

# Executive Cotton Update

U.S. Macroeconomic Indicators &  
the Cotton Supply Chain



January 2024

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

**Macroeconomic Overview:** The holiday shopping period generally fell in line with expectations. After an erratic set of years following the pandemic, the National Retail Federation (NRF) predicted the increase for the 2023 holiday sales season could be +3-4%, which is near the longer-term range for growth. In the data available, indications are that consumers spent +3.1% more in November and December (figures from Mastercard SpendingPulse). However, it should be noted that this number is not adjusted for inflation. Inflation has been falling, with the latest reading for the overall rate also being +3.1% (Bureau of Labor Statistics CPI for all goods and services). With spending growth and inflation even, an implication is that purchases in terms of aggregate unit volumes were flat.

The inflation measure tracked more closely by the Federal Reserve is derived using different sources and methods than the headline CPI. The overall inflation reading from this alternative to the CPI (published by the Bureau of Economic Analysis or BEA) decreased month-over-month in the latest available data (-0.1% between October and November). This was the first time prices marked a monthly decrease since April 2020 (when the U.S. and much of the world were under COVID lockdowns).

Year-over-year, overall prices measured by the BEA were +2.6% higher in November. Core inflation, which excludes food and energy and is the series followed by the Federal Reserve for interest rate policy, was +3.2% higher year-over-year. Both readings are well below the peak inflation rates set in 2022 (+7.1% for the overall BEA reading and +5.6% for the core BEA reading). The Federal Reserve's inflation target is two percent for the core BEA measure.

Higher interest rates have helped bring the BEA's core measure of inflation closer to that target. In combination with the strength of the labor market, the reduction in inflation has supported the notion that a soft economic landing is possible after the strongest increases in interest rates in decades. Although inflation rates remain above the Federal Reserve's target, comments from officials with the Federal Reserve have suggested that interest rates could be cut in 2024. A reduction in rates could support economic growth, which is forecast to be sluggish. Surprises have been to the upside for the U.S. recently, but the current projection from the International Monetary Fund (IMF) for the U.S. in 2024 is +1.5%, which is lower than the IMF estimate of +2.1% for 2023.

**Employment:** The U.S. economy is estimated to have added +216,000 new jobs in December. Revisions to previous months were negative, with the figure for October dropping -45,000 to +105,000 and the figure for November dropping -26,000 to +173,000. The current twelve-month average is +225,000.

The unemployment rate was unchanged at 3.7% and remains at a historically low level. Wages increased +4.1% year-over-year in December, which was marginally higher than the +4.0% rate registered in November, but a downward trend has been in place since the post-stimulus peak of +5.9% was recorded in March 2022. Wage growth has exceeded the overall CPI since May 2023.

**Consumer Confidence & Spending:** The Conference Board's Index of Consumer Confidence increased sharply in December, rising +9.7 points to 110.7. This was the largest monthly increase since a round of direct payment stimulus was released in March 2021. The Conference Board attributed the surge to a more positive outlook regarding current economic conditions and a less pessimistic perception of the economy's trajectory (longer-term views remain less optimistic than those for the shorter-term).

In inflation-adjusted terms, overall consumer spending increased +0.3% month-over-month in November. Year-over-year, overall spending was +2.7% higher.

After a decrease in October (-0.7%), consumer spending on apparel increased month-over-month in November (+1.7%), notching the largest gain since March 2022. Part of the reason for the healthy number in November could be a rebound after October's decrease. Nonetheless, the strength of the increase should support sales figures for clothing over the holiday period. Year-over-year, spending on clothing was +1.9% in November, which represented the first year-over-year increase in spending on apparel in nine months.

**Consumer Prices & Import Data:** Retail prices for apparel decreased -1.5% month-over-month in November, which could be a sign of retailer discounting. Year-over-year retail apparel prices were +1.3% higher, the lowest annual rate since COVID.

Import costs, as represented by the average price per square meter equivalent (SME) of cotton-dominant apparel, decreased for the sixth consecutive month in November. Since their post-COVID peak of \$4.26/SME in November 2022, import prices have fallen 14%. Despite the decreases, the average price in November was 6% above the 2019 average (\$3.65/SME in November, \$3.45 average in 2019).

## 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  
January 2024



## 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 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	53.0	47.1	47.3	46.9	46.7	46.7	47.4	Index	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	56.2	52.8	52.7	51.7	51.8	52.7	50.6	Index	Institute for Supply Management
Consumer Confidence	110.4	105.6	106.3	103.6	99.1	101.0	110.7	Index	The Conference Board
Change in Non-Farm Payrolls	123.8	224.8	192.8	164.7	105	173	216	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	4.9%	3.6%	3.7%	3.7%	3.8%	3.7%	3.7%	Rate	Bureau of Labor Statistics
US Interest Rates									
Federal Funds	1.9%	5.0%	5.3%	5.3%	5.3%	5.3%	5.3%	Interest rate	Federal Reserve
10-year Treasury Bill	2.3%	4.0%	4.3%	4.4%	4.8%	4.5%	4.0%	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	110.7	106.1	104.3	103.3	103.5	103.5	103.0	Index	The Conference Board
Housing Starts	1.4	1.4	1.4	1.4	1.4	1.4	1.6	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.3	4.1	4.0	3.9	4.0	3.8	3.8	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	100.5	102.7	102.9	102.8	103.2	103.3	102.7	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	127.9	152.9	150.0	150.8	150.0	151.2	151.2	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	2.1	2.1	2.0	2.0	1.9	2.0	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	1.53	1.70	1.70	1.70	1.70	1.69	1.71	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	2.6%	2.0%	2.2%	2.3%	2.1%	2.0%	2.7%	% Chg. Year/Year	Department of Commerce
Clothing	5.8%	0.1%	-0.4%	0.0%	-0.9%	-1.0%	1.9%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	4.0%	4.4%	3.3%	3.4%	3.7%	3.2%	3.1%	% Chg Year/Year	Bureau of Labor Statistics
Clothing	0.7%	3.6%	3.3%	2.3%	2.7%	3.0%	1.3%	% 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	2.3	2.4	2.4	2.4	2.4	2.4	Ratio	Department of Commerce
Department Stores	2.0	2.0	2.0	2.0	2.0	2.0	2.0	Ratio	Department of Commerce

# Executive Cotton Update

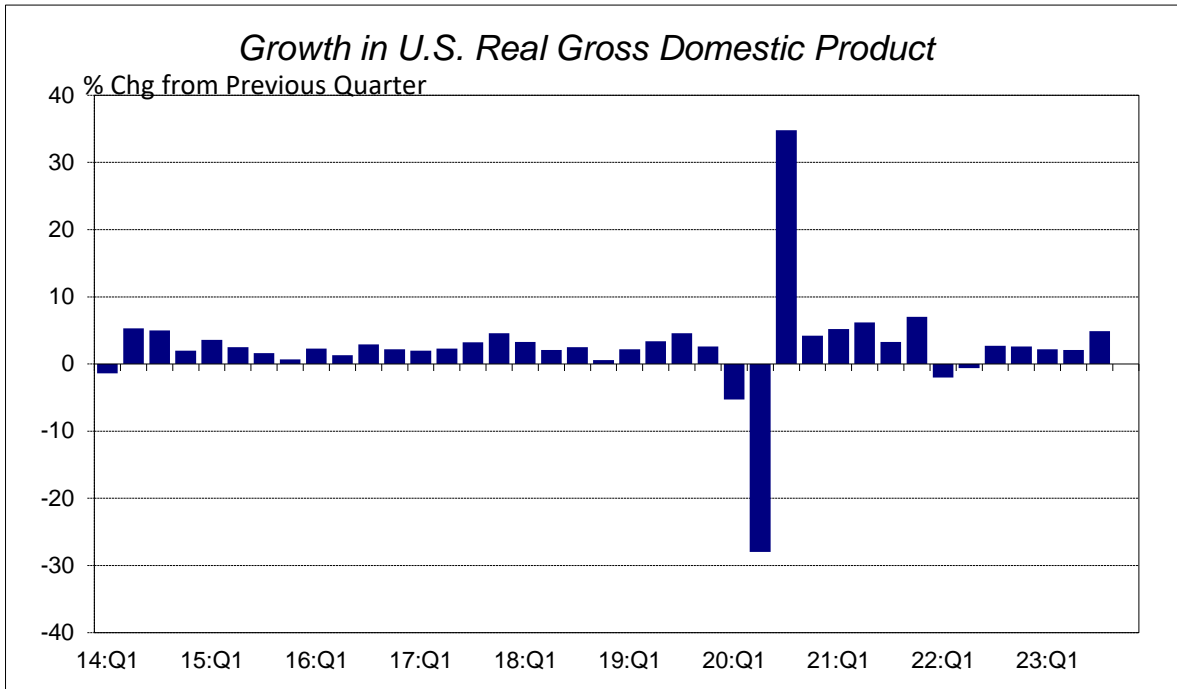
Daily Cotton Price and Currency Data  
January 2024



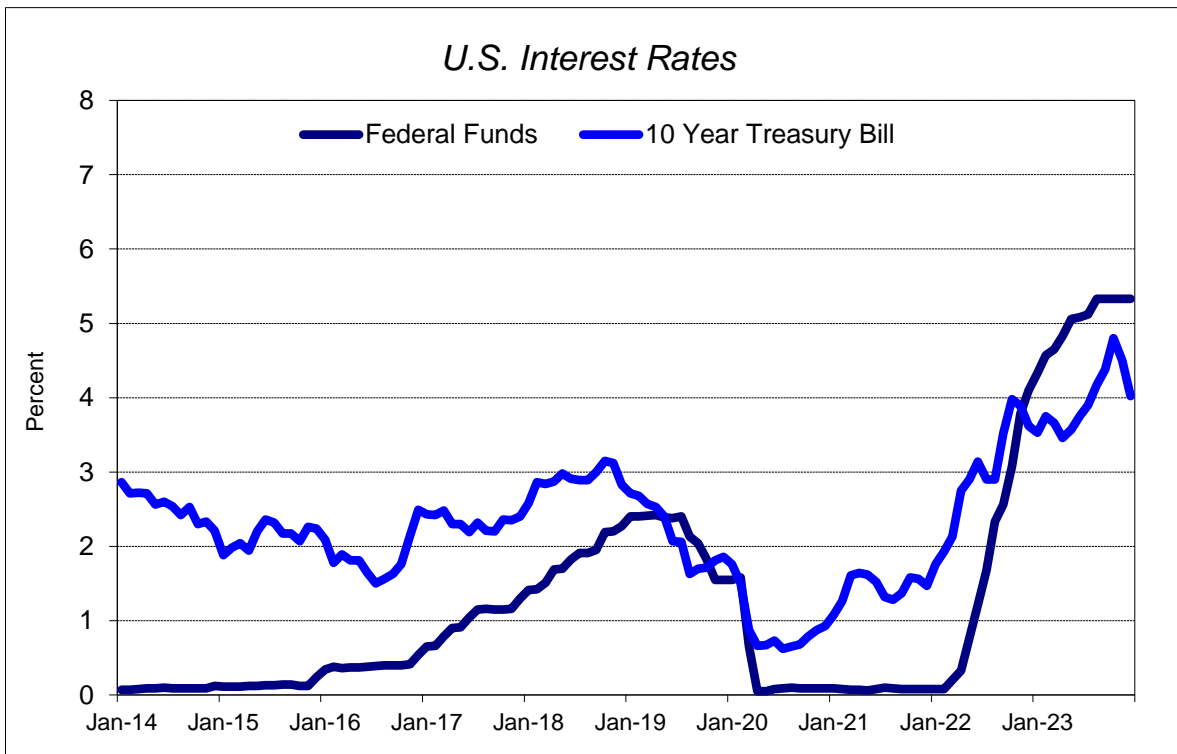
Daily Cotton Price Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	October	November	December		
NY Nearby	84.1	82.9	83.3	81.1	84.9	78.4	80.3	cents/pound	ICE
A Index	94.8	94.9	93.9	92.1	95.6	90.5	90.5	cents/pound	Cotlook

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	117.6	118.2	121.6	122.5	123.8	122.6	121.0	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.81	6.75	7.25	7.25	7.29	7.29	7.16	Chinese Renminbi/US dollar	Reuters
Indian Rupee	75.90	78.34	83.08	83.31	83.27	83.29	83.39	Indian Rupee/US dollar	Reuters
Japanese Yen	119.30	127.06	146.26	148.00	148.54	150.95	144.51	Japanese Yen/US dollar	Reuters
Pakistani Rupee	190.91	214.65	286.80	284.28	281.65	287.00	284.18	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	4.92	5.20	4.96	5.00	5.17	4.90	4.92	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.31	1.30	1.36	1.37	1.36	1.38	1.36	Canadian dollar/US dollar	Reuters
Mexican Peso	19.77	19.43	17.49	17.72	18.33	17.49	17.35	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.78	0.78	0.80	0.81	0.82	0.81	0.80	British Pound/US dollar	Reuters
Euro	0.90	0.91	0.93	0.94	0.95	0.93	0.93	Euro/US dollar	Reuters
Swiss Franc	0.94	0.92	0.89	0.90	0.91	0.90	0.88	Swiss Franc/US dollar	Reuters
Turkish Lira	12.33	16.32	27.51	28.38	27.70	28.47	28.97	Turkish Lira/US dollar	Reuters



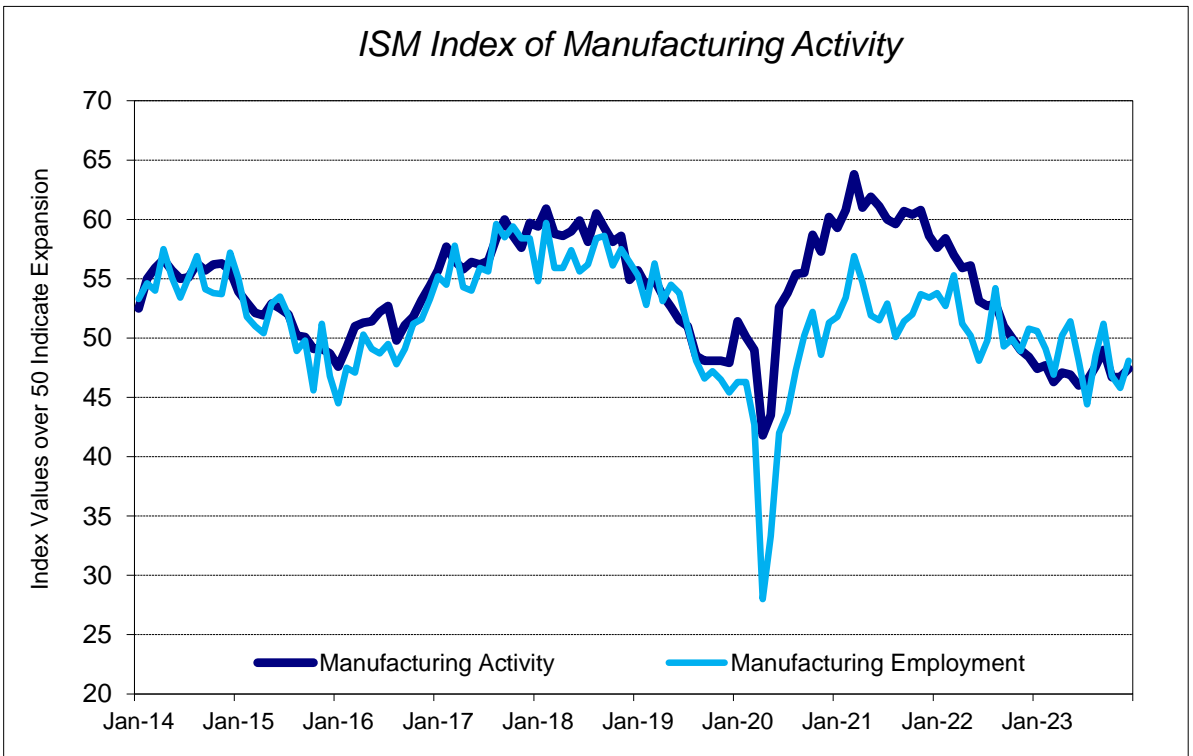
Seasonally Adjusted Annual Rate; Source: Department of Commerce  
 \*Based on chained 2005\$.



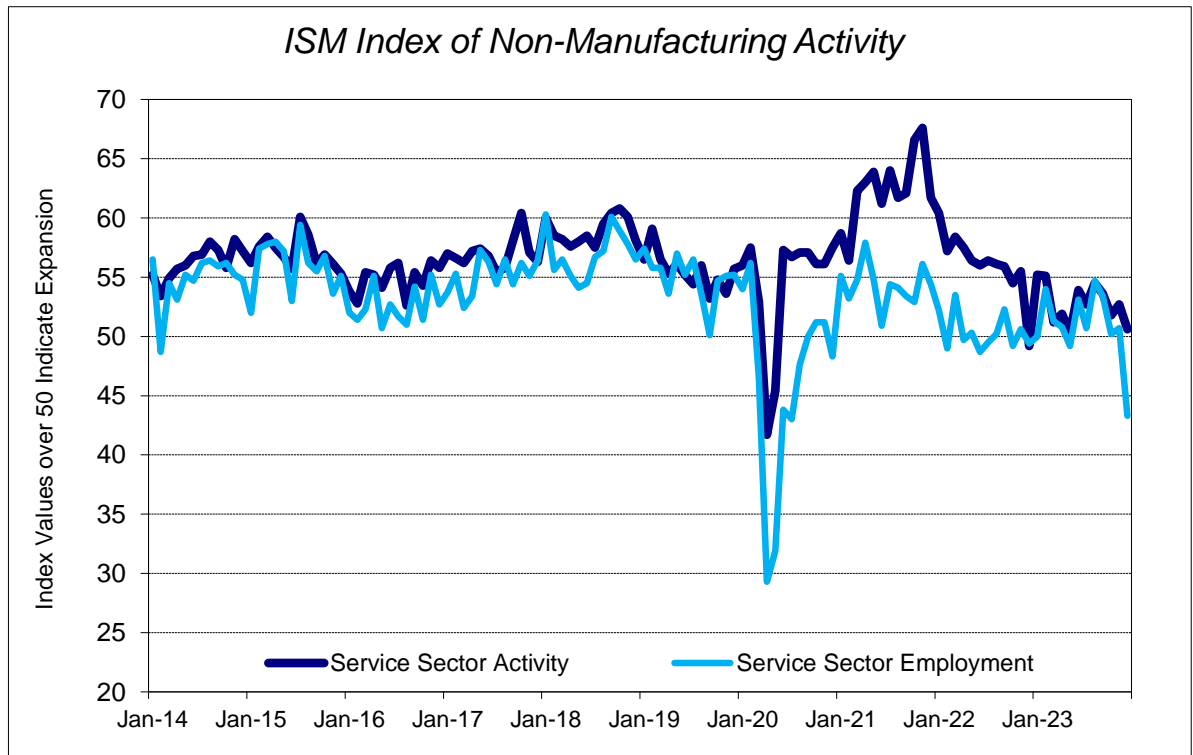
Source: Federal Reserve

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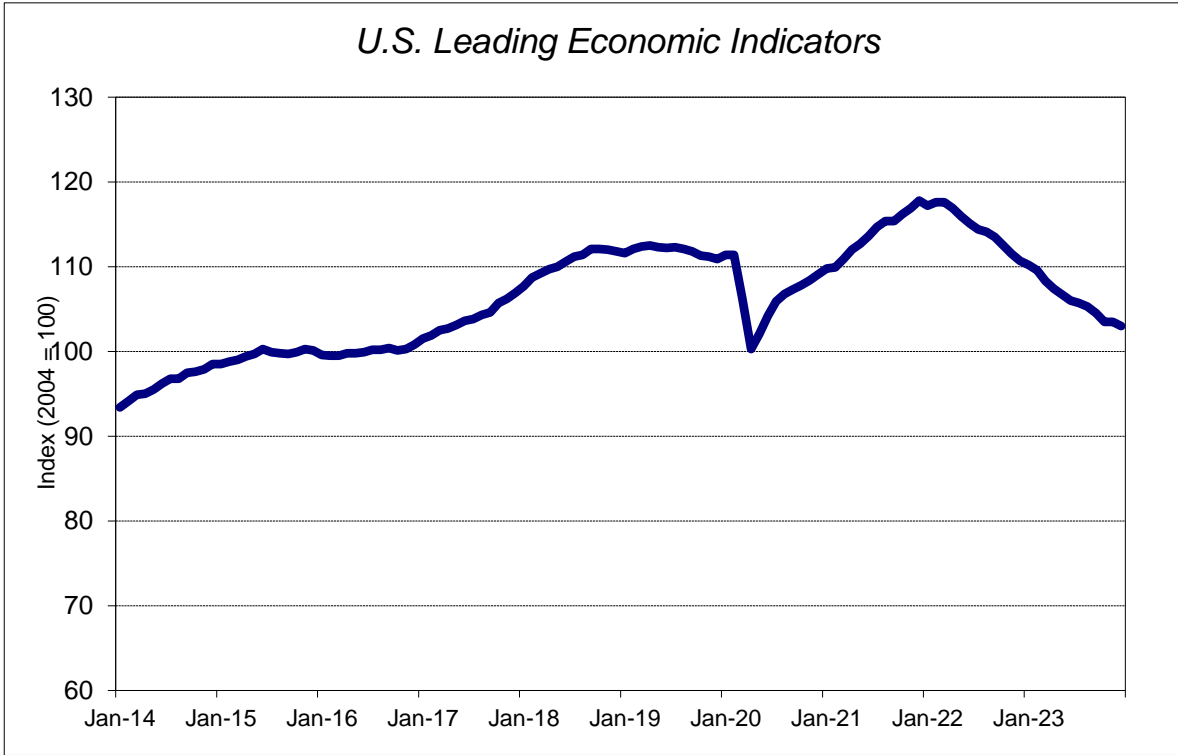
Source: Institute for Supply Chain Management



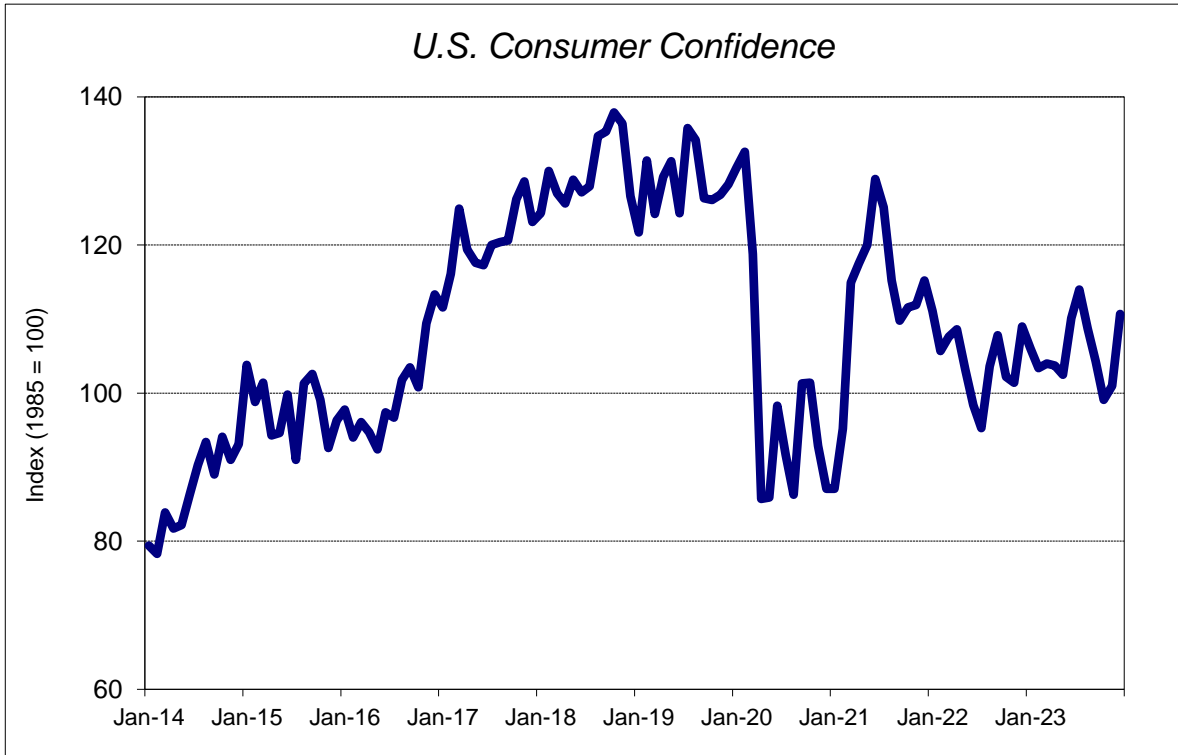
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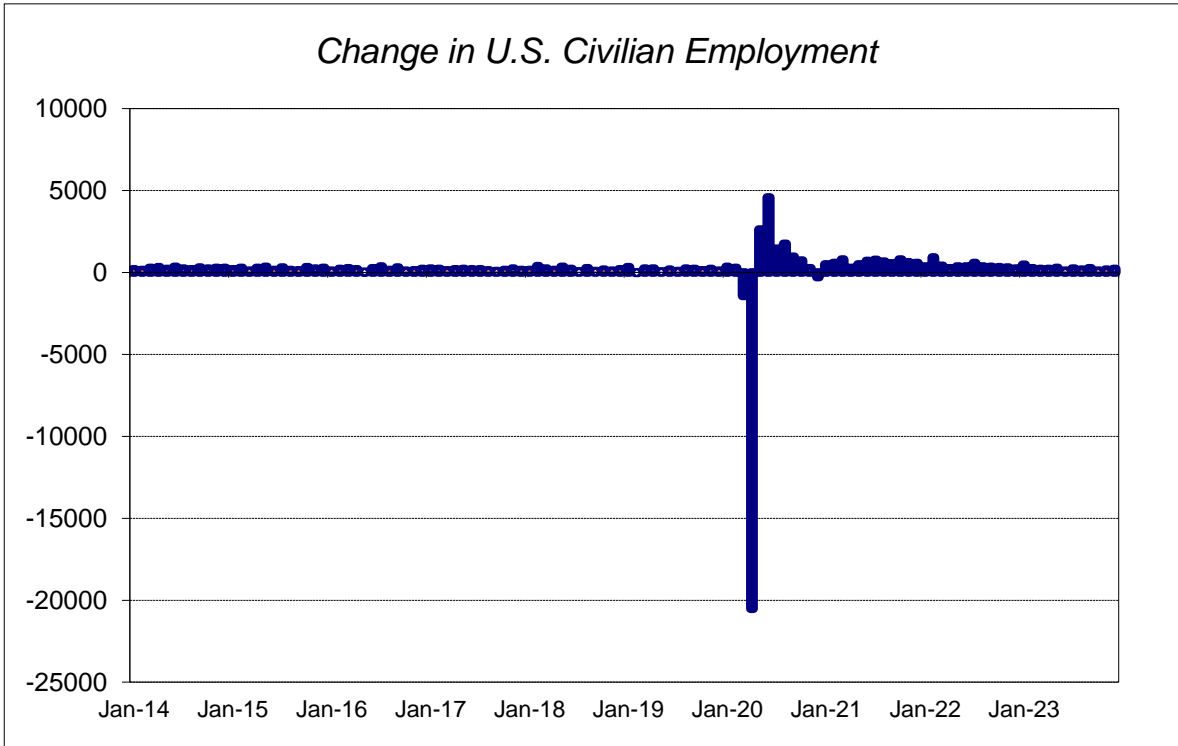
Source: The Conference Board



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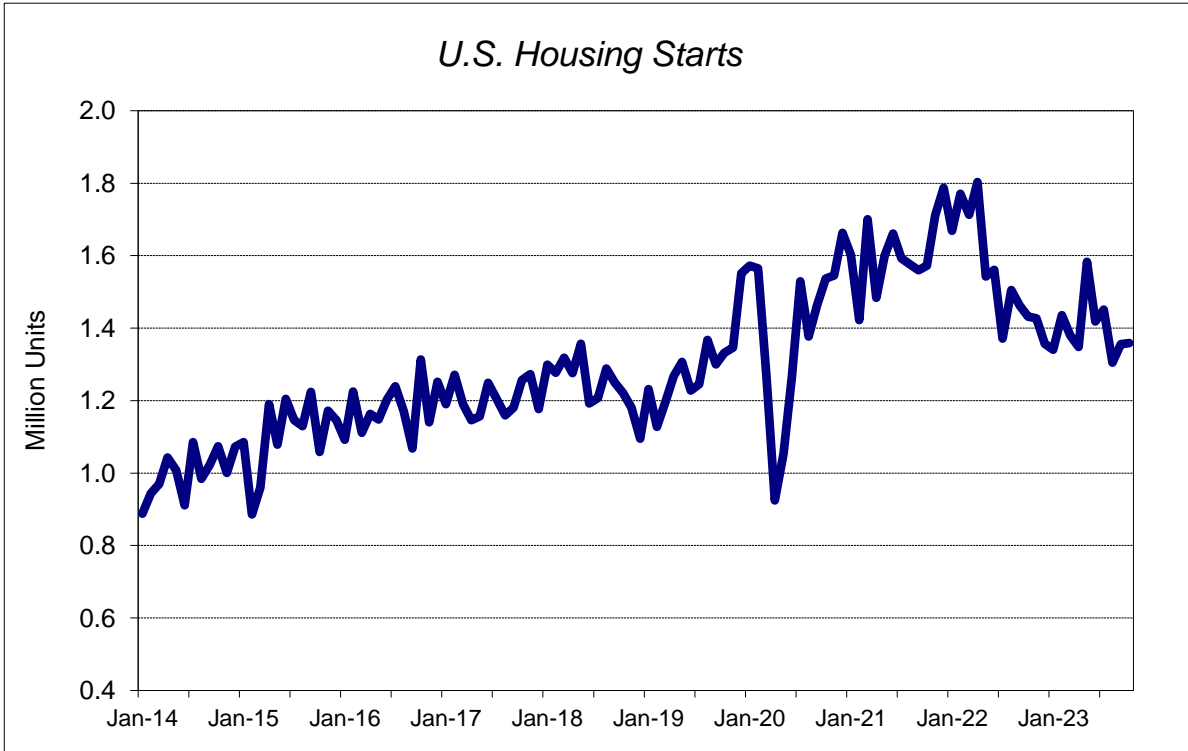
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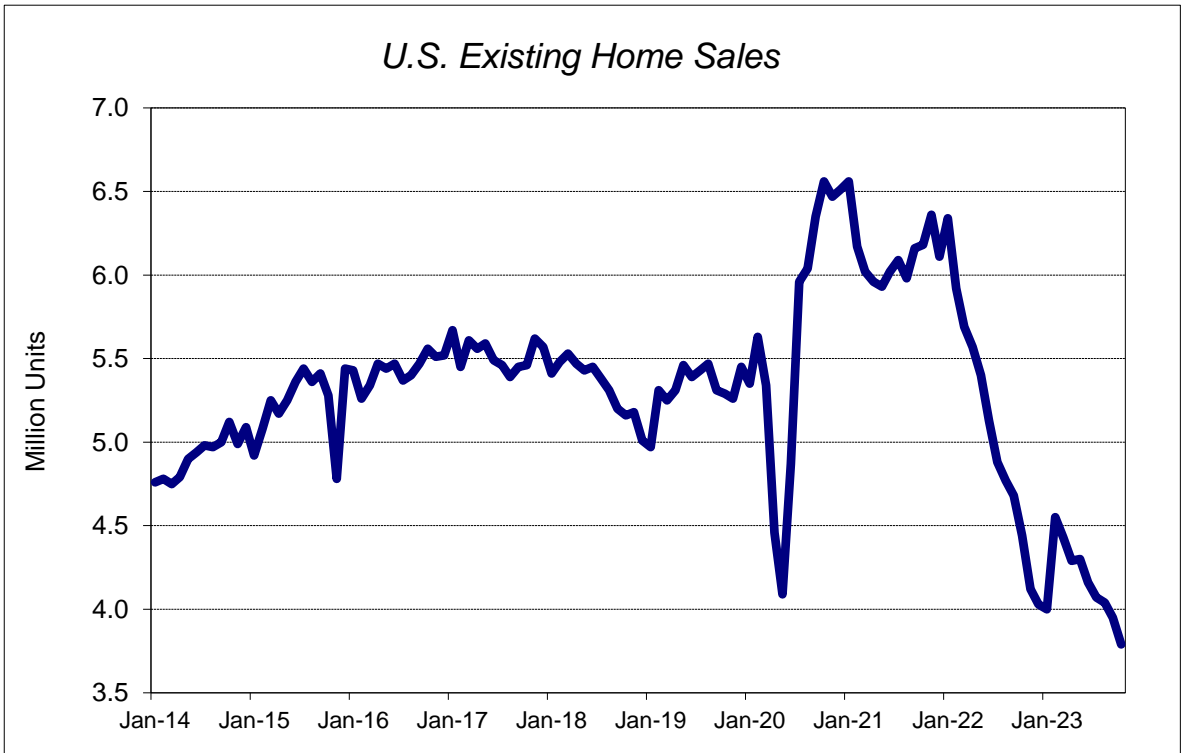
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Seasonally Adjusted Annual Rate; Source: Department of Commerce

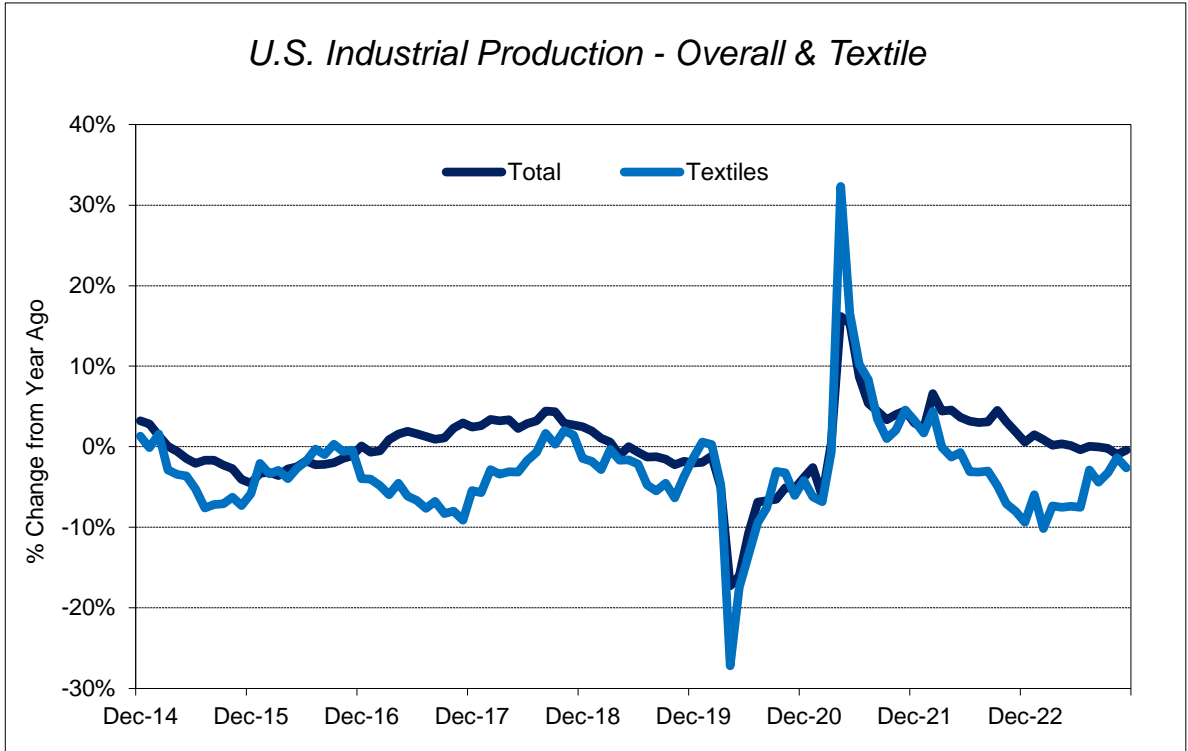


Seasonally Adjusted Annual Rate; Source: National Association of Realtors

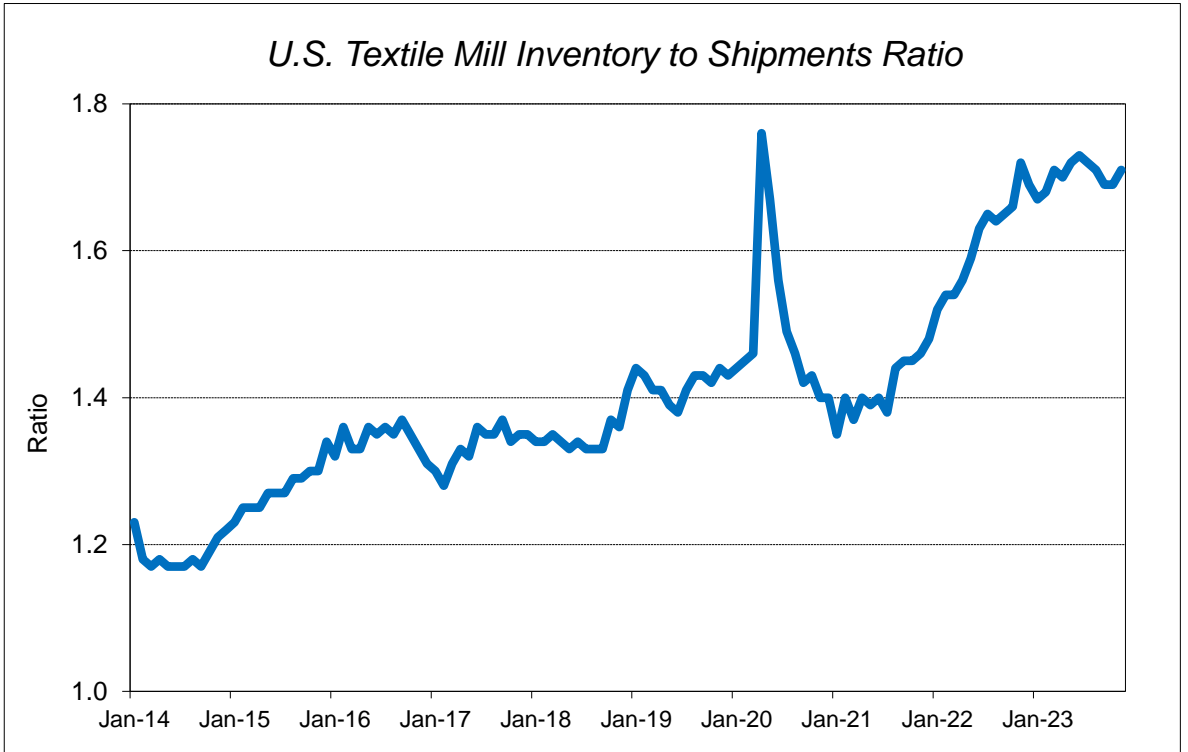
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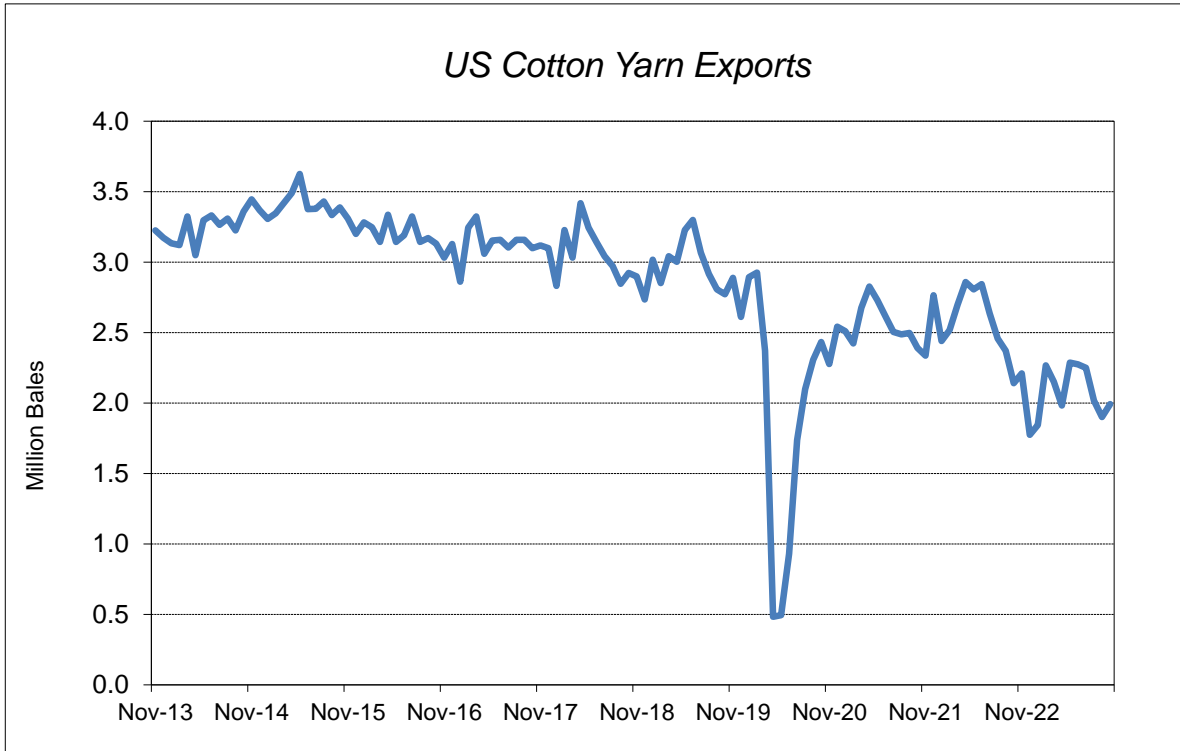
Source: Federal Reserve. Historical data revised to 1997 baseline.



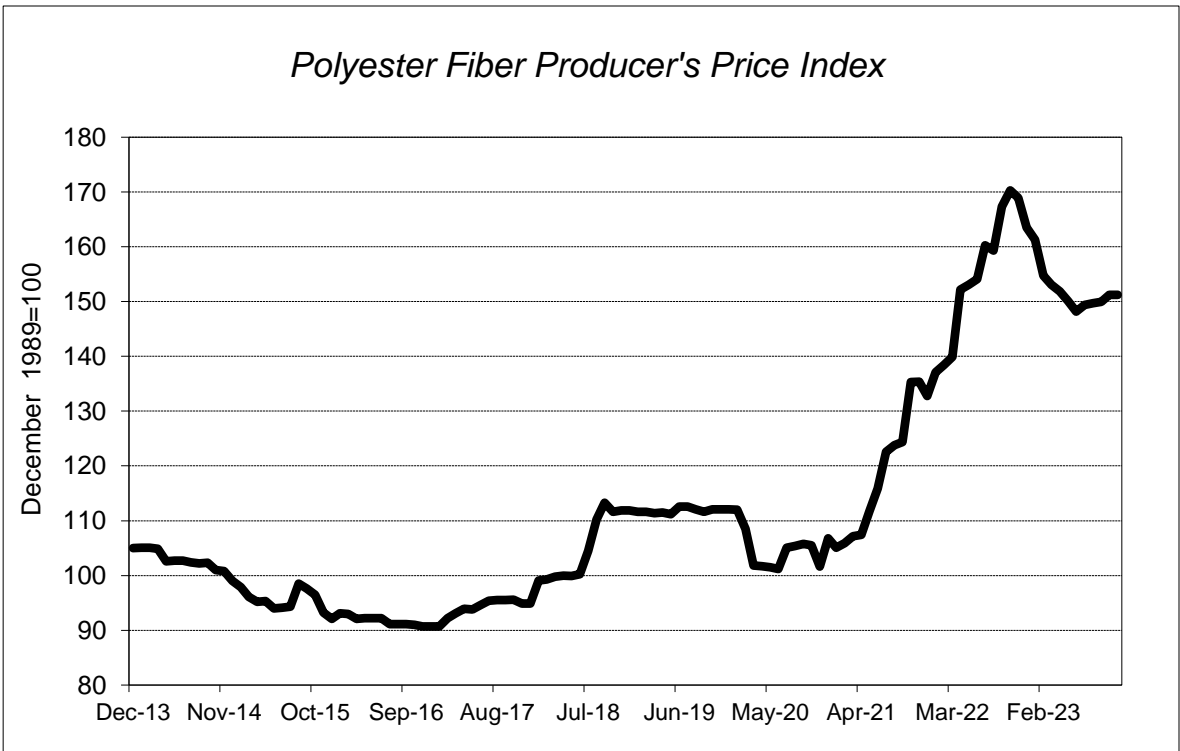
Seasonally Adjusted; Source: Department of Commerce

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Seasonally Adjusted Annual Rate  
 Source: USDA ERS

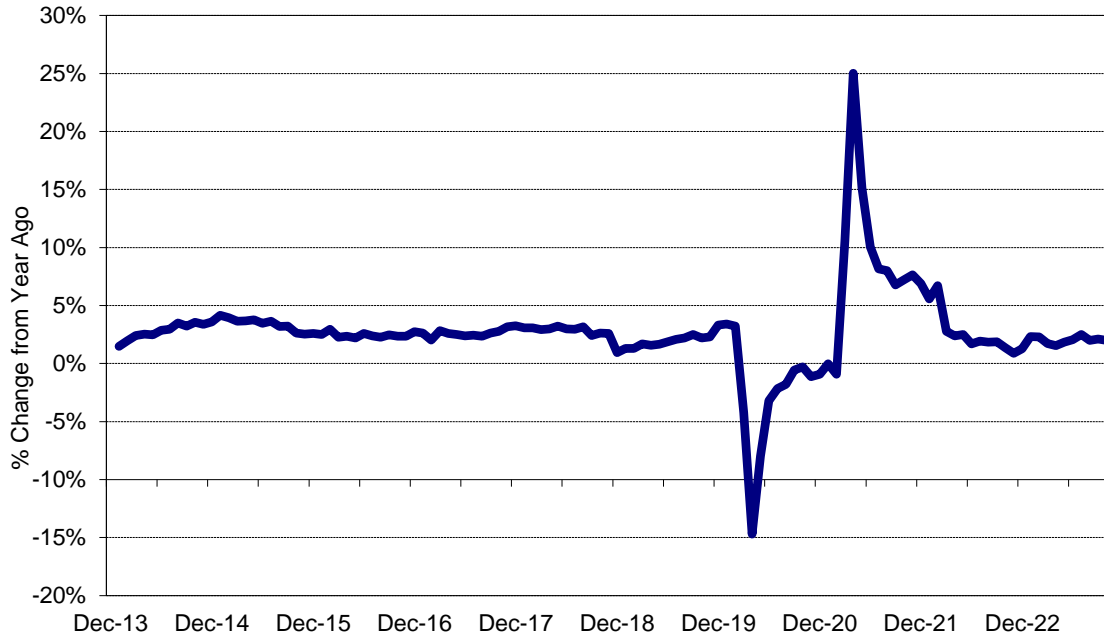


Source: Bureau of Labor Statistics

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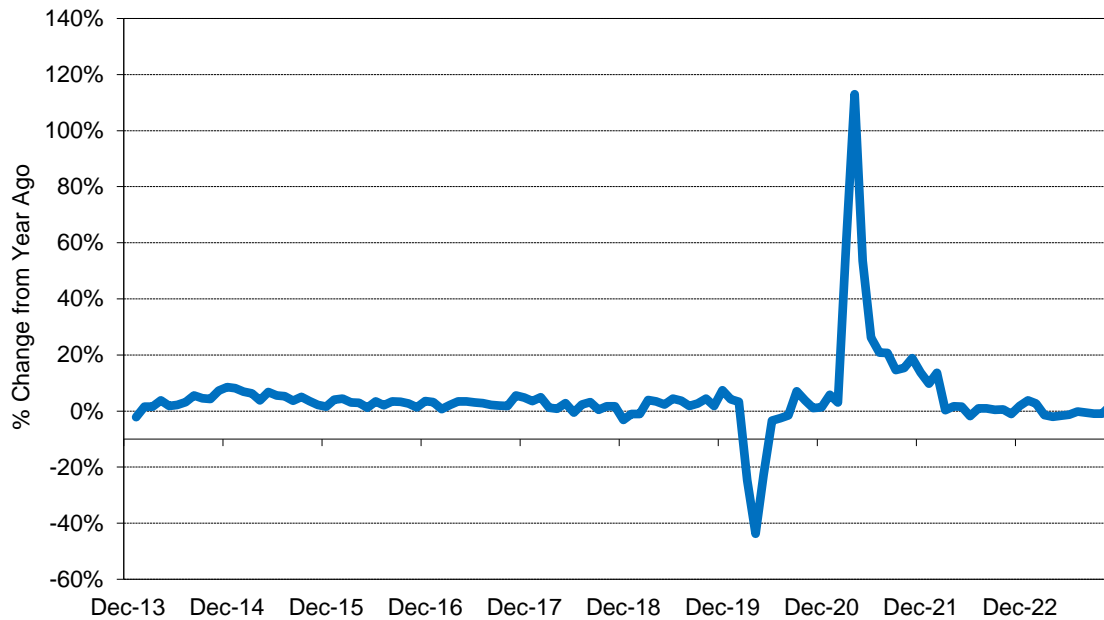


### U.S. Real Consumer Spending - All Goods & Services



\*Based on chained 2005\$.

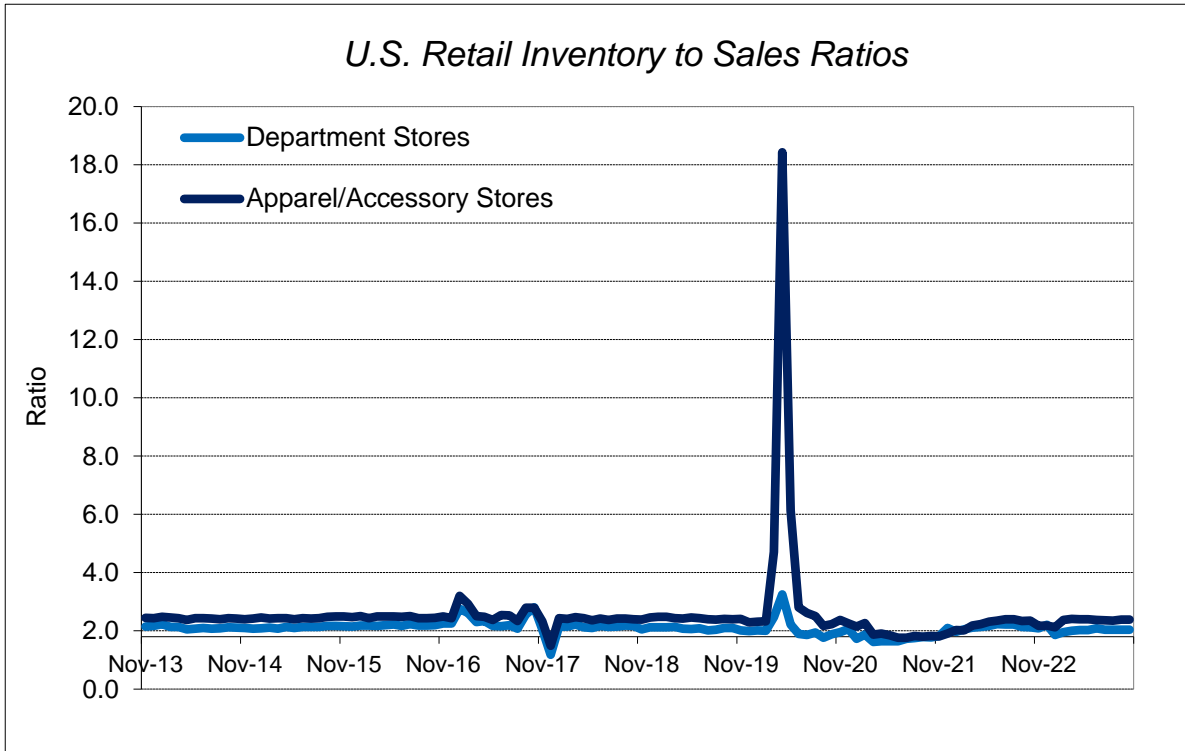
### U.S. Real Consumer Spending on Clothing



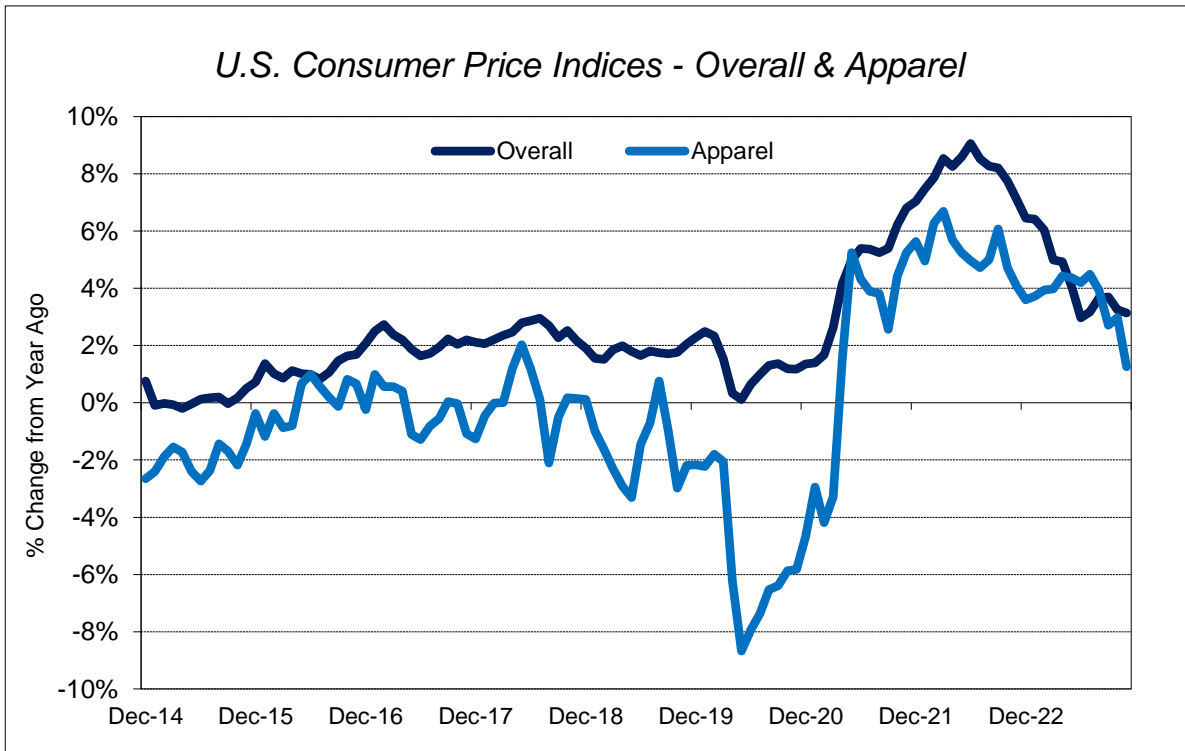
\*Based on chained 2005\$.

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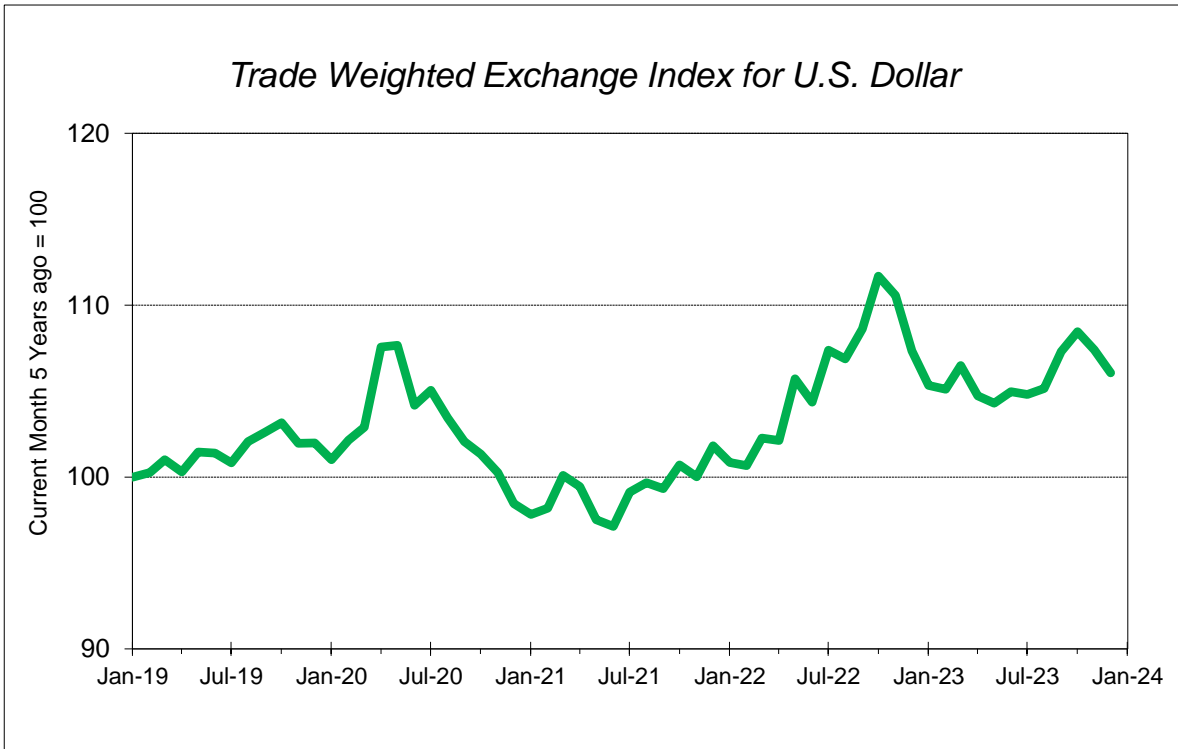
Source: Department of Commerce



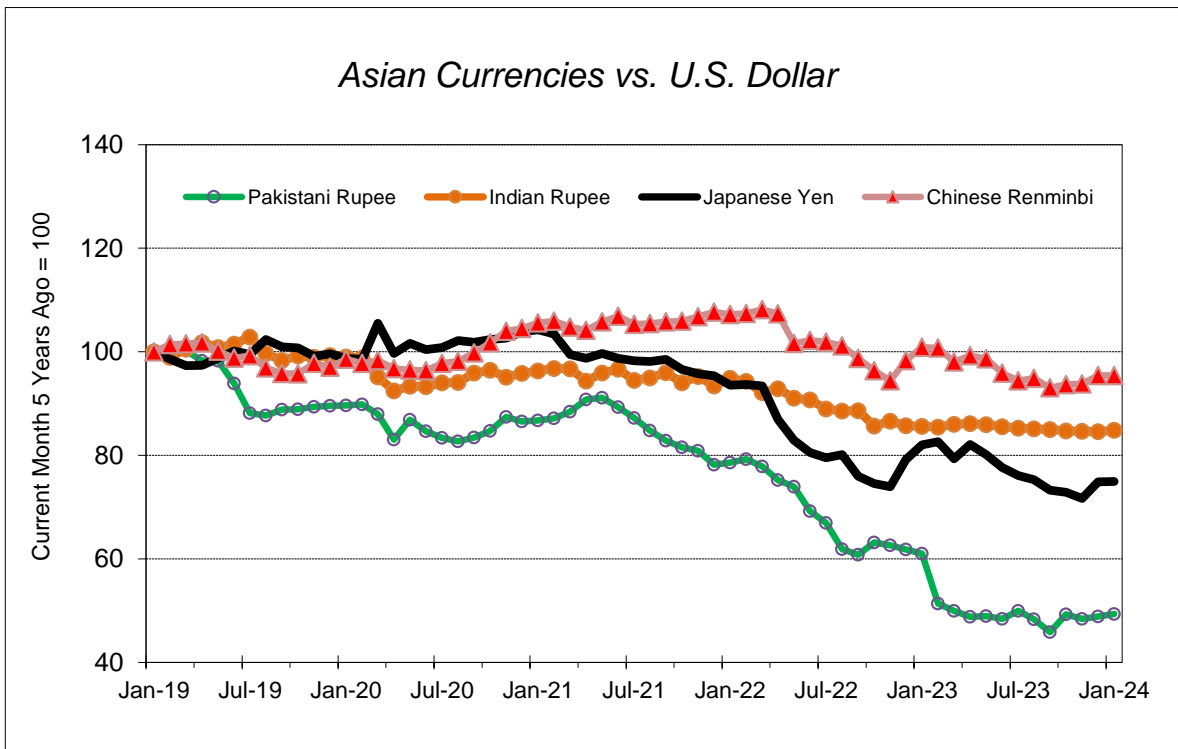
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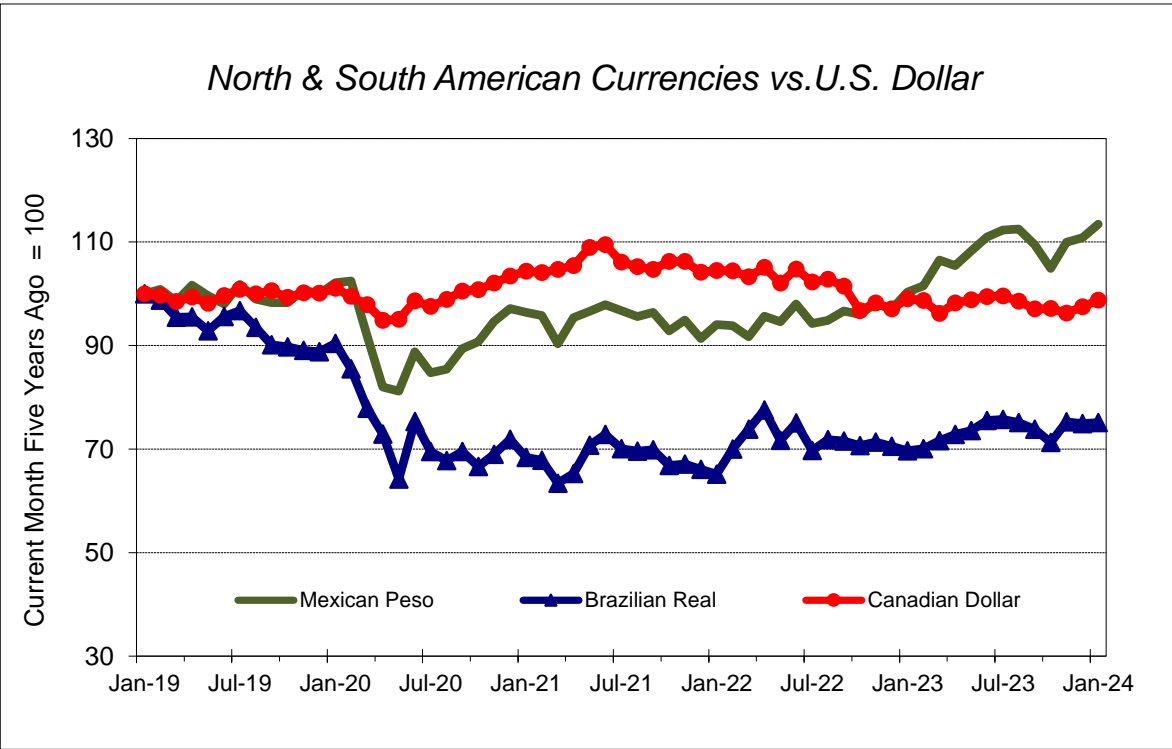
Source: Federal Reserve



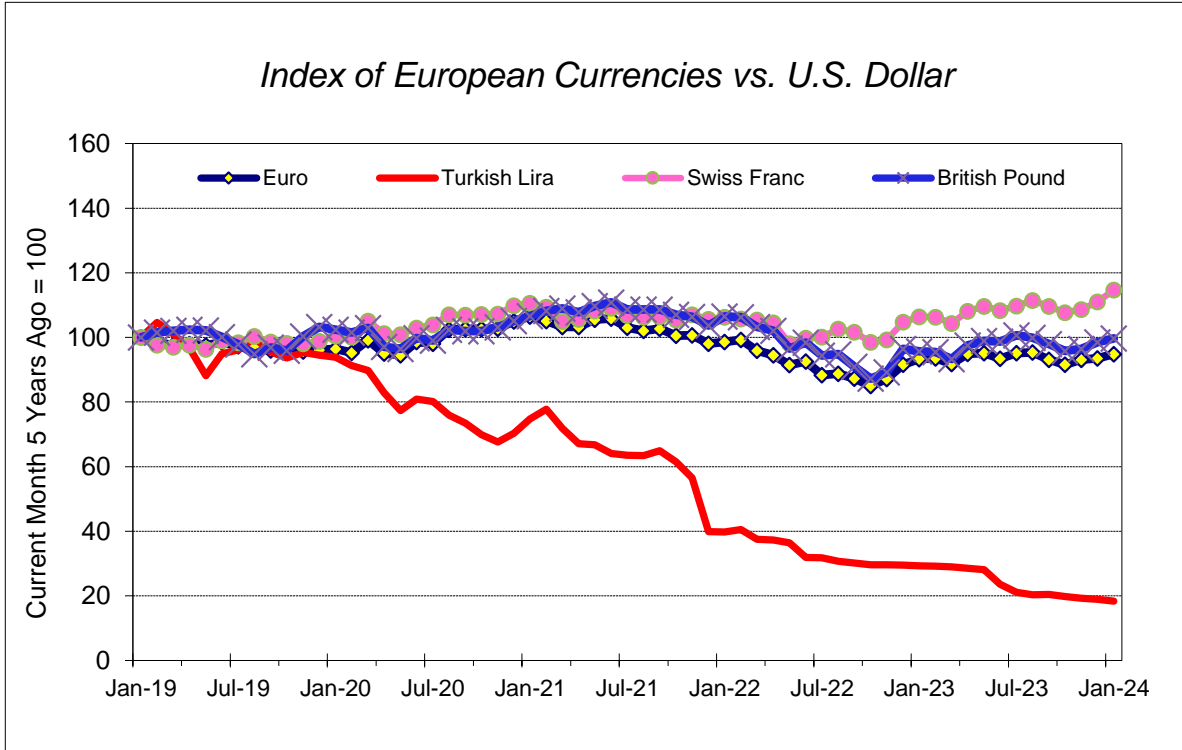
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Source: Reuters



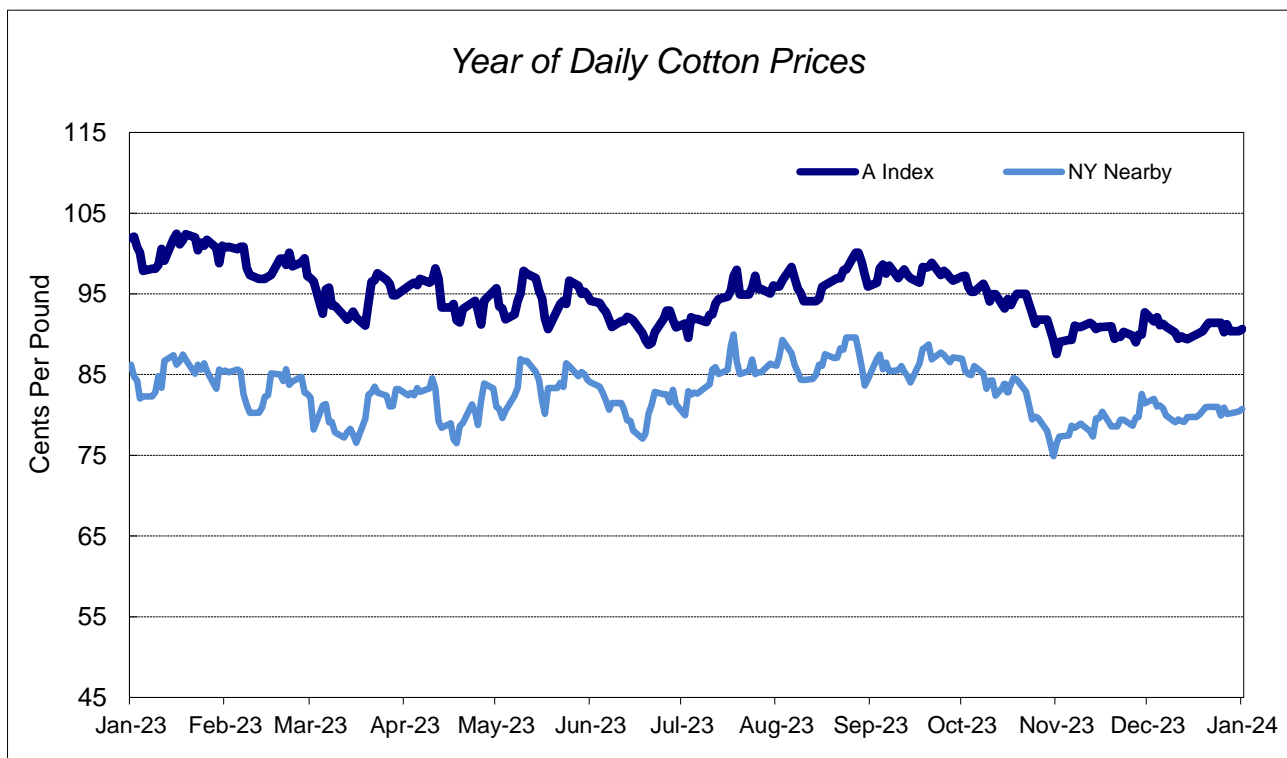
Source: Reuters

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## U.S. Balance Sheet

million 480 lb. bales	2019/20	2020/21	2021/22	2022/23	2023/24 November	2023/24 December
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	17.3	17.0
Mill-Use	2.2	2.4	2.6	2.1	2.1	1.9
Exports	15.5	16.4	14.5	12.8	12.2	12.2
Demand	17.7	18.8	17.0	14.8	14.3	14.1
Ending Stocks	7.3	3.2	4.1	4.3	3.2	3.1
Stocks/Use Ratio	41.0%	16.8%	23.8%	28.7%	22.5%	22.0%



Sources: ICE Futures U.S. & Cotton Outlook

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