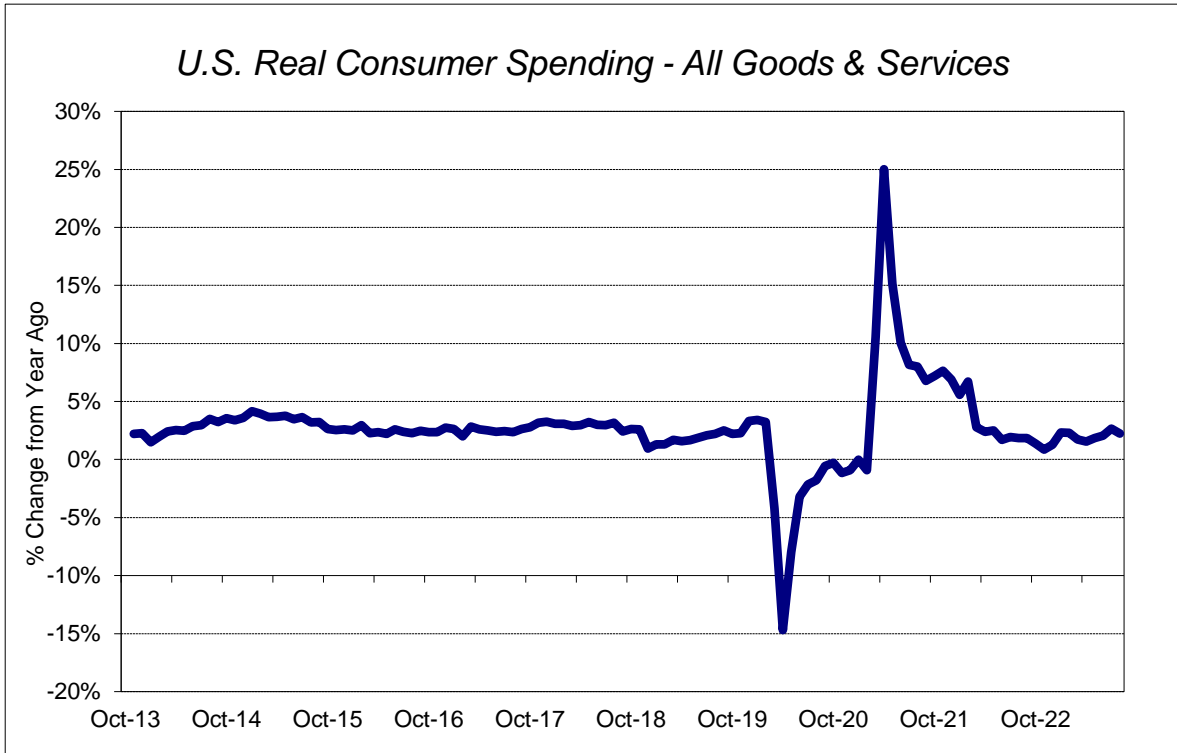
Seasonally Adjusted Annual Rate
 Source: USDA ERS



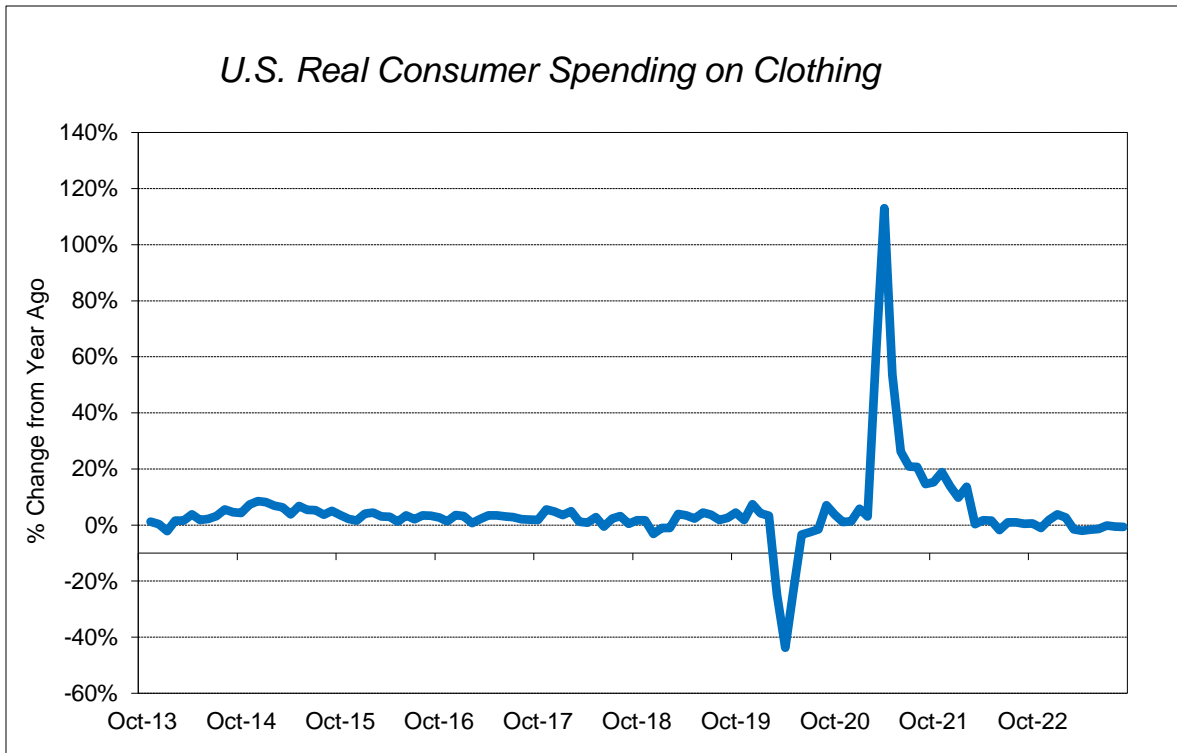
Source: Bureau of Labor Statistics

[return to text](#)





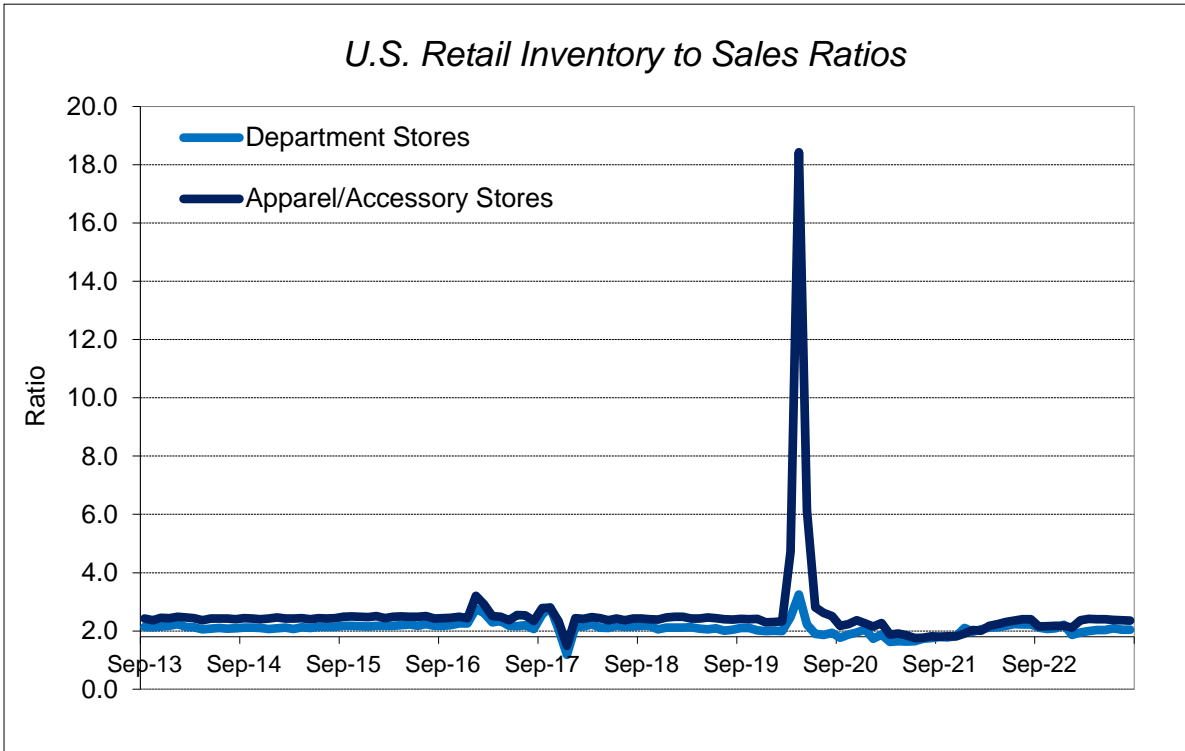
*Based on chained 2005\$.



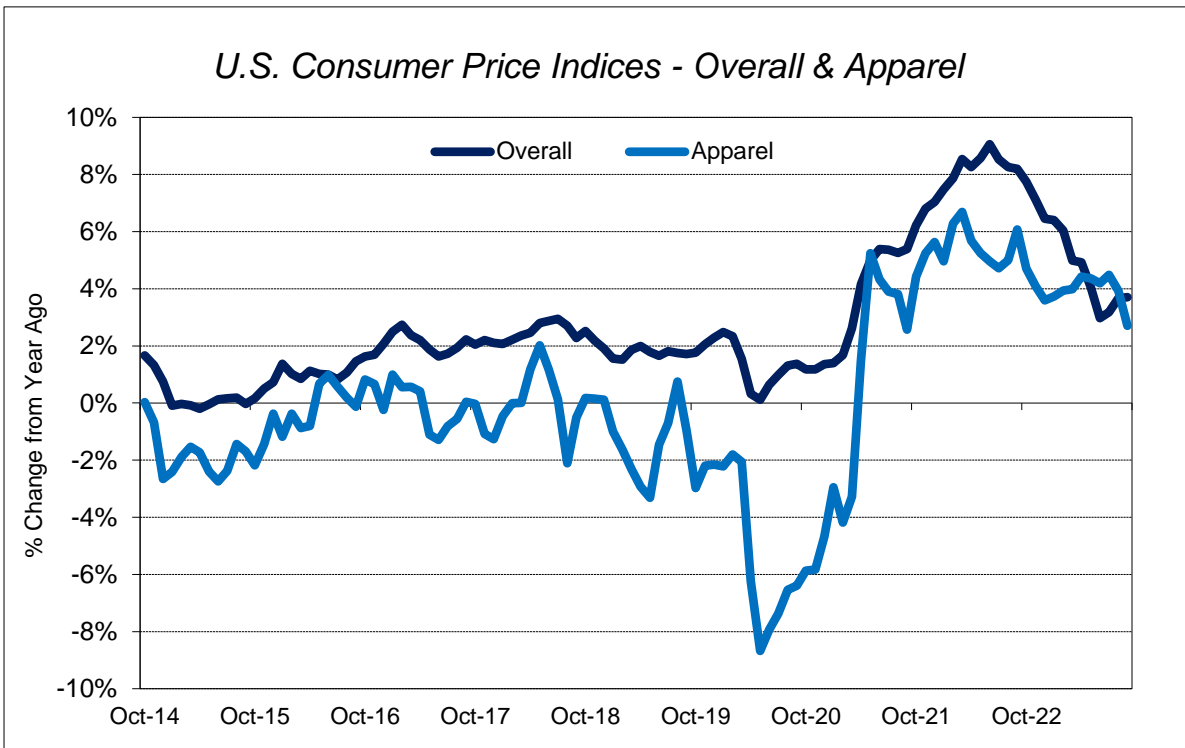
*Based on chained 2005\$.

[return to text](#)





Source: Department of Commerce

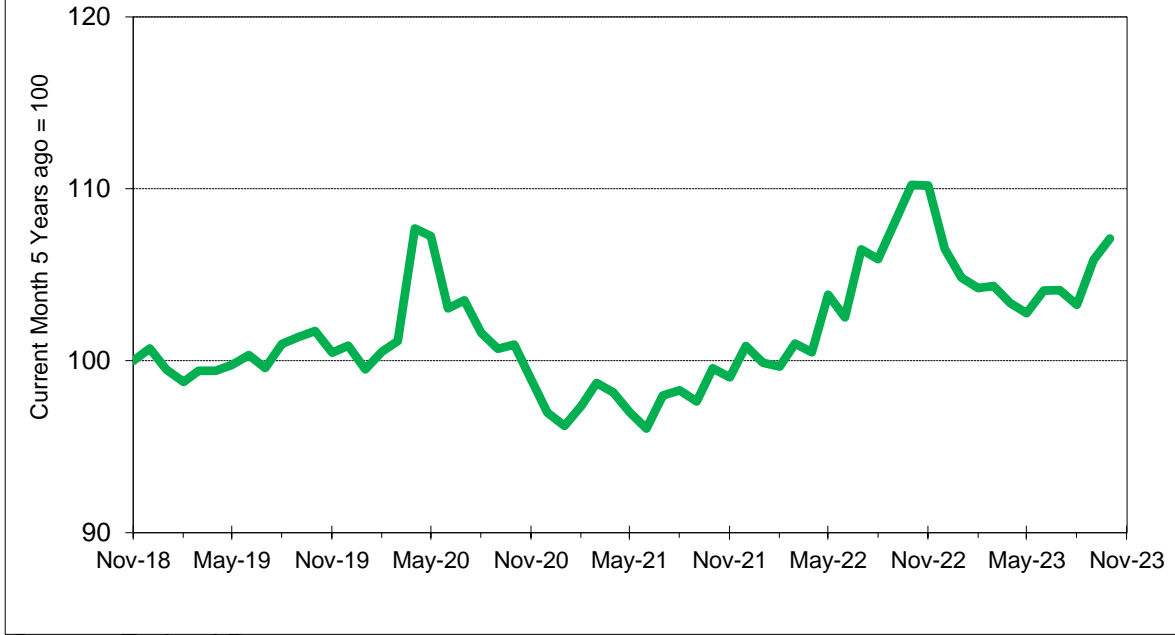


Source: Bureau of Labor Statistics

[return to text](#)

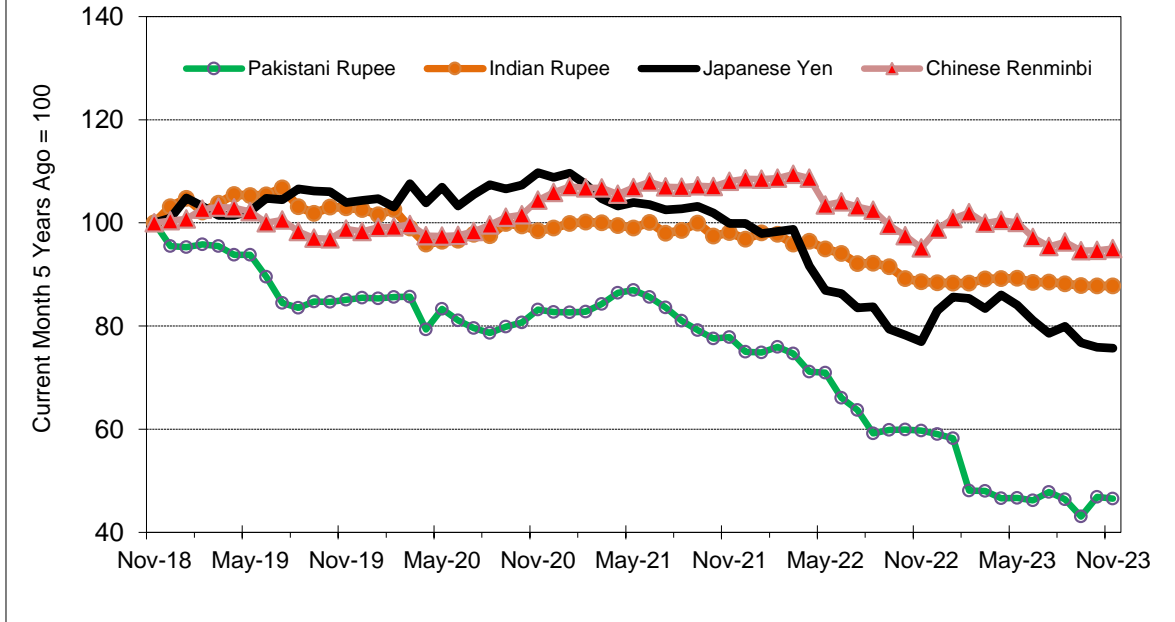


Trade Weighted Exchange Index for U.S. Dollar



Source: Federal Reserve

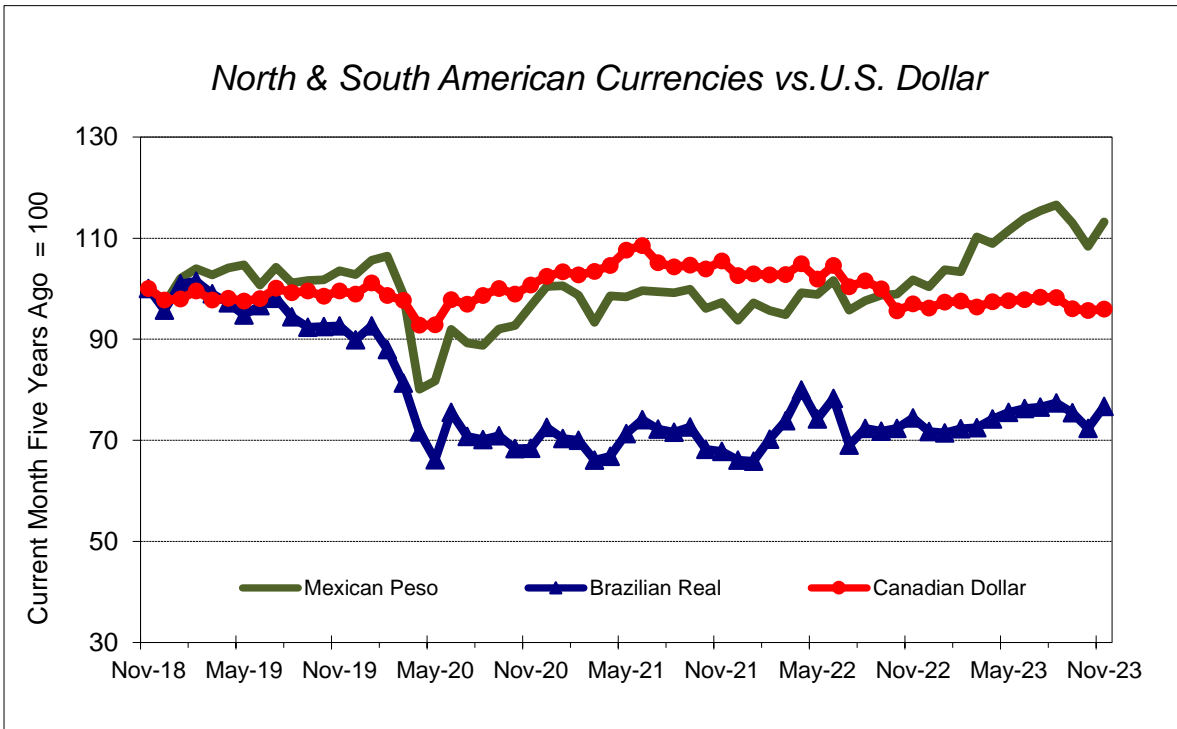
Asian Currencies vs. U.S. Dollar



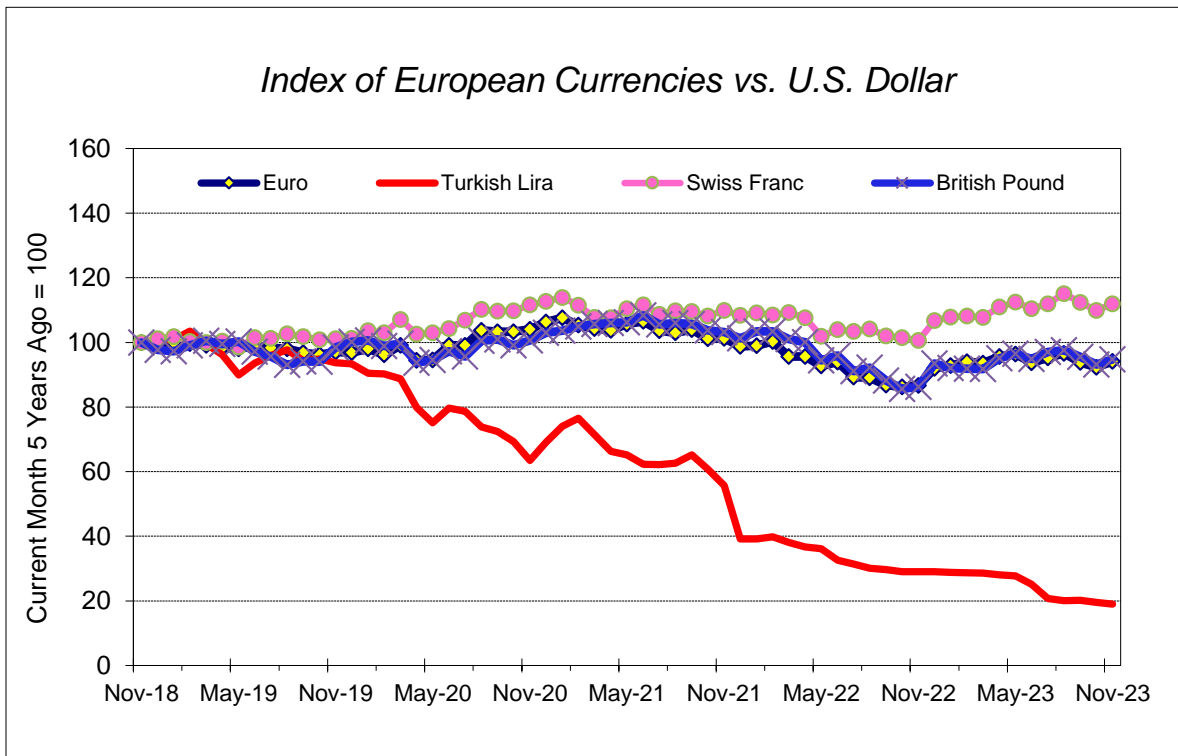
Source: Reuters

[return to text](#)





Source: Reuters



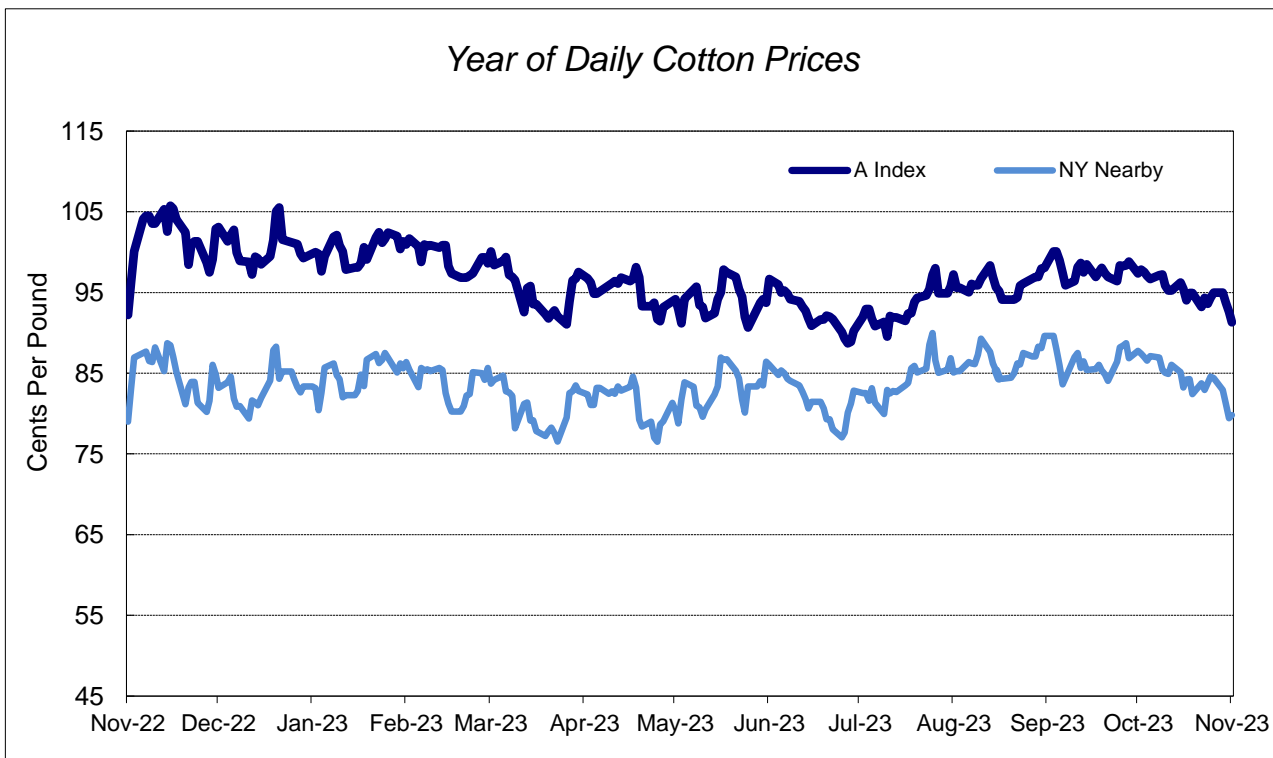
Source: Reuters

[return to text](#)



U.S. Balance Sheet

million 480 lb. bales	2019/20	2020/21	2021/22	2022/23	2023/24 September	2023/24 October
Beginning Stocks	4.9	7.3	3.2	4.1	4.3	4.3
Production	19.9	14.6	17.5	14.5	13.1	12.8
Imports	0.0	0.0	0.0	0.0	0.0	0.0
Supply	24.8	21.9	20.7	18.5	17.4	17.1
Mill-Use	2.2	2.4	2.6	2.1	2.2	2.2
Exports	15.5	16.4	14.5	12.8	12.3	12.2
Demand	17.7	18.8	17.0	14.8	14.5	14.4
Ending Stocks	7.3	3.2	4.1	4.3	3.0	2.8
Stocks/Use Ratio	41.0%	16.8%	23.8%	28.7%	20.8%	19.5%



Sources: ICE Futures U.S. & Cotton Outlook

[return to text](#)

