

Executive Cotton Update

U.S. Macroeconomic Indicators &
the Cotton Supply Chain



March 2024

www.cottoninc.com

Macroeconomic Overview: Expectations regarding interest rate cuts by the Federal Reserve have been pared back and projected further into the future. Several months ago, it was anticipated that the central bank could begin lowering interest rates as soon as this month and that as many as five interest rate decreases were possible in 2024. Indications are now that rate cuts may not start until June and that only three rate decreases appear more likely.

Reasons why those projections have been revised could be tied back to the Federal Reserve's dual mandate. One of the Fed's objectives is to hold inflation near two percent. The other mandate is to support the economic conditions that can lead to full employment (full employment is a theoretical concept describing the highest level of employment that the economy can maintain without causing excessive inflation).

Recent inflation data indicate further progress is needed to reach the targeted two percent level. The "core" price deflator used by the Federal Reserve to track inflation suggested a +2.8% year-over-year increase in prices in January (latest available data). With inflation nearly a whole percentage point higher than the target, there could be some reluctance to ease off the monetary brakes before it becomes more apparent that the pace of price increases is definitively on track to meet the target.

In addition, the strength of the economic situation has given the Federal Reserve room on the second element of its mandate. With unemployment below four percent, it is a historically low level, and there is not a pressing need to lower rates to stimulate growth. Figures for U.S. GDP were revised higher in recent quarters, and the stock market has been setting a series of record highs. Notably, the labor market continues to add jobs, and wages are growing faster than inflation. If maintained, this can support consumer spending power and, therefore, consumer spending.

Employment: The U.S. economy is estimated to have added +275,000 new jobs in February. Revisions to previous months were negative, with the figure for December dropping -43,000 to +290,000 and the figure for January falling -124,000 to +229,000. The current twelve-month average is +229,000.

The unemployment rate increased from 3.7% to 3.9% month-over-month. Despite the increase, it remains below four percent, a historically low level. The unemployment rate is the ratio of the number of employed people over the number in the labor force (people wanting to work). A potential signal of weakness in this month's report was that the increase in the unemployment rate was a result of a decrease in the count of the number of people employed rather than an increase in the labor force (the unemployment rate is based on information collected from a survey of households, while the payroll data used to describe job gains are from a survey of businesses).

Wages increased +4.3% year-over-year in February. Wage growth shifted downward after the post-stimulus peak of +5.9% was set in March 2022. Over the past five months, however, wage growth has been steady at around +4.3%.

Consumer Confidence & Spending: After three consecutive months of increases, the Conference Board's Index of Consumer Confidence decreased by -4.2 points month-over-month in February. The current value of 106.7 is near the middle of the range between 95 and 115 that has contained values since the third quarter of 2021.

In inflation-adjusted terms, overall consumer spending decreased -0.1% month-over-month in January. This followed a strong +0.6% increase in December (which would correspond to an annual increase of more than seven percent if maintained for twelve months). Year-over-year, overall spending was +2.1% higher in January.

Consumer spending on apparel has been strong in recent months. In January, it increased +0.8% month-over-month, which followed a +1.4% gain in December and a +1.1% gain in November. The strength of this growth pulled year-over-year rates higher. After contracting year-over-year from March to October 2023, the annual rate of change in spending on clothing was positive in November (+1.5%), December (+2.4%), and January (+1.3%).

Consumer Prices & Import Data: The CPI for garments decreased -0.6% in January. Year-over-year, retail apparel prices were essentially flat +0.1%. While following a general downtrend since November 2022, average import costs, represented by the price per square meter equivalent (SME) of cotton-dominant apparel, increased 1.5% month-over-month in January. Year-over-year average import prices were down -9.8%. Relative to the average in 2019, sourcing costs in January were +8.3% higher.

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
March 2024



Macroeconomic Data

Quarterly Data

	Recent Averages				Values in Recent Quarters			Unit	Source
	5-year	1-year	6-month	3-month	Q2 : 2023	Q3 : 2023	Q4 : 2023		
Growth in US Real GDP	2.6%	3.2%	3.5%	4.9%	2.1%	4.9%	3.3%	% Chg. Quarter/Quarter	Department of Commerce

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		
ISM Index of Manufacturing Activity	52.8	47.2	47.7	48.0	47.1	49.1	47.8	Index	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	56.1	52.4	52.4	52.2	50.5	53.4	52.6	Index	Institute for Supply Management
Consumer Confidence	109.8	106.1	105.0	108.5	108.0	110.9	106.7	Index	The Conference Board
Change in Non-Farm Payrolls	129.0	229.0	231.2	264.7	290	229	275	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	4.9%	3.7%	3.8%	3.8%	3.7%	3.7%	3.9%	Rate	Bureau of Labor Statistics
US Interest Rates									
Federal Funds	2.0%	5.2%	5.3%	5.3%	5.3%	5.3%	5.3%	Interest rate	Federal Reserve
10-year Treasury Bill	2.3%	4.0%	4.3%	4.1%	4.0%	4.1%	4.2%	Interest rate	Federal Reserve

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		
Index of Leading Economic Indicators	110.8	105.1	103.4	103.0	103.1	103.1	102.7	Index	The Conference Board
Housing Starts	1.5	1.4	1.4	1.5	1.5	1.6	1.3	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.2	4.1	3.9	3.9	3.9	3.9	4.0	Annual pace, millions of units	National Association of Realtors

Industrial & Textile Data

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		
US Industrial Production	100.4	102.8	102.8	102.6	102.4	102.7	102.6	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	129.3	151.4	151.5	152.8	151.2	151.2	155.9	Index, December 2003=100	Bureau of Labor Statistics

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		
Bale Equivalence of US Cotton Yarn & Fabric Exports	3.2	2.0	2.0	1.9	2.0	1.9	1.7	million 480lb bales	USDA ERS

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		
US Textile Mill Inventory/Shipments Ratio	1.54	1.71	1.70	1.72	1.72	1.70	1.73	Ratio	Department of Commerce

Retail Data

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		
US Real Consumer Spending									
All Goods and Services	2.6%	2.2%	2.4%	2.7%	2.8%	3.2%	2.1%	% Chg. Year/Year	Department of Commerce
Clothing	5.9%	-0.1%	0.5%	1.7%	1.5%	2.4%	1.3%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	4.0%	3.9%	3.4%	3.2%	3.4%	3.1%	3.2%	% Chg Year/Year	Bureau of Labor Statistics
Clothing	0.7%	3.1%	2.1%	0.9%	1.2%	0.1%	-0.2%	% Chg. Year/Year	Bureau of Labor Statistics

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		
Retail Inventory/Sales Ratio									
Clothing and Clothing Accessory Stores	2.6	2.3	2.4	2.3	2.4	2.3	2.3	Ratio	Department of Commerce
Department Stores	2.0	2.0	2.0	2.0	2.0	2.1	2.0	Ratio	Department of Commerce

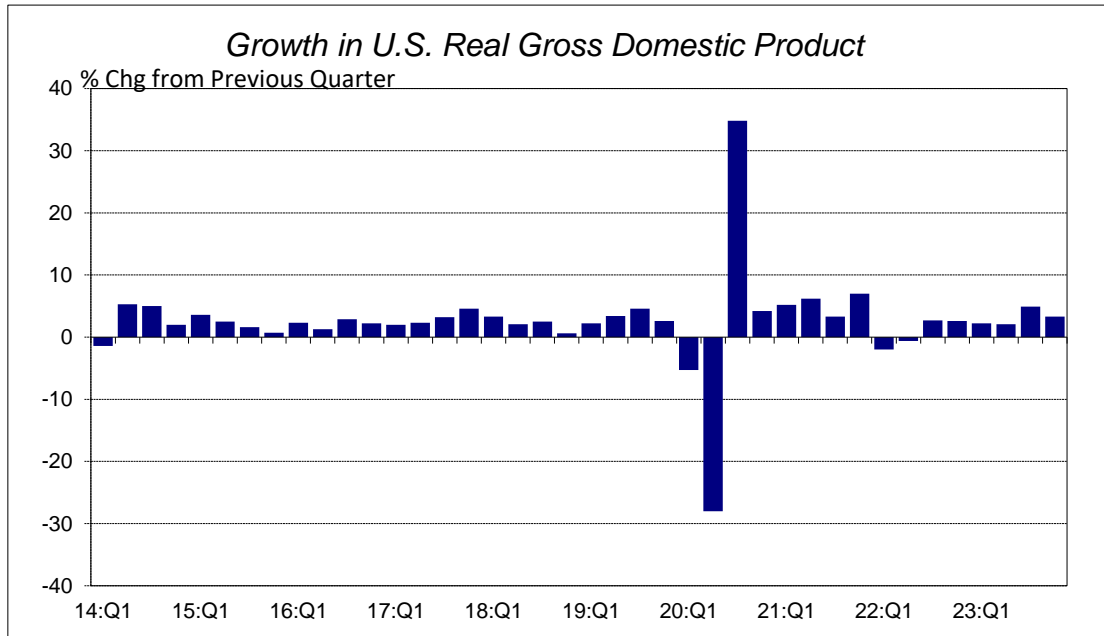
Executive Cotton Update

Daily Cotton Price and Currency Data
March 2024

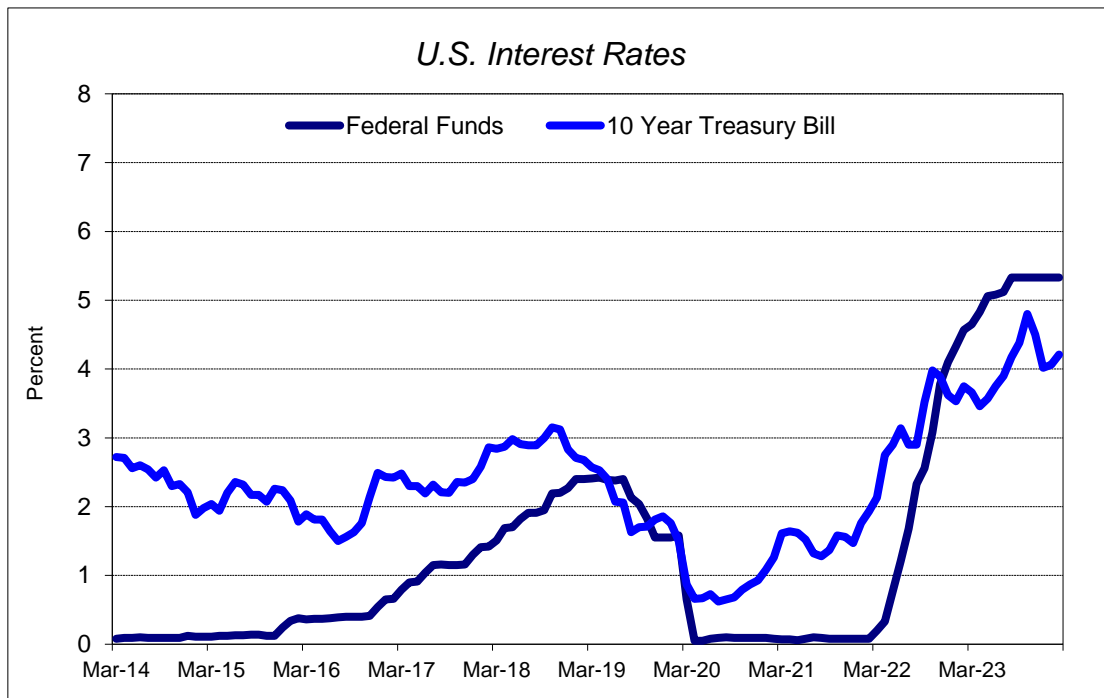


Daily Cotton Price Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	December	January	February		
NY Nearby	84.6	83.8	84.6	85.9	80.3	82.4	92.9	cents/pound	ICE
A Index	95.3	94.5	94.7	94.8	90.5	92.2	99.6	cents/pound	Cotlook

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	117.8	118.5	121.5	121.1	122.5	120.9	119.7	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.82	6.77	7.24	7.20	7.29	7.15	7.16	Chinese Renminbi/US dollar	Reuters
Indian Rupee	76.11	78.63	83.17	83.27	83.27	83.36	83.16	Indian Rupee/US dollar	Reuters
Japanese Yen	119.97	128.18	146.24	146.22	150.50	144.02	144.14	Japanese Yen/US dollar	Reuters
Pakistani Rupee	193.13	217.88	287.35	283.78	285.00	284.18	282.15	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	4.94	5.18	4.95	4.88	4.87	4.91	4.87	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.31	1.30	1.36	1.36	1.38	1.36	1.33	Canadian dollar/US dollar	Reuters
Mexican Peso	19.77	19.37	17.46	17.28	17.52	17.44	16.88	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.78	0.78	0.80	0.80	0.81	0.80	0.78	British Pound/US dollar	Reuters
Euro	0.90	0.91	0.93	0.92	0.94	0.93	0.91	Euro/US dollar	Reuters
Swiss Franc	0.94	0.92	0.88	0.87	0.90	0.88	0.85	Swiss Franc/US dollar	Reuters
Turkish Lira	12.71	16.89	28.12	29.09	28.50	28.92	29.84	Turkish Lira/US dollar	Reuters



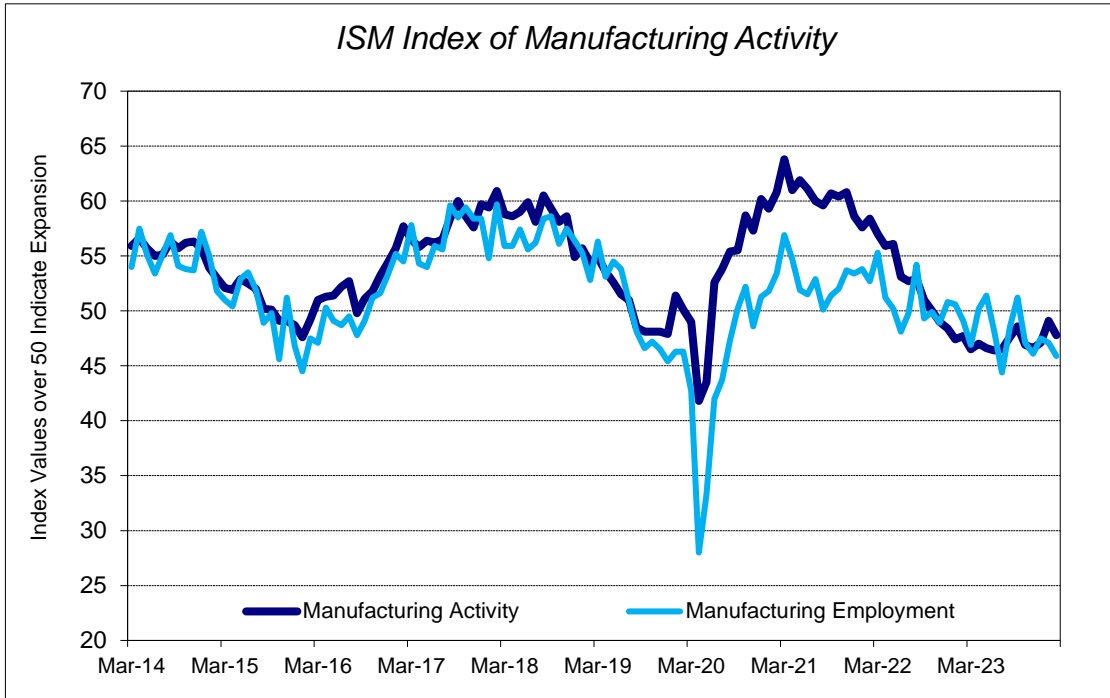
Seasonally Adjusted Annual Rate; Source: Department of Commerce
 *Based on chained 2005\$.



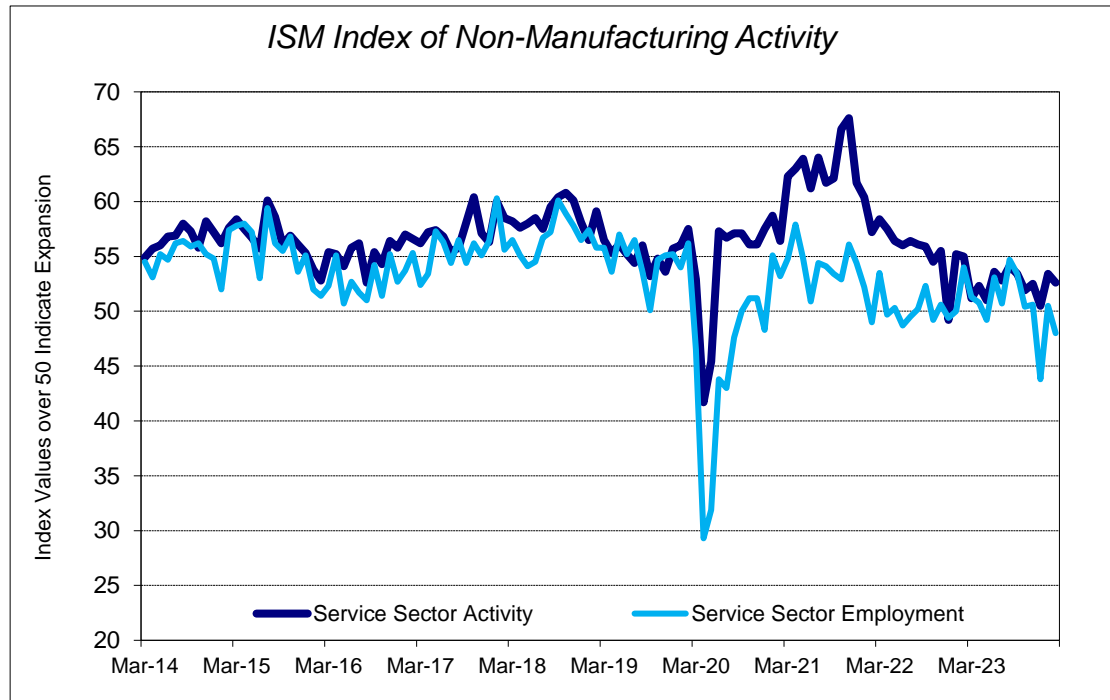
Source: Federal Reserve

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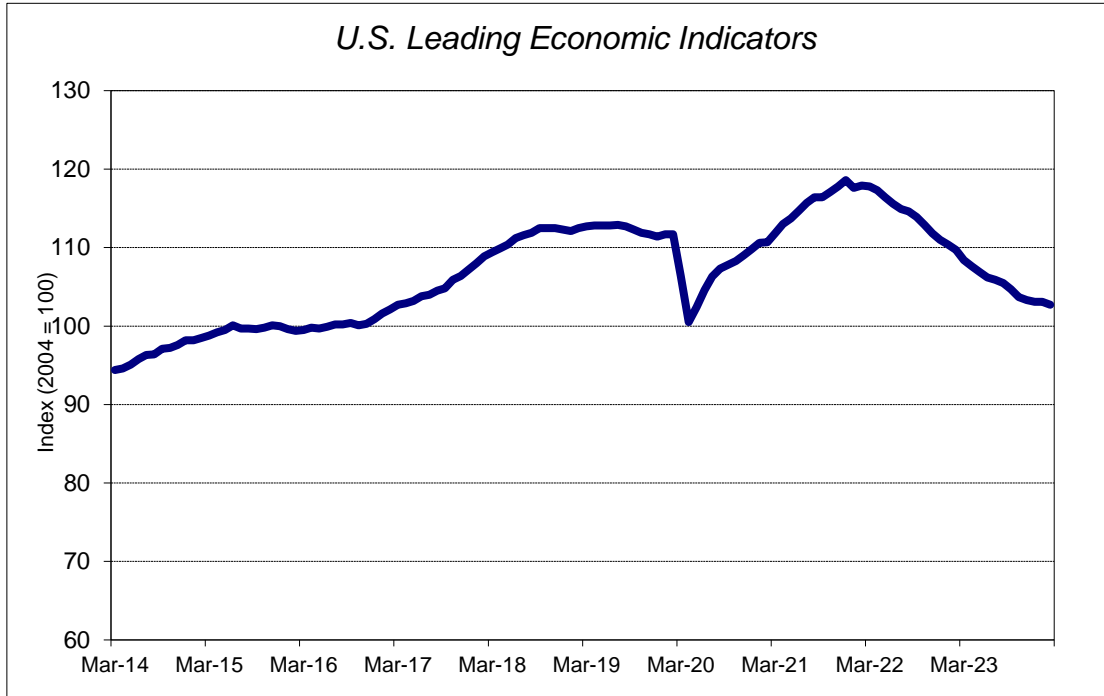
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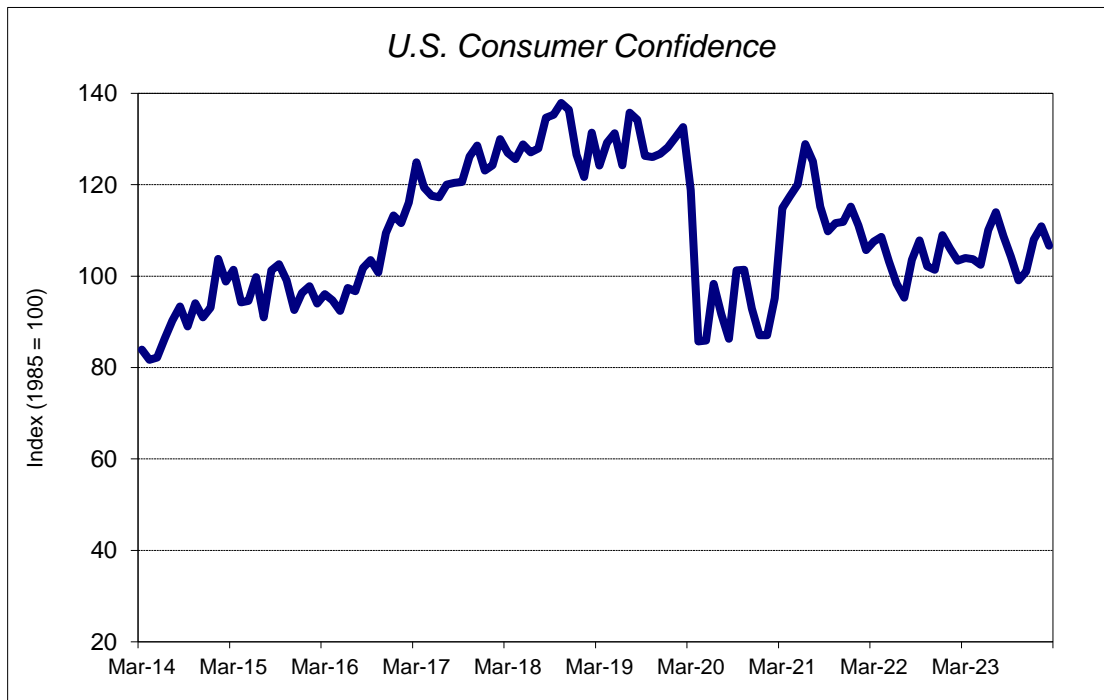
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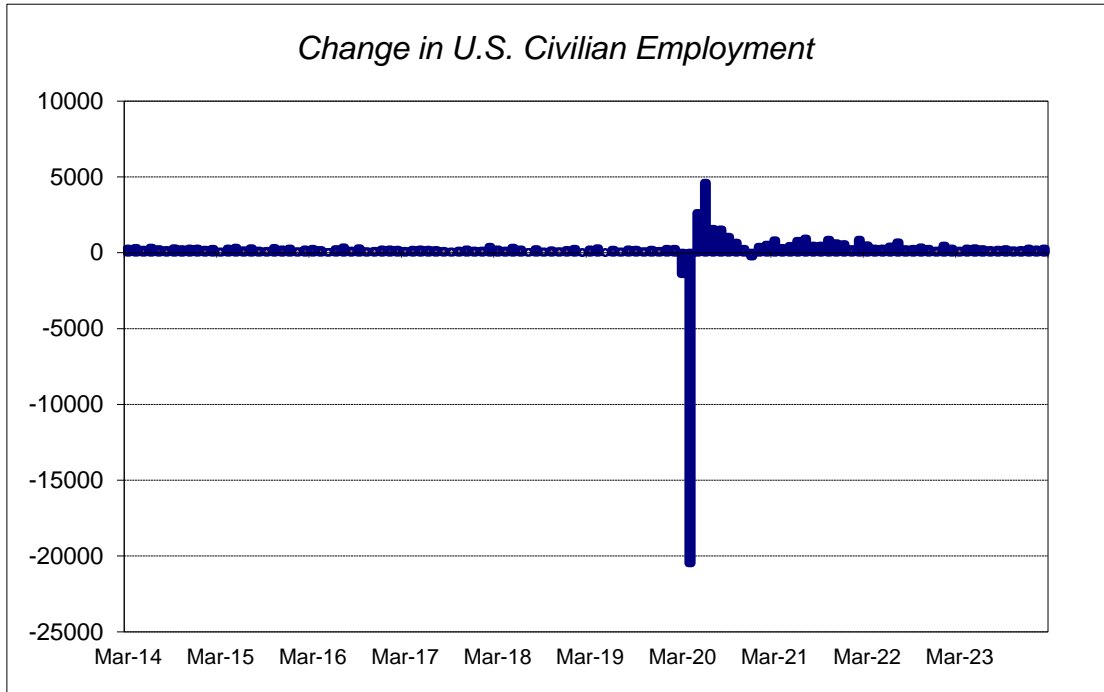
Source: The Conference Board



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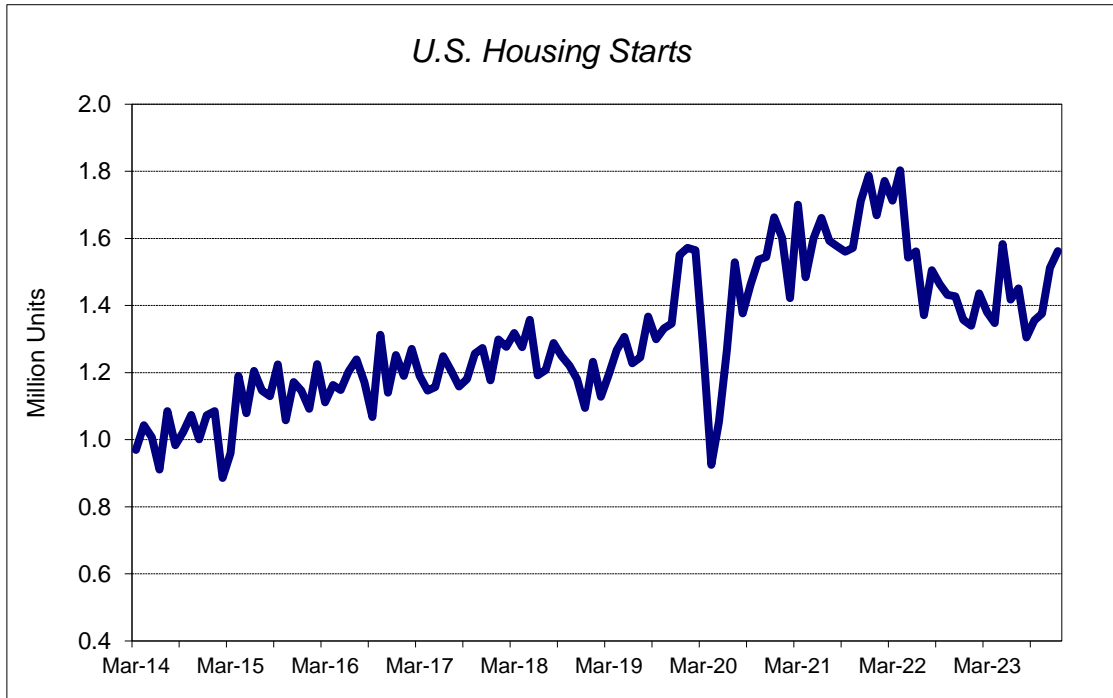
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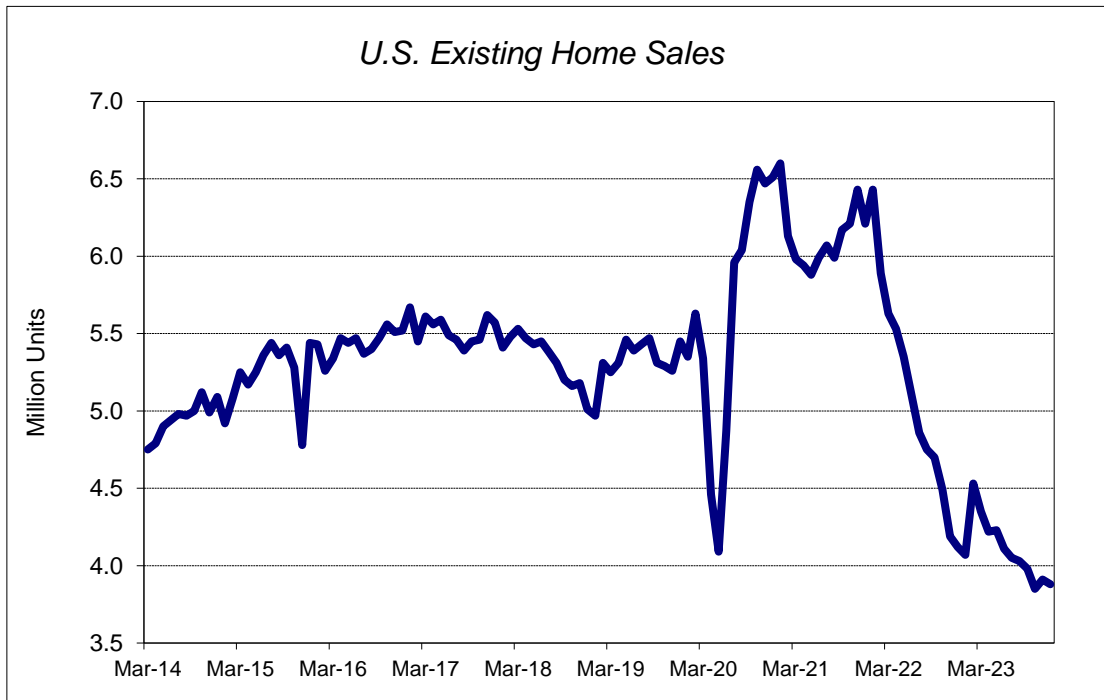
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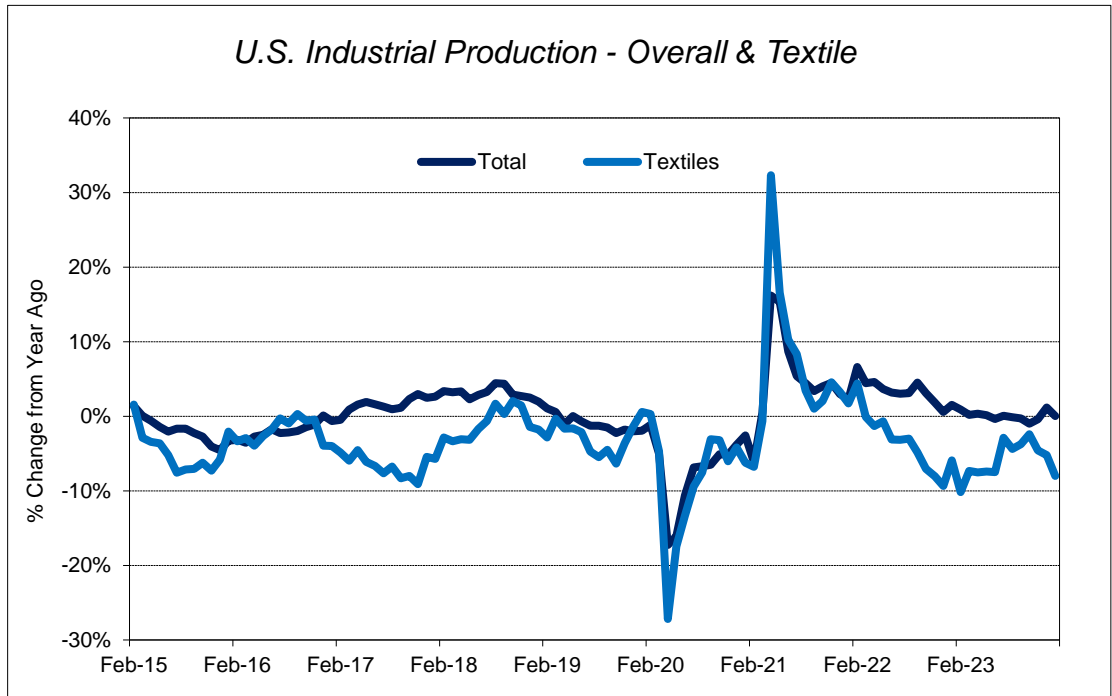
Seasonally Adjusted Annual Rate; Source: Department of Commerce



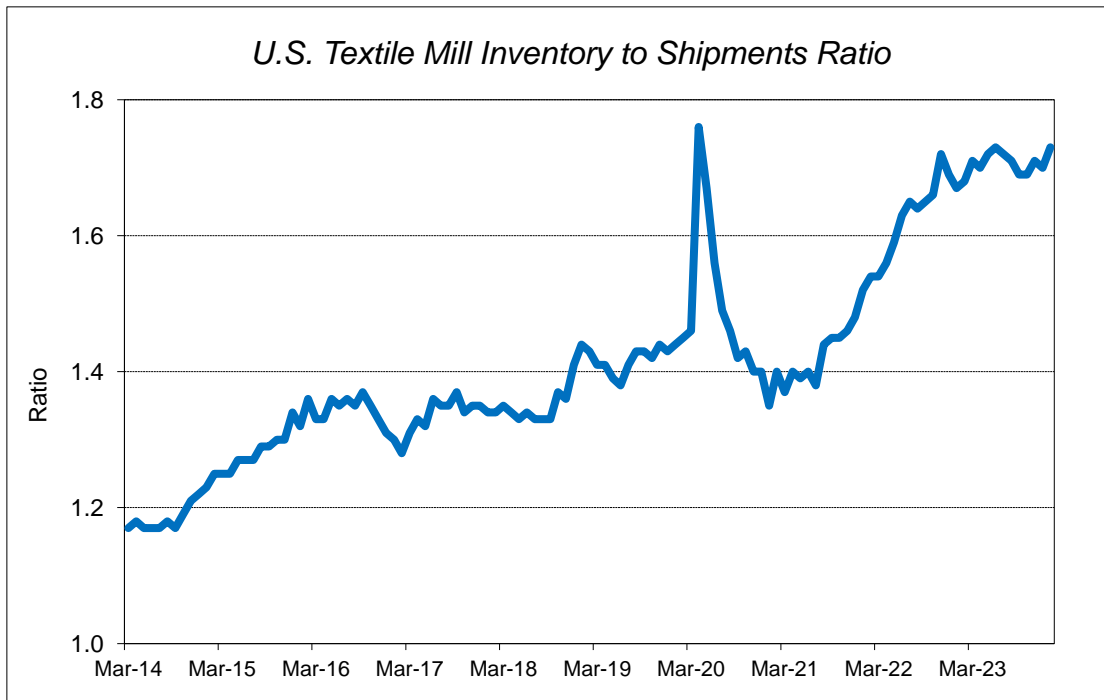
Seasonally Adjusted Annual Rate; Source: National Association of Realtors

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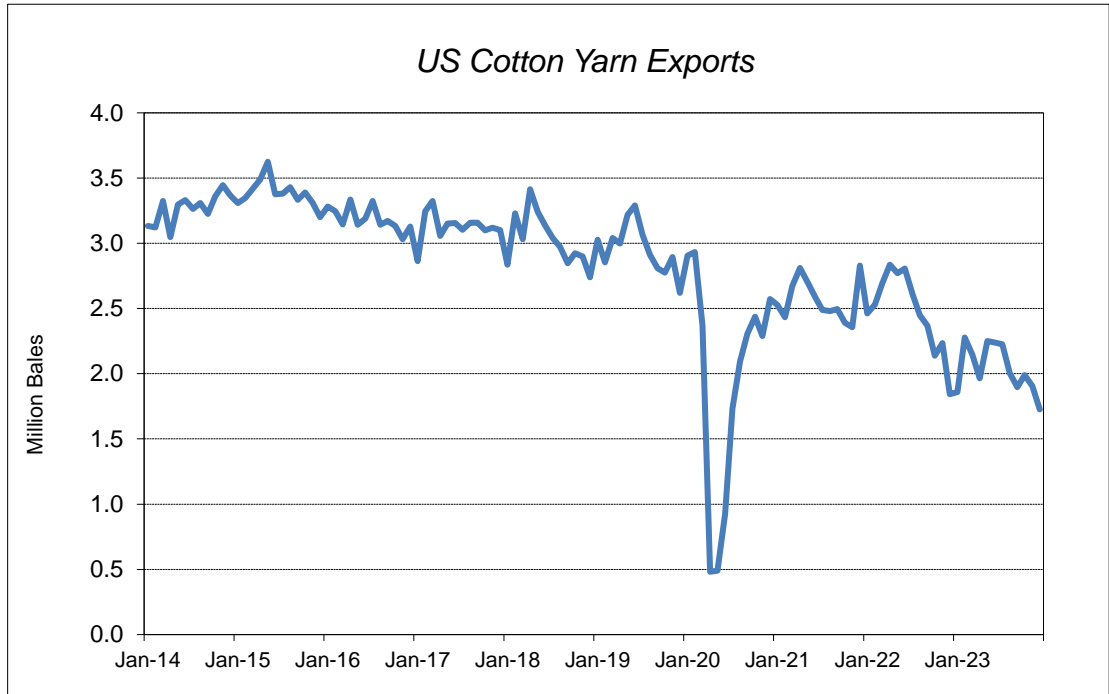
Source: Federal Reserve. Historical data revised to 1997 baseline.



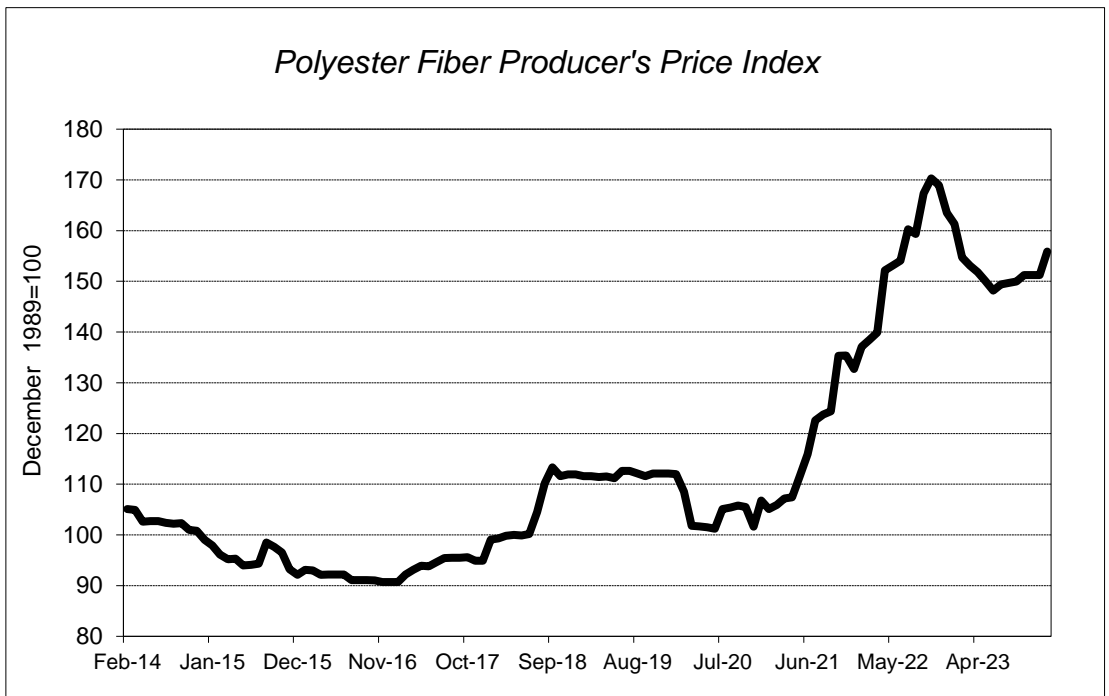
Seasonally Adjusted; Source: Department of Commerce

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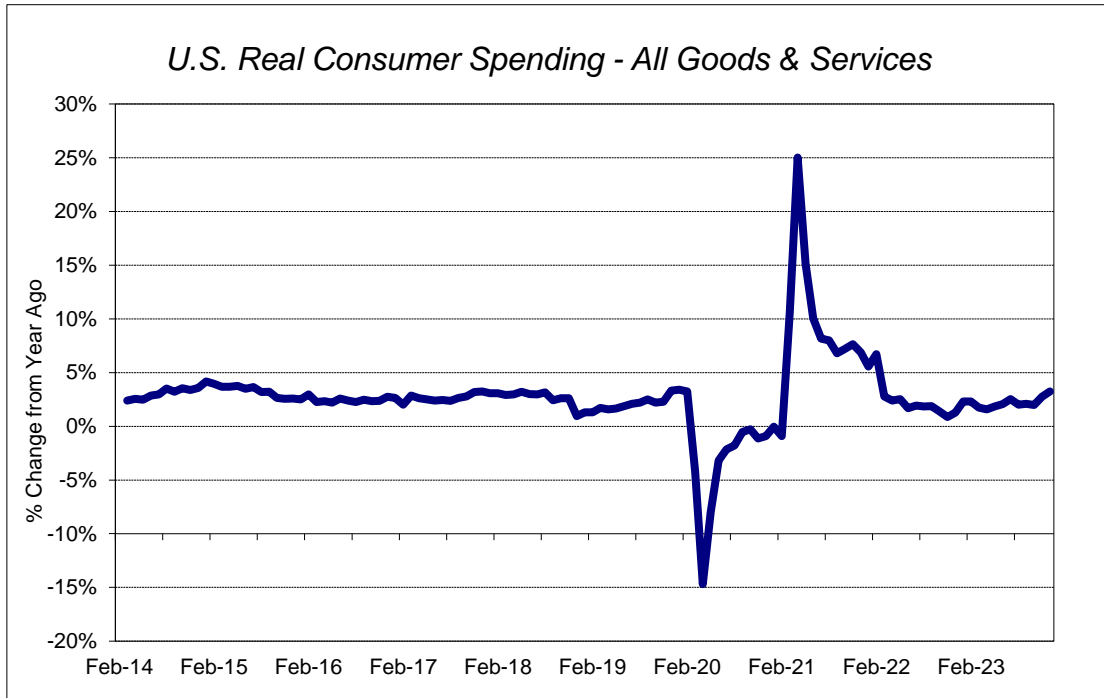
Seasonally Adjusted Annual Rate
 Source: USDA ERS



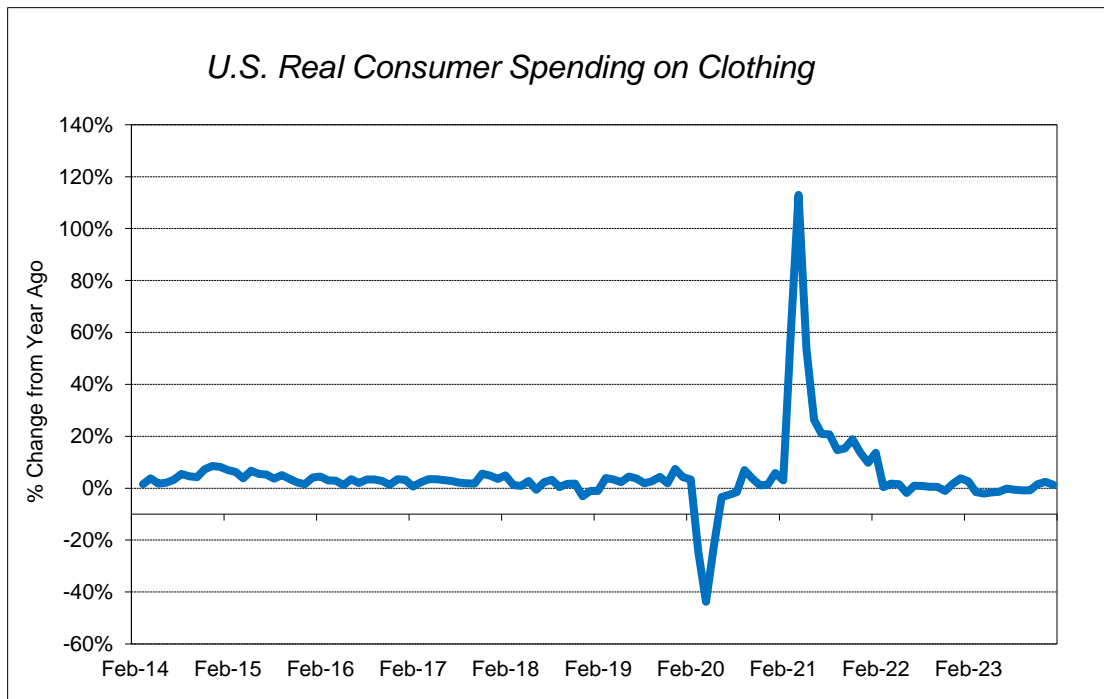
Source: Bureau of Labor Statistics

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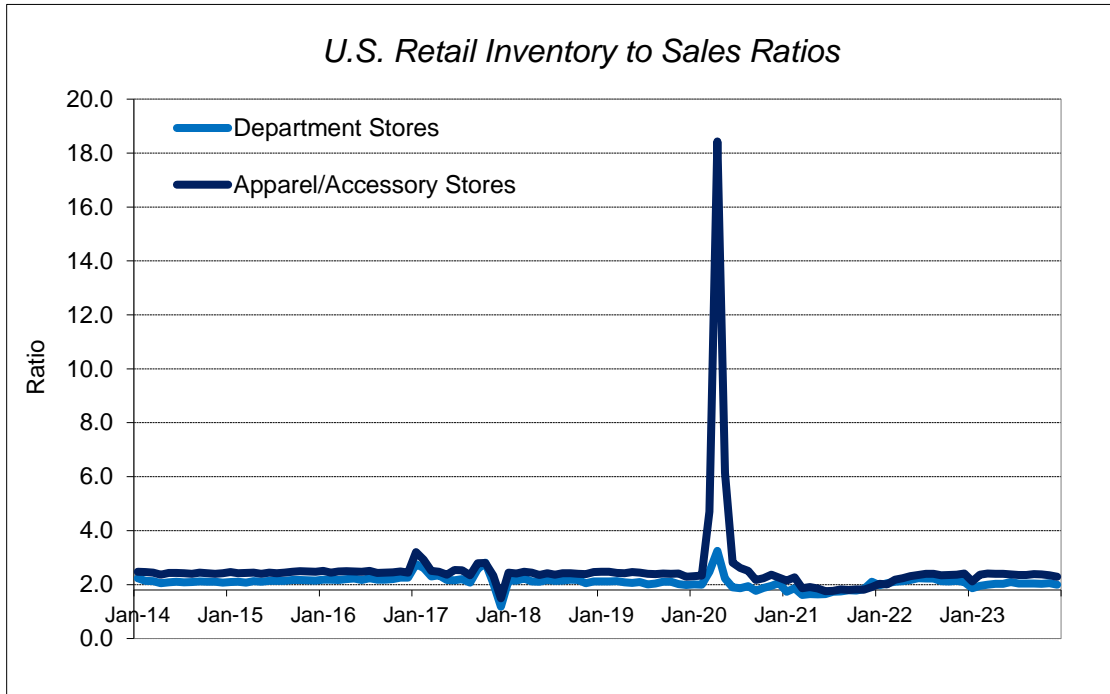
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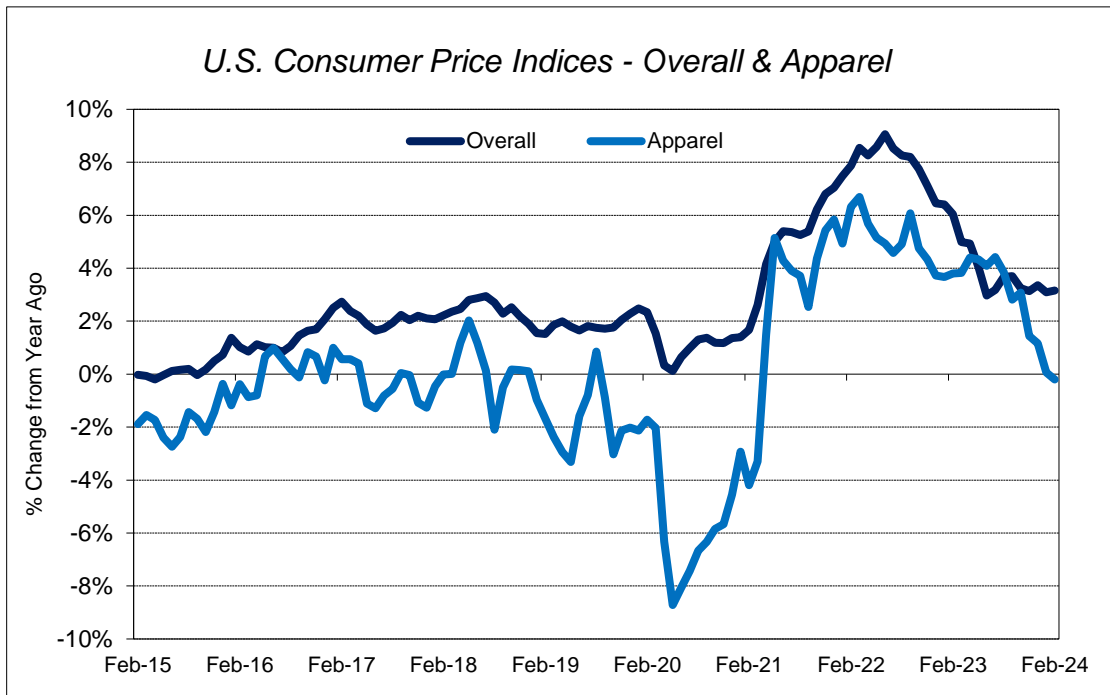
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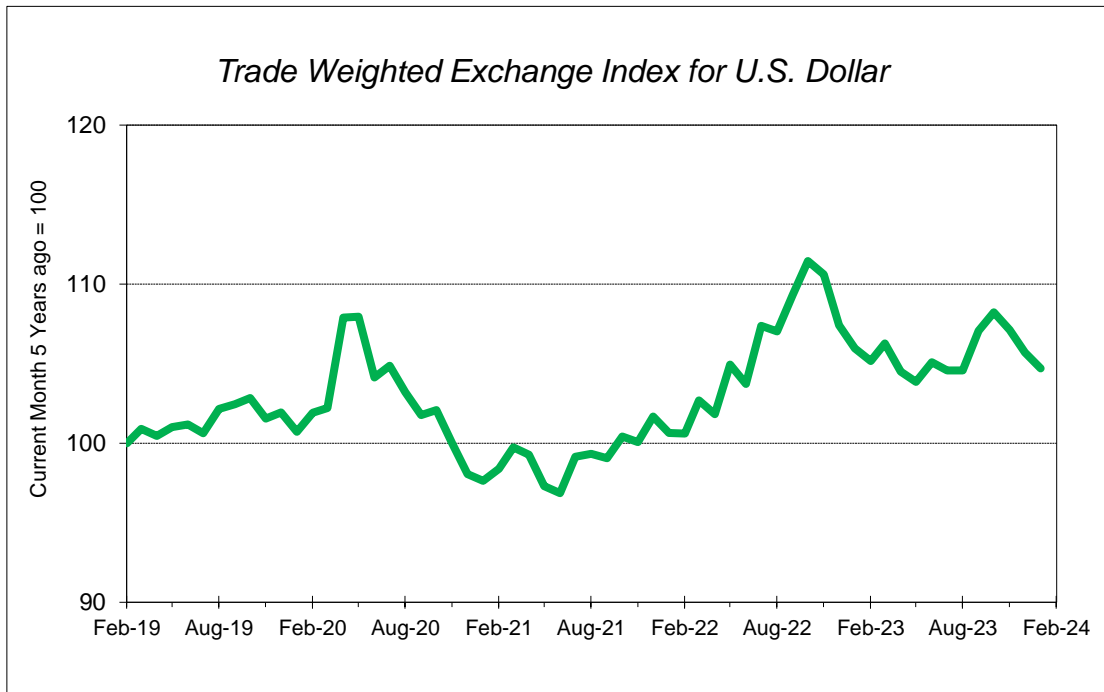
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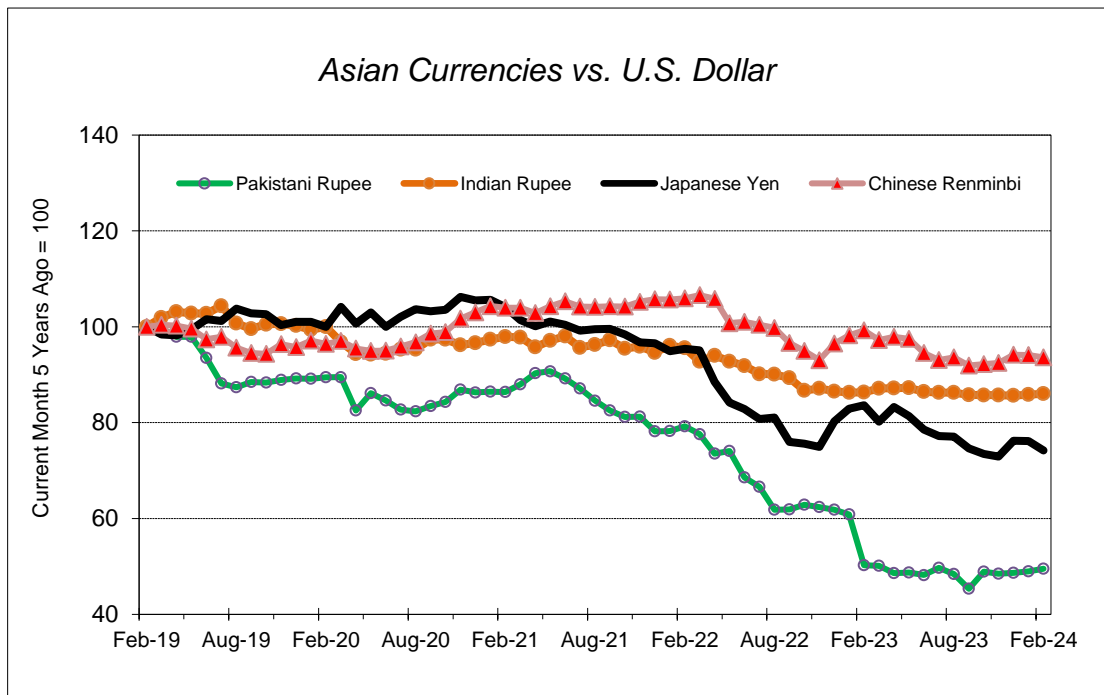
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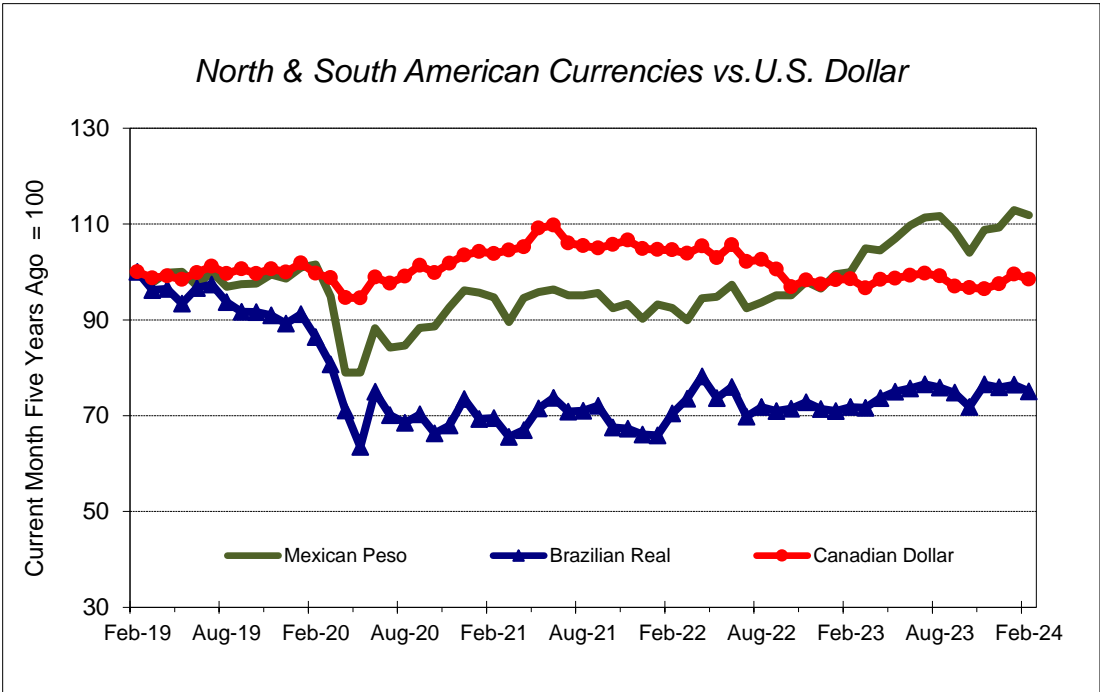
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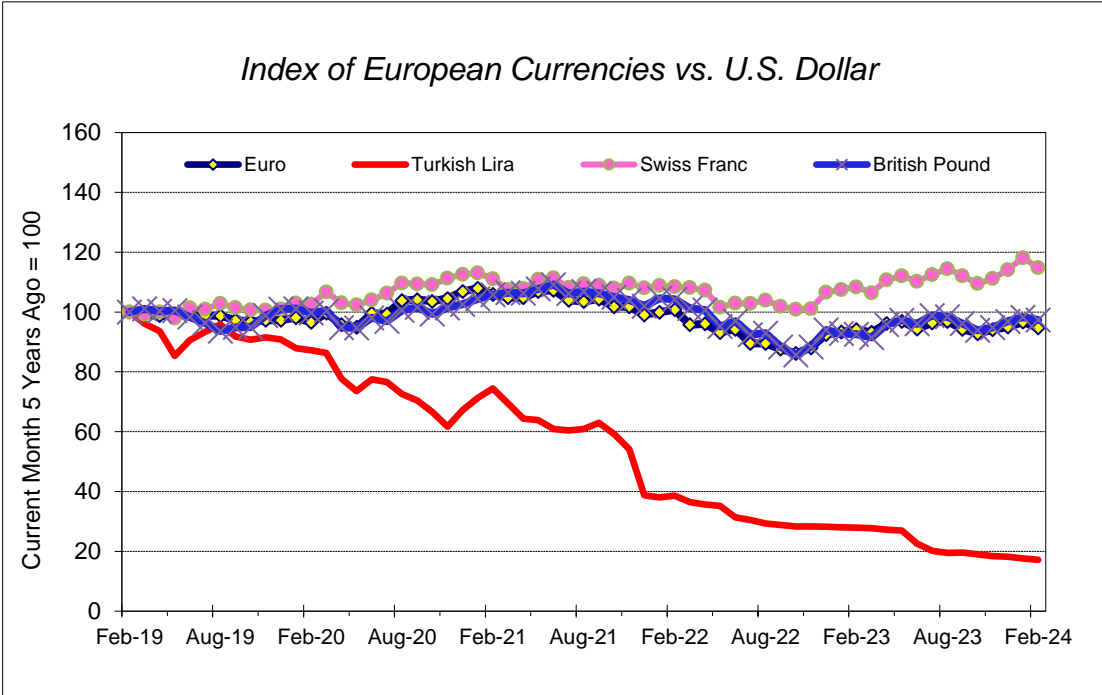
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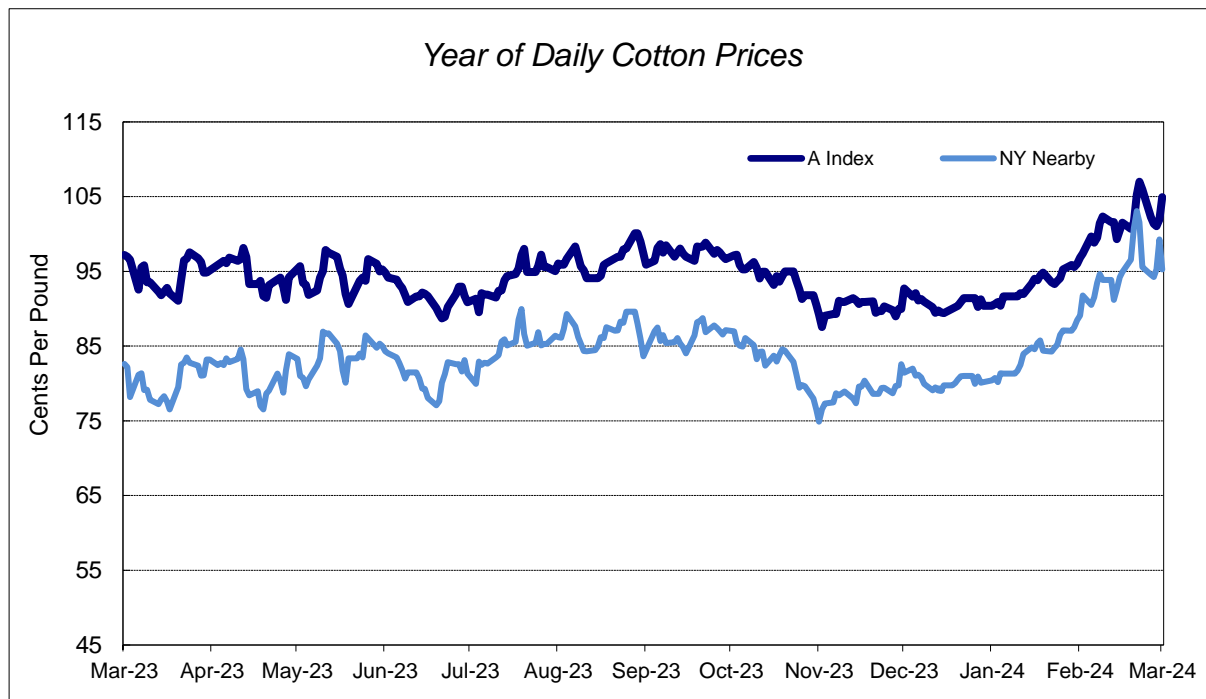
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U.S. Balance Sheet

million 480 lb. bales	2019/20	2020/21	2021/22	2022/23	2023/24 February	2023/24 March
Beginning Stocks	4.9	7.3	3.2	4.1	4.3	4.3
Production	19.9	14.6	17.5	14.5	12.4	12.1
Imports	0.0	0.0	0.0	0.0	0.0	0.0
Supply	24.8	21.9	20.7	18.5	16.7	16.4
Mill-Use	2.2	2.4	2.6	2.1	1.8	1.8
Exports	15.5	16.4	14.5	12.8	12.3	12.3
Demand	17.7	18.8	17.0	14.8	14.1	14.1
Ending Stocks	7.3	3.2	4.1	4.3	2.8	2.5
Stocks/Use Ratio	41.0%	16.8%	23.8%	28.7%	19.9%	17.8%



Sources: ICE Futures U.S. & Cotton Outlook

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