

Executive Cotton Update

U.S. Macroeconomic Indicators &
the Cotton Supply Chain



April 2024

www.cottoninc.com

Macroeconomic Overview: The U.S. labor market continues to add jobs at a solid pace, with the latest addition coming in above projections. Recent inflation readings have also been coming in above expectations. The Federal Reserve's mandate requires the pursuit of both low unemployment and the maintenance of inflation near two percent.

Since the labor market has consistently been adding jobs, the unemployment rate has been able to maintain historically low values below four percent. Meanwhile, inflation has been above two percent. The latest reading (February) for the core price deflator targeted by the Federal Reserve indicated prices were rising +2.8% year-over-year.

With unemployment low and inflation above the target, there may be room for the Federal Reserve to pressure the labor side of its mandate in order to pursue the inflation portion of its objectives. In terms of policy, this suggests little rush to lower rates. Comments from Federal Reserve officials suggest thinking has been migrating away from rate decreases, with several voting members of the Fed's Open Market Committee recently stating that it may be too soon for cuts. There have also been comments expressing concern about the potential for inflation to start increasing again, which introduces the possibility of interest rate increases.

This contrasts with expectations just a few months ago, when many were predicting four or more rate cuts in 2024, with decreases potentially beginning as soon as the first quarter of this year. Those forecasts have been tamped down, with fewer and smaller rate cuts now expected. There may also be an increased possibility of no cuts in 2024. Nonetheless, in the Summary of Economic Projections report released in late March (where forecasts from Federal Reserve officials are summarized), the median projection suggested three rate cuts of 0.25 points this year.

Higher interest rates maintained for a longer period of time imply headwinds for the U.S. economy could be stronger for longer. However, recent data on spending and GDP have been surprisingly positive. The labor market remains tight, and wages continue to grow at levels above inflation, which can signal increased consumer spending power.

Employment: The U.S. economy is estimated to have added +303,000 new jobs in March. Revisions to previous months were mixed, with the figure for February dropping -5,000 to +270,000 and the figure for January rising +27,000 to +256,000. The current twelve-month average is +244,000.

The unemployment rate decreased marginally from 3.9% to 3.8% month-over-month. The unemployment rate is the ratio of the number of employed people over the number in the labor force (people willing and able to work). In March, the unemployment rate decreased despite a sizeable increase in the estimated number of people wanting to work (+469,000 workers month-over-month).

Wages increased +4.1% year-over-year in March. The rate of wage growth has been shifting lower since the post-stimulus peak of +5.9% was set in March 2022. However, wage increases had been holding near +4.3% in recent months. The current figure is the lowest in the post-COVID-stimulus era (since the second half of 2021), but it remains higher than recent readings for inflation. CPI data are not yet available for March, but the year-over-year increase for aggregate prices (overall CPI, different from the core deflator targeted by the Fed) was +3.2% in February.

Consumer Confidence & Spending: The Conference Board's Index of Consumer Confidence was nearly unchanged month-over-month in March (-0.1 points). The current value of 104.7 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 increased +0.4% month-over-month in February. This followed a -0.2% decrease in January. Year-over-year, overall spending was +2.4% higher in February.

After strong month-over-month growth in apparel spending between November and January, when gains were +1.1% (Nov), +1.3% (Dec), and +0.6% (Jan), there was a pullback in February (-1.5% month-over-month decrease). Year-over-year, spending on clothing in February was +0.6% higher. The annual rate of change in apparel spending was positive in November (+1.5%), December (+2.3%), and January (+1.0%), but this followed a period with year-over-year decreases from March to October 2023.

Consumer Prices & Import Data: The CPI for garments increased +0.3% in February. Year-over-year, retail apparel prices were marginally lower -0.2%. Average import costs, represented by the price per square meter equivalent (SME) of cotton-dominant apparel, decreased -2.3% month-over-month in February. Year-over-year import prices were down -10.6%. Relative to the average in 2019, sourcing costs for cotton-dominant apparel in February were +8.5% 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	

Executive Cotton Update

U.S. Macroeconomic Indicators & Cotton Prices
April 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%	3.4%	% 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	52.7	47.5	48.0	49.1	49.1	47.8	50.3	Index	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	56.0	52.5	52.1	52.5	53.4	52.6	51.4	Index	Institute for Supply Management
Consumer Confidence	109.4	106.0	104.8	106.8	110.9	104.8	104.7	Index	The Conference Board
Change in Non-Farm Payrolls	130.7	243.9	244.3	276.3	256	270	303	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	4.9%	3.7%	3.8%	3.8%	3.7%	3.9%	3.8%	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	2.4%	4.1%	4.3%	4.2%	4.1%	4.2%	4.2%	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	110.7	104.6	103.1	102.7	102.7	102.7	102.8	Index	The Conference Board
Housing Starts	1.5	1.4	1.5	1.5	1.6	1.4	1.5	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.2	4.1	4.0	4.1	3.9	4.0	4.4	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	100.4	102.8	102.7	102.4	103.0	102.7	102.3	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	129.7	150.1	149.7	148.7	147.4	149.3	149.5	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	2.0	1.9	1.9	1.9	1.7	1.9	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	1.54	1.71	1.71	1.73	1.73	1.72	1.73	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%	2.4%	2.5%	3.3%	2.0%	2.4%	% Chg. Year/Year	Department of Commerce
Clothing	5.9%	-0.3%	0.6%	1.3%	2.3%	1.0%	0.6%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	4.0%	3.6%	3.3%	3.2%	3.4%	3.1%	3.2%	% Chg Year/Year	Bureau of Labor Statistics
Clothing	0.8%	2.8%	1.4%	0.3%	1.2%	0.1%	-0.2%	% 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	2.4	2.3	2.3	2.3	2.3	2.3	Ratio	Department of Commerce
Department Stores	2.0	2.0	2.0	2.0	2.1	2.0	2.0	Ratio	Department of Commerce

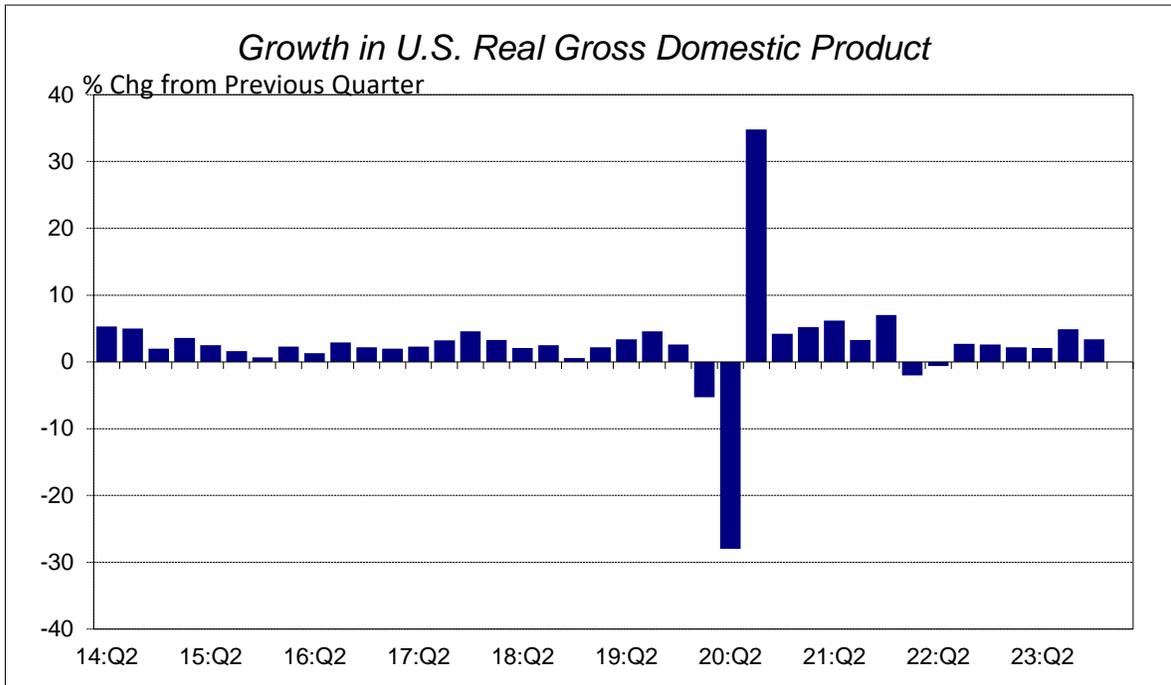
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Daily Cotton Price and Currency Data

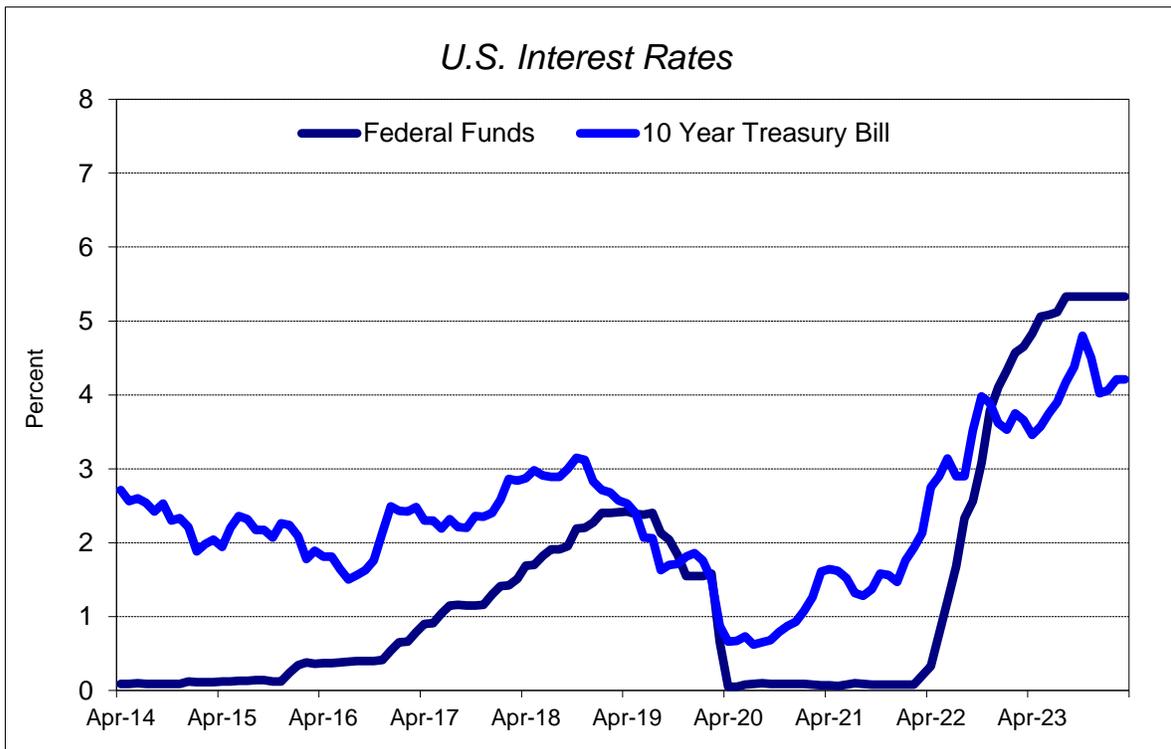
April 2024



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	84.9	84.7	85.5	89.5	82.4	92.9	93.8	cents/pound	ICE
A Index	95.5	94.7	94.7	97.0	92.2	99.6	99.7	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	117.9	118.8	121.6	120.8	120.0	121.2	121.2	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.83	6.80	7.21	7.18	7.15	7.18	7.20	Chinese Renminbi/US dollar	Reuters
Indian Rupee	76.37	79.00	83.16	83.02	83.23	82.93	82.90	Indian Rupee/US dollar	Reuters
Japanese Yen	121.08	130.26	148.14	147.80	144.63	148.27	150.50	Japanese Yen/US dollar	Reuters
Pakistani Rupee	197.61	224.28	282.37	280.25	281.90	279.50	279.35	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	4.97	5.15	4.97	4.94	4.91	4.97	4.95	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.31	1.31	1.36	1.35	1.34	1.35	1.36	Canadian dollar/US dollar	Reuters
Mexican Peso	19.69	19.15	17.34	17.05	17.04	17.14	16.98	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.78	0.79	0.80	0.79	0.79	0.79	0.79	British Pound/US dollar	Reuters
Euro	0.90	0.91	0.93	0.92	0.91	0.93	0.92	Euro/US dollar	Reuters
Swiss Franc	0.93	0.92	0.88	0.87	0.85	0.87	0.88	Swiss Franc/US dollar	Reuters
Turkish Lira	13.48	18.10	29.44	30.58	29.76	30.46	31.53	Turkish Lira/US dollar	Reuters



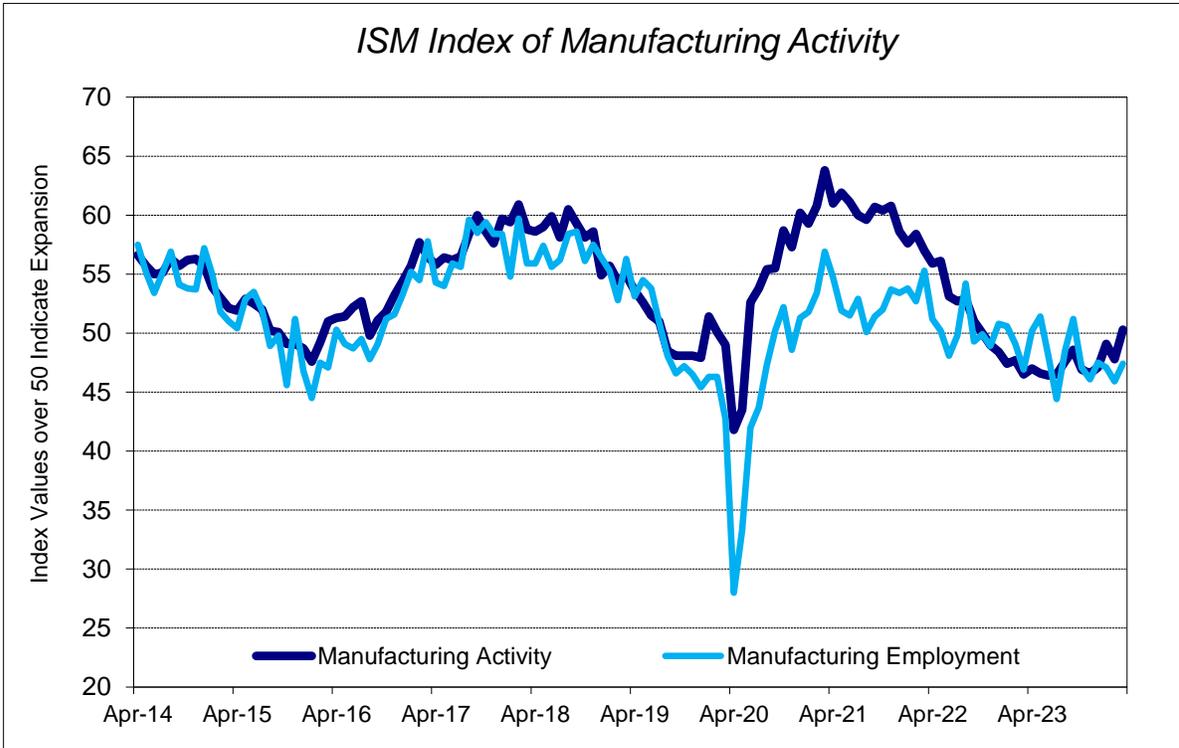
Seasonally Adjusted Annual Rate; Source: Department of Commerce
 *Based on chained 2005\$.



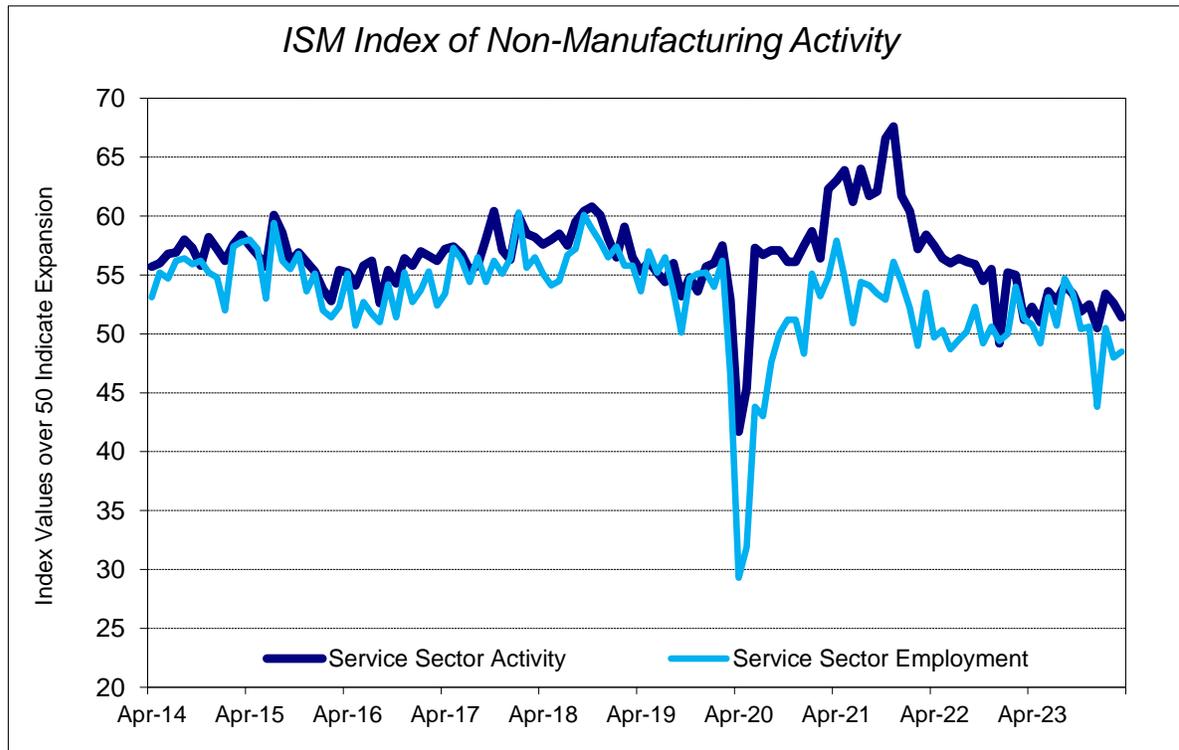
Source: Federal Reserve

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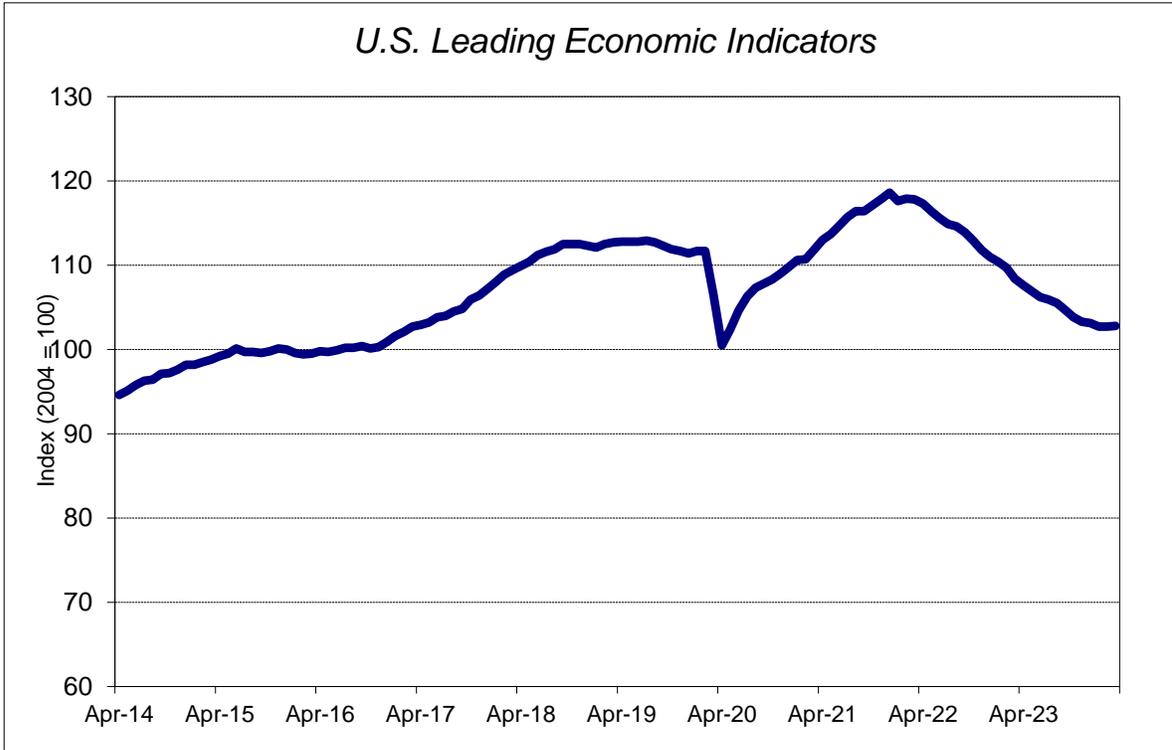
Source: Institute for Supply Chain Management



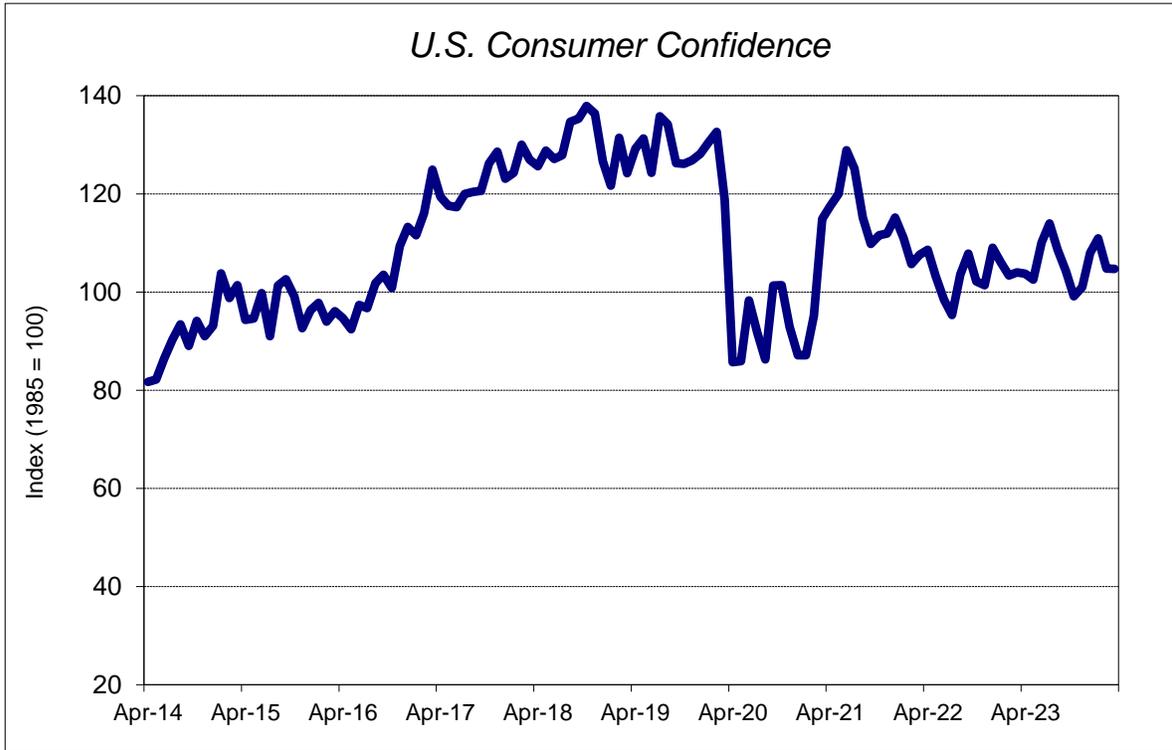
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Source: The Conference Board



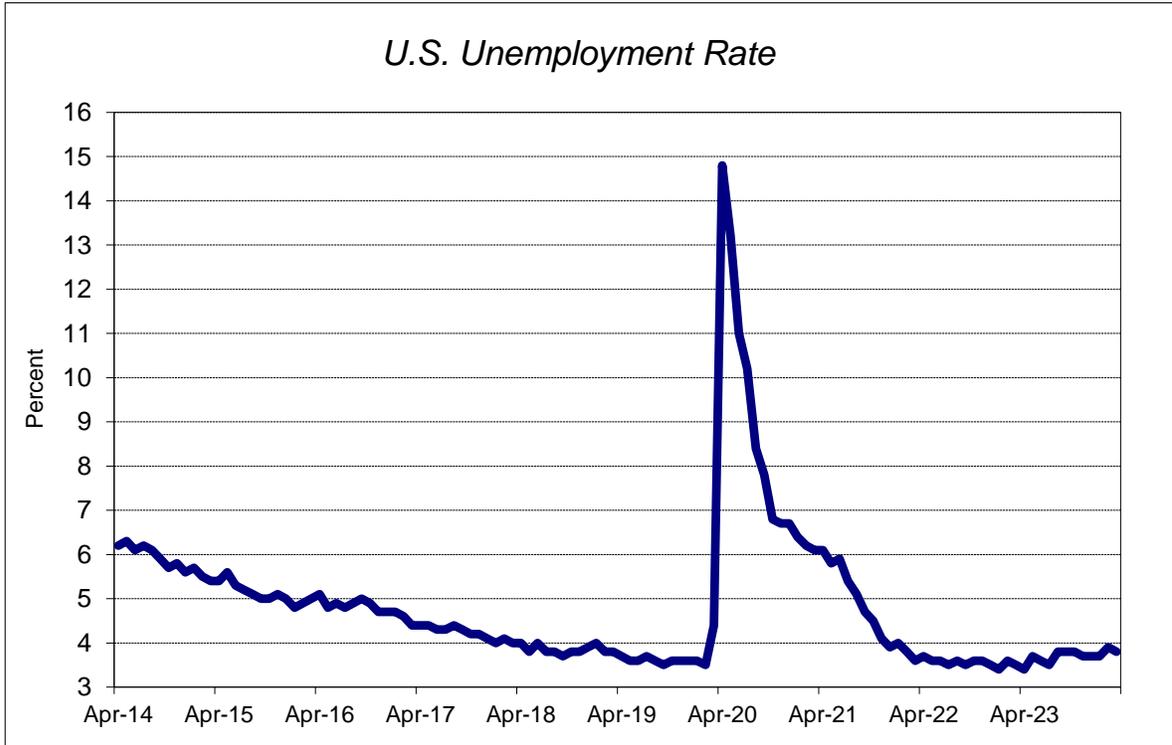
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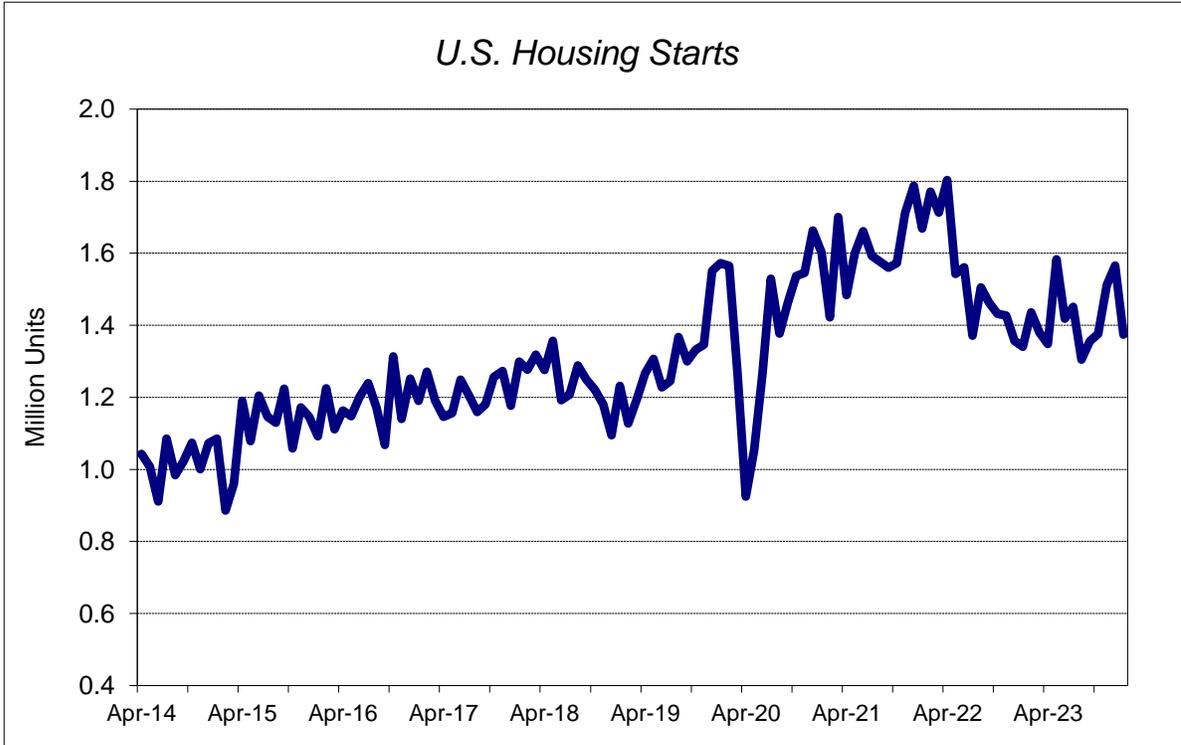
Source: Bureau of Labor Statistics



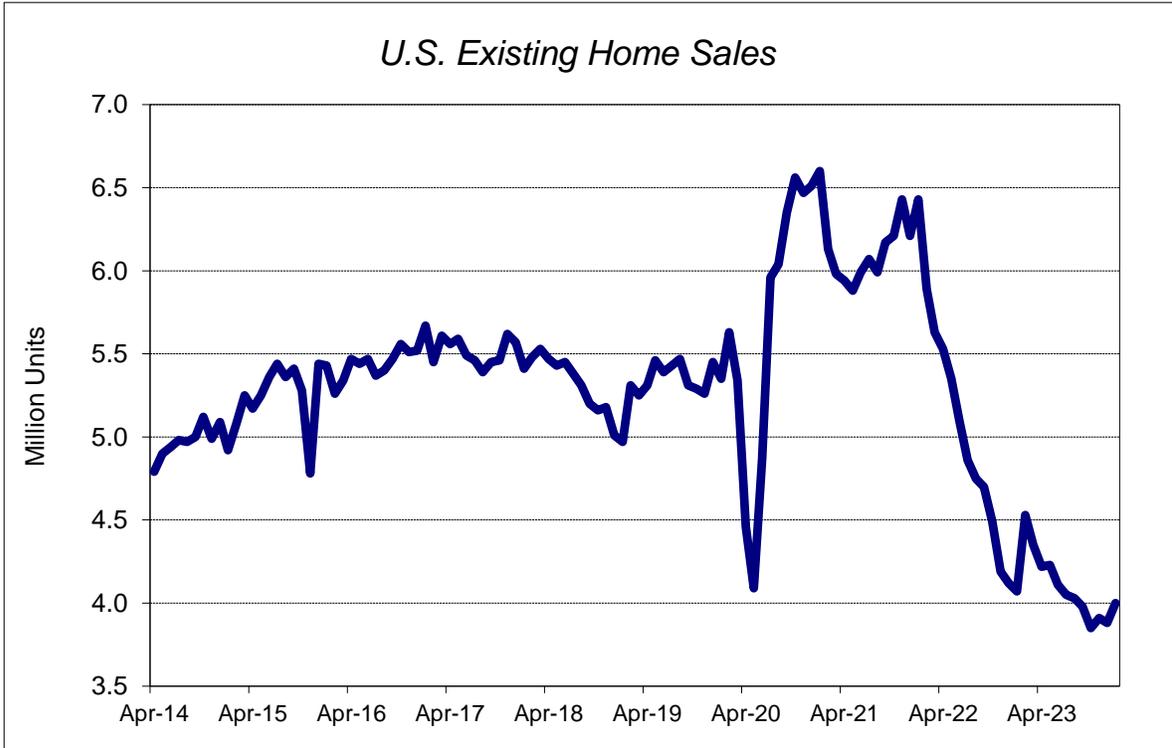
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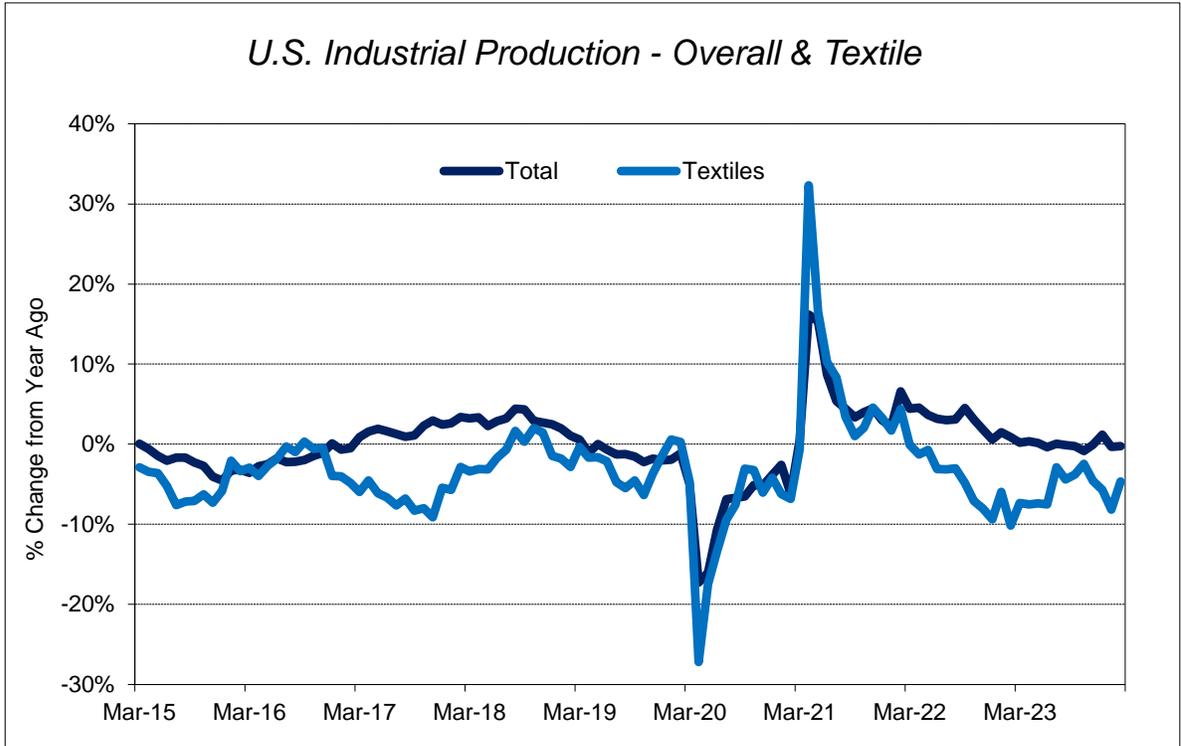
Seasonally Adjusted Annual Rate; Source: Department of Commerce



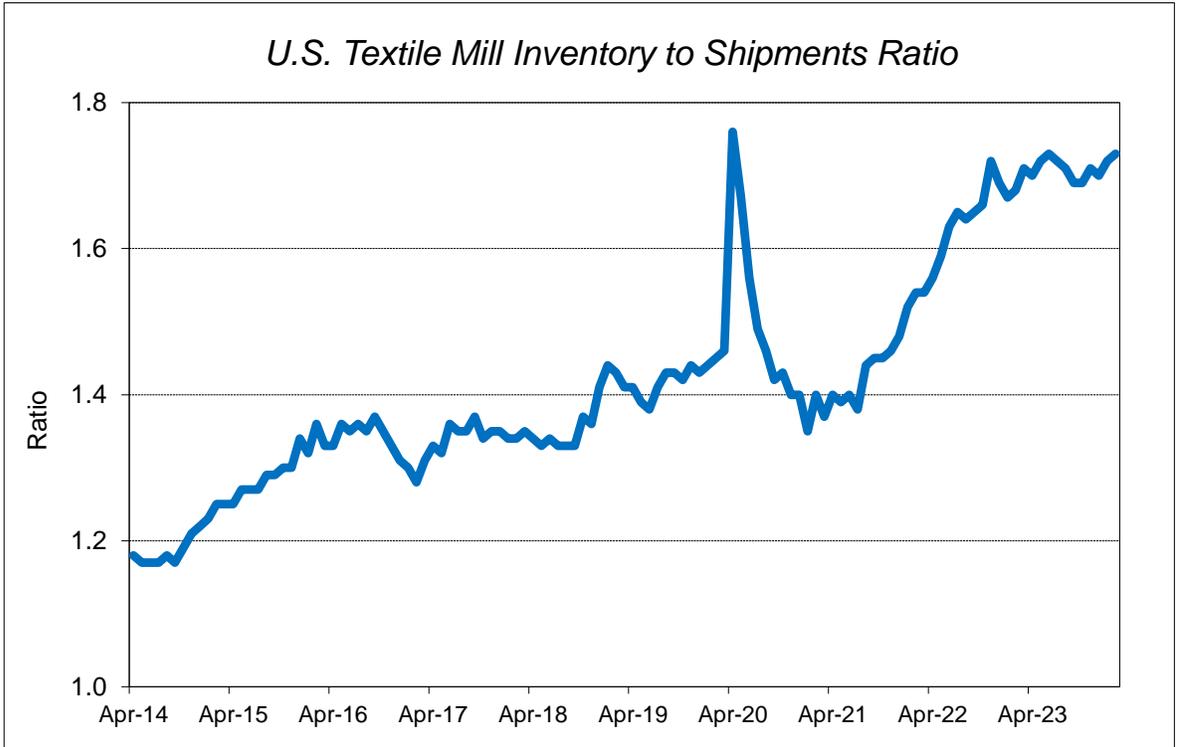
Seasonally Adjusted Annual Rate; Source: National Association of Realtors

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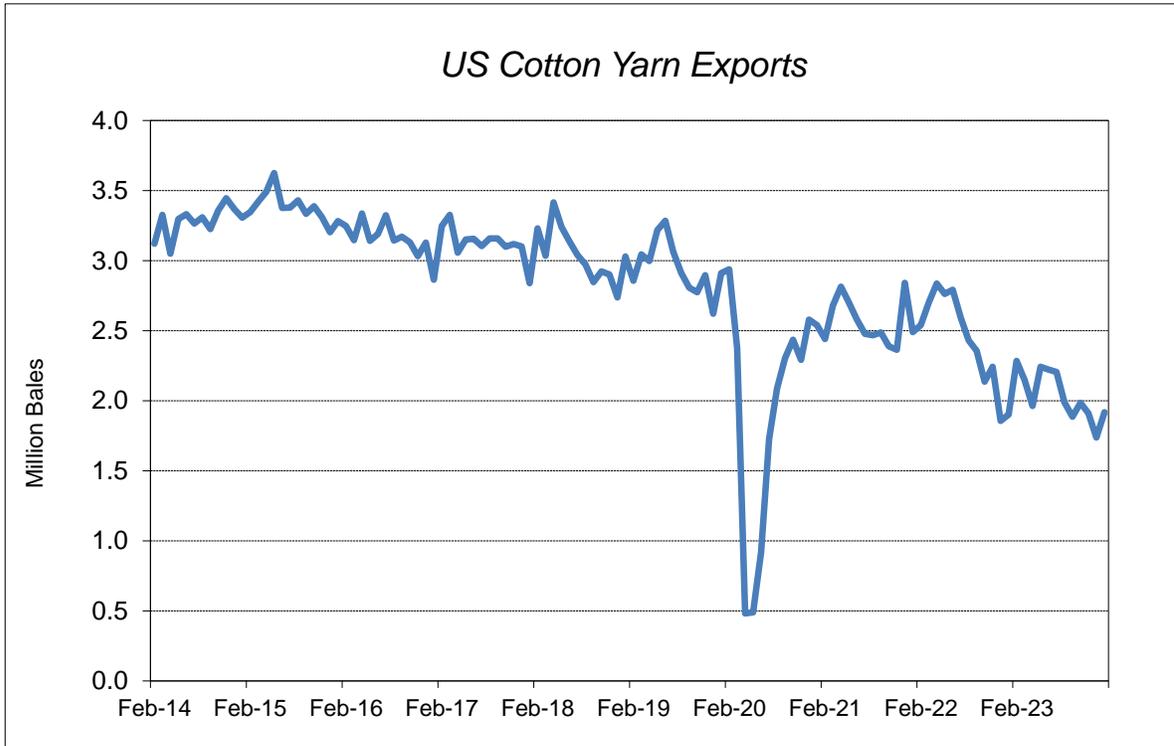
Source: Federal Reserve. Historical data revised to 1997 baseline.



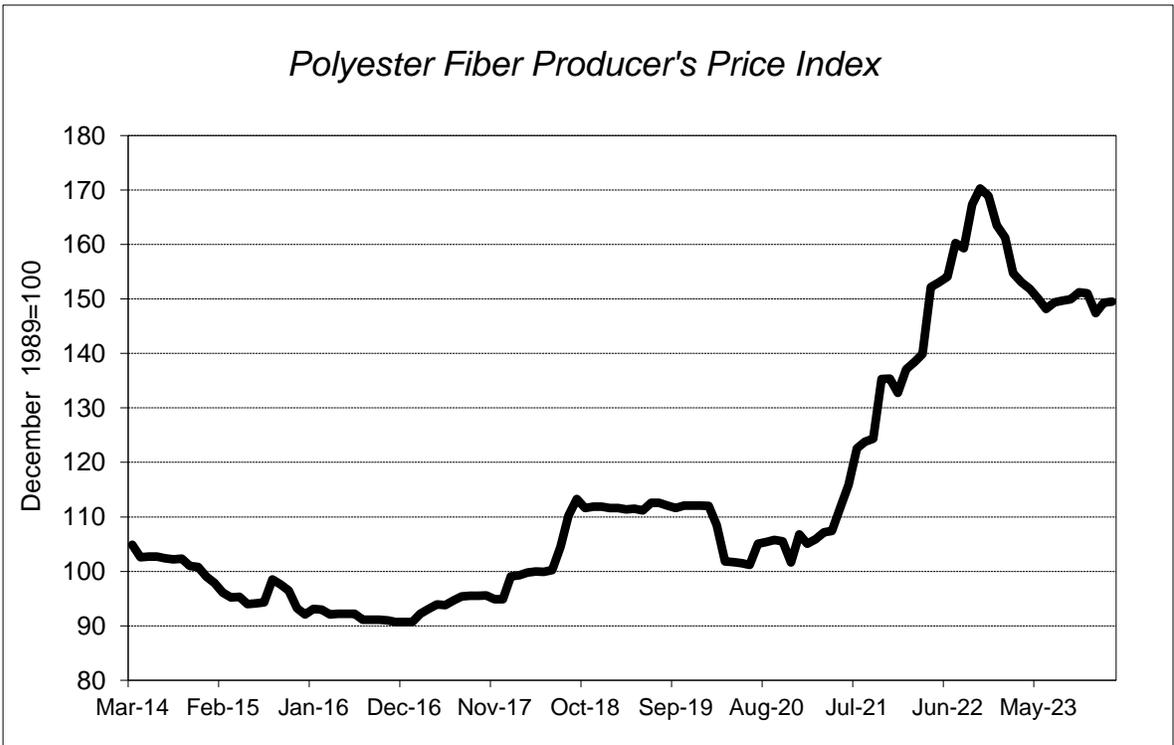
Seasonally Adjusted; Source: Department of Commerce

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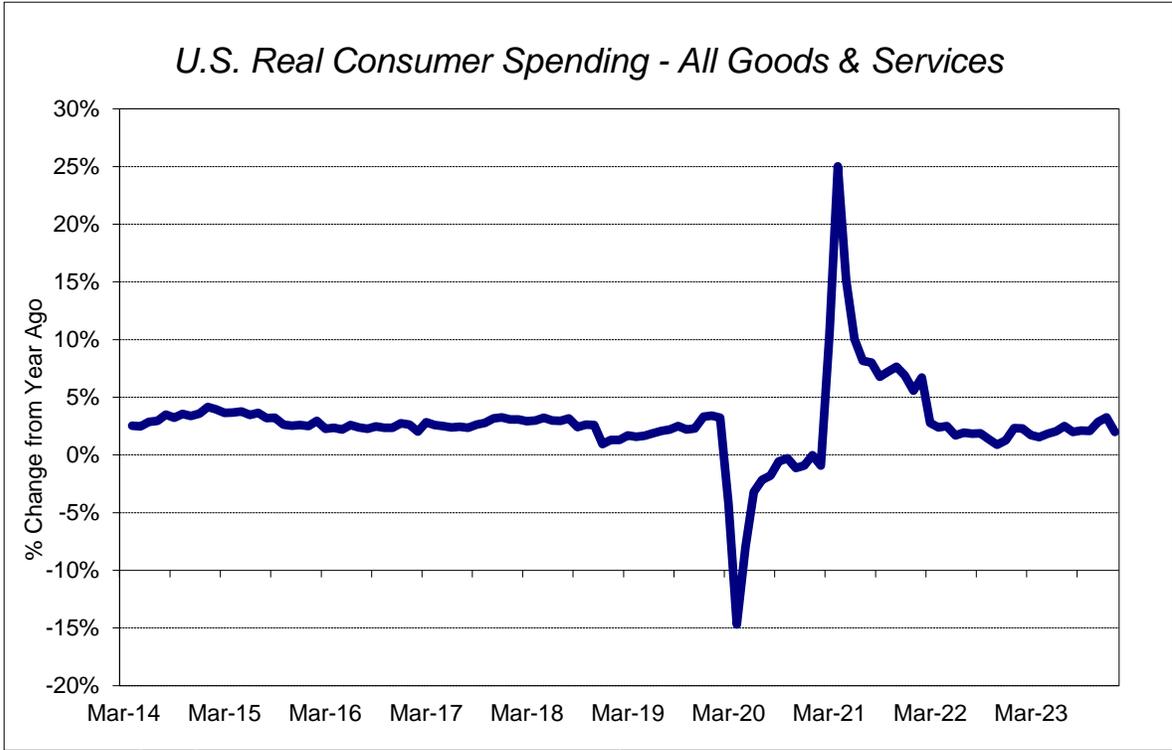
Seasonally Adjusted Annual Rate
 Source: USDA ERS



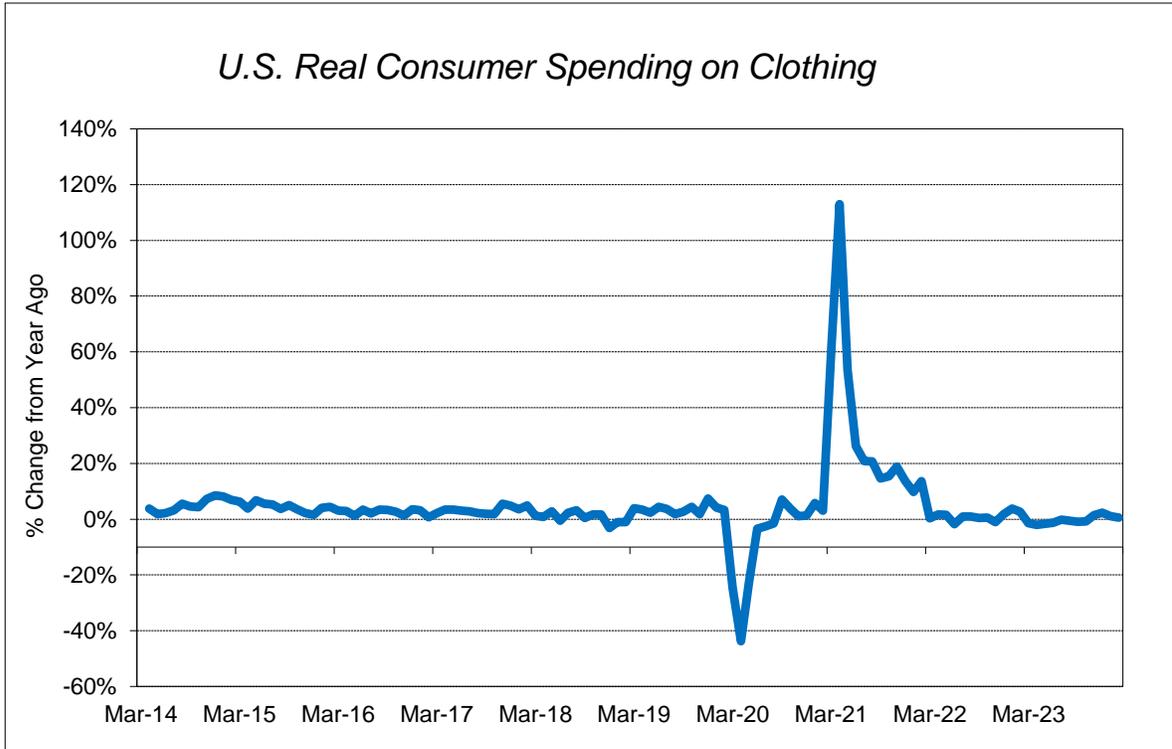
Source: Bureau of Labor Statistics

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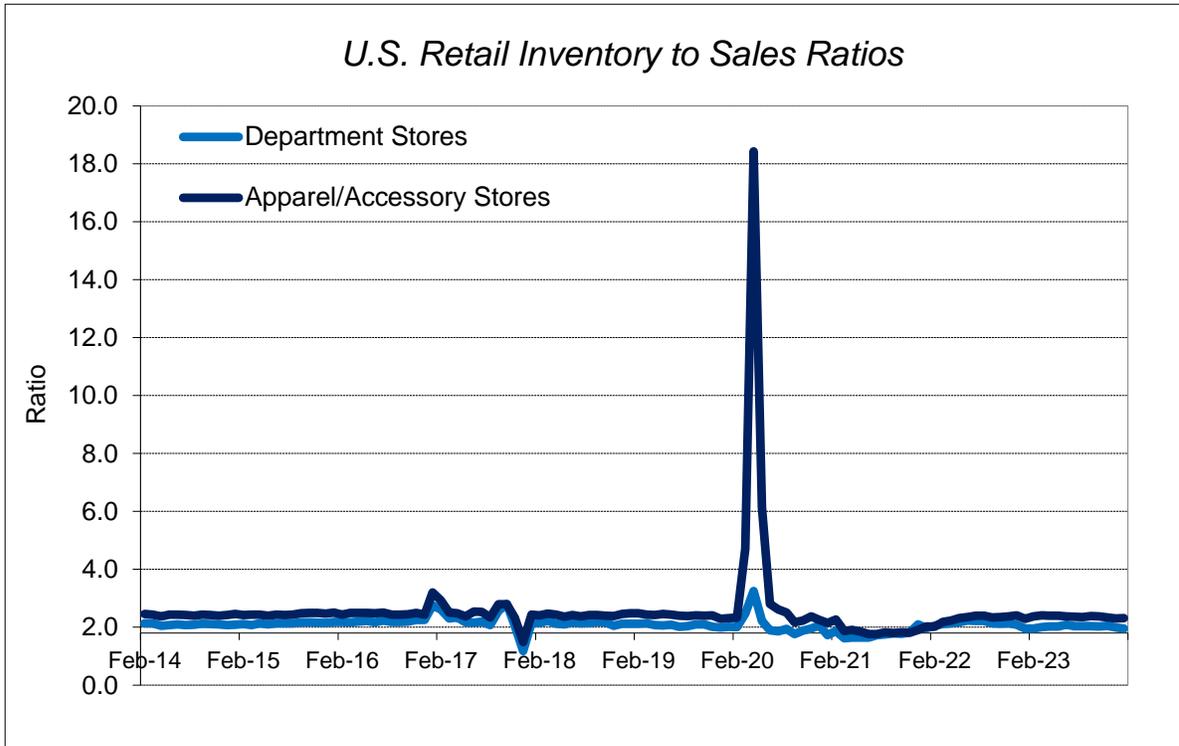
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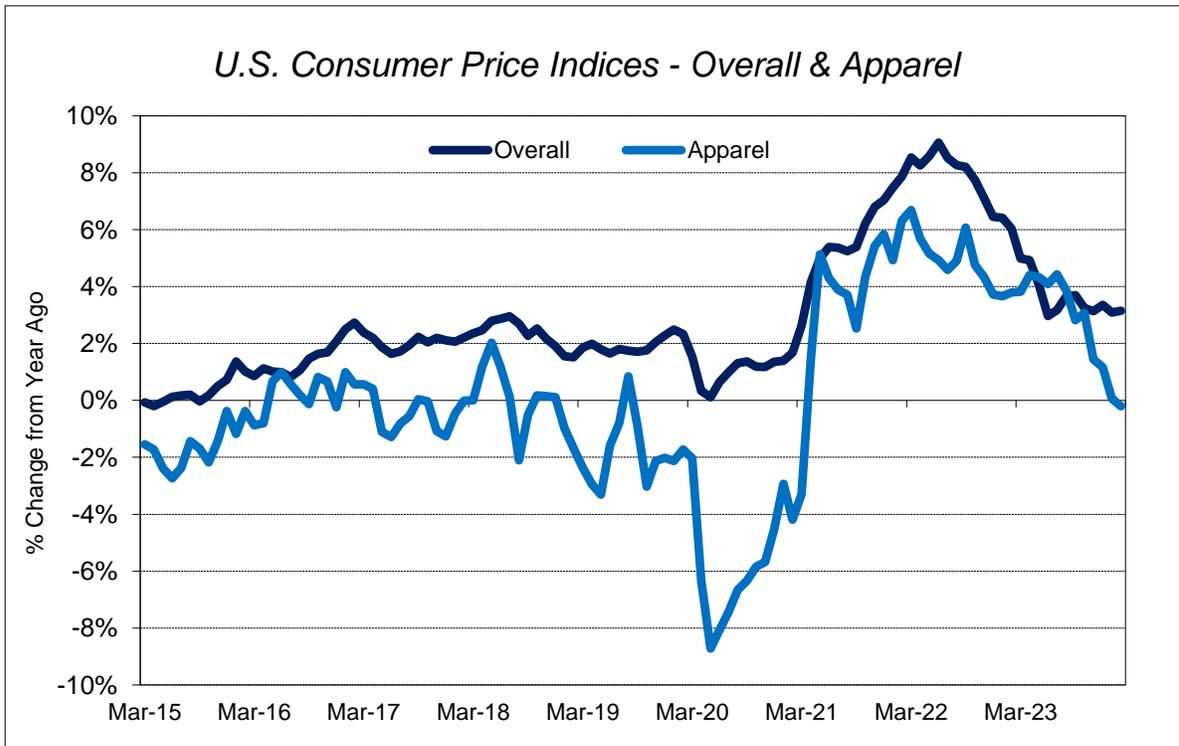
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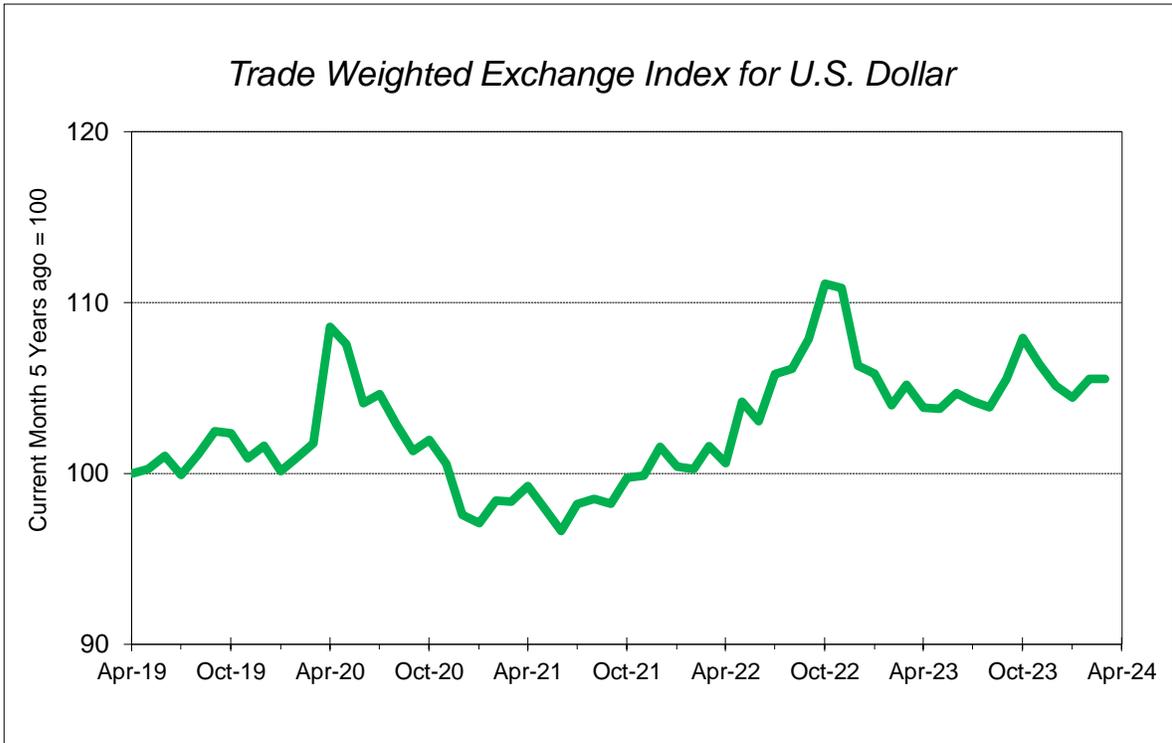
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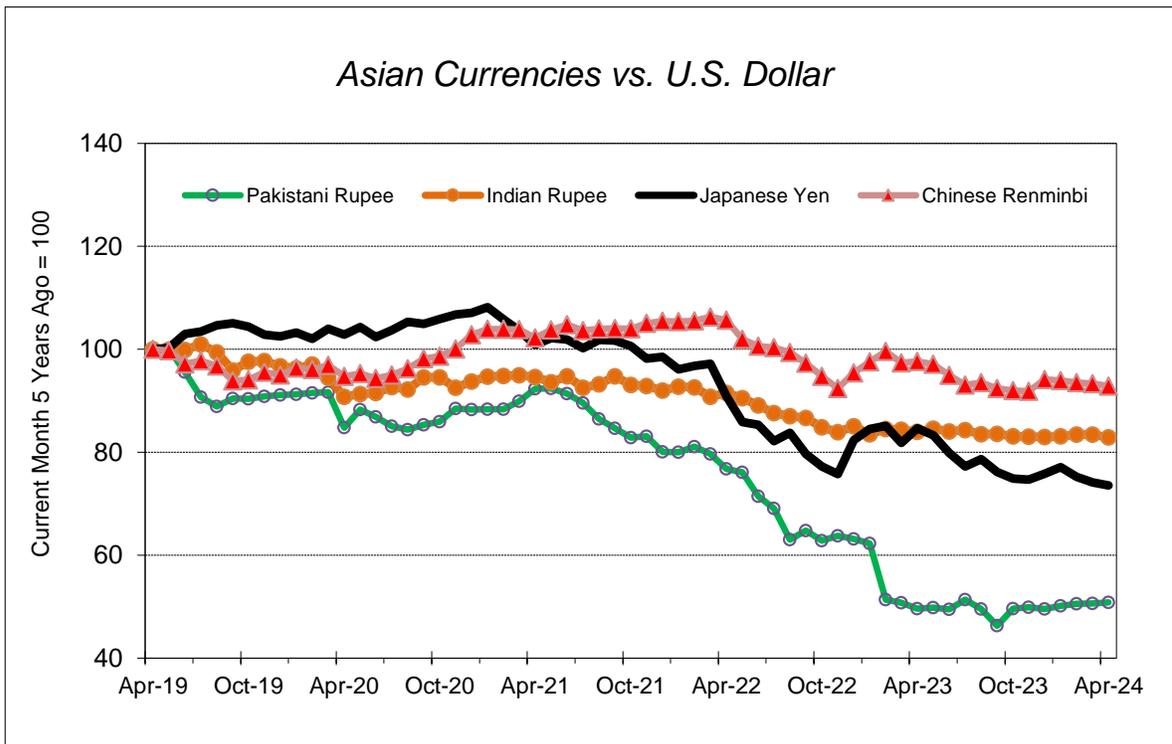
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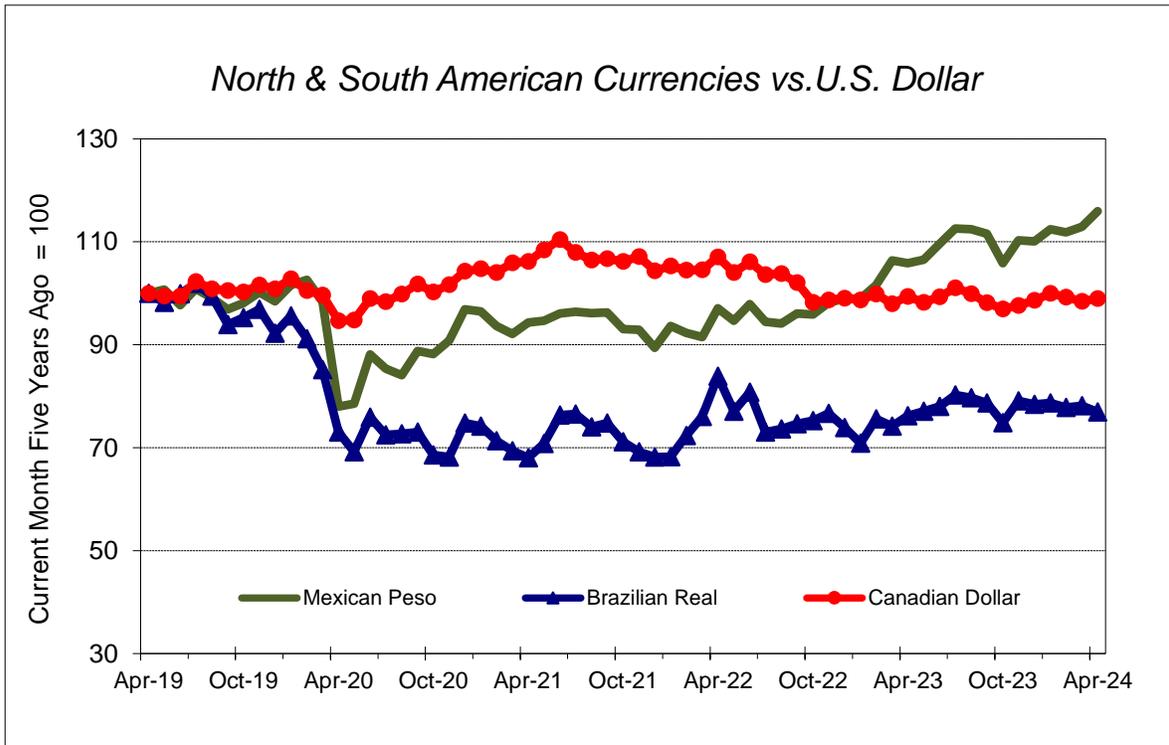
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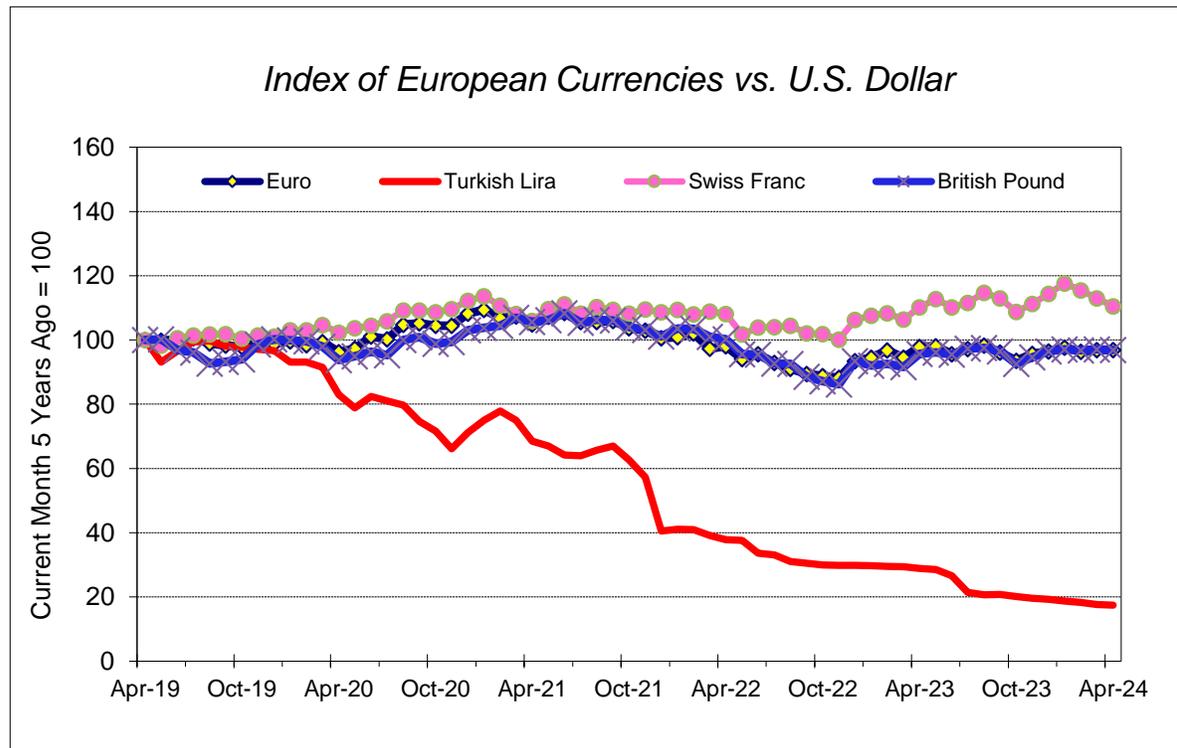
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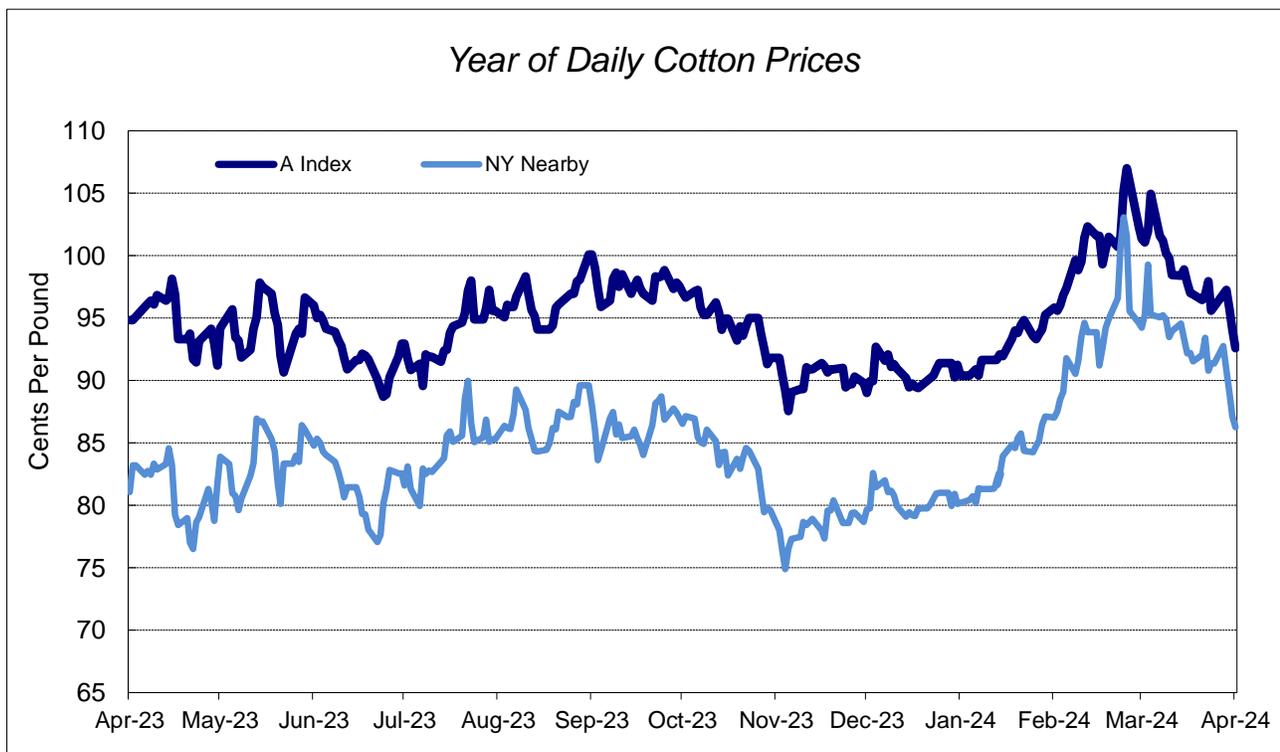
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U.S. Balance Sheet

million 480 lb. bales	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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