Executive Cotton Update

U.S. Macroeconomic Indicators &
the Cotton Supply Chain

Cotton Incorporated

August 2026 www.cottoninc.com

Macroeconomic Overview: The U.S. made another update to tariffs on July 24. For many locations, tariff rates were not adjusted too dramatically. Prior to the latest change, many locations were subject to tariffs that were ten percentage points higher than the most-favored nation (MFN) or base rates that were in effect before 2025. With the latest change, many locations now face additions of 10 or 12.5 percentage points on top of MFN rates.

A potentially significant revision with the latest update was a change in the legal justification for tariff increases. The latest set of tariffs were justified under Section 301 and replaced those enacted under Section 122. The Section 122 tariffs were put into effect in February after the Supreme Court revoked the duties under the International Emergency Economic Powers Act (IEEPA). However, action under Section 122 includes a 150-day time limit before requiring congressional approval. These tariffs were due to expire when Section 301 tariffs were implemented.

Section 301 has been used to justify tariffs in the recent past, notably the increases on imports of goods from China in 2018 and 2019. These tariffs have endured through administrative reviews and legal challenges. Nonetheless, court cases have already been launched against the legality of the latest set of Section 301 tariffs.

Along with tariffs, higher energy costs stemming from renewed hostilities around the Persian Gulf can contribute to inflation. With rising prices, inflation has exceeded wage growth since April and could eventually pressure consumer spending. Rising inflation also complicates the decision-making process at the Federal Reserve, which will need to balance efforts to slow inflation against those to support the labor market.

Employment: The U.S. economy is estimated to have lost 23,000 jobs in July. This was the first monthly decrease in payrolls since February 2026 (-156,000), but there were five months with net reductions in jobs in 2025 (January, June, August, October, and December). Apart from February, job growth was stronger in the first half of 2026 than it was in 2025. The year-to-date average for 2026 excluding February and July is +121,000. Including these months with job losses in 2026, the average monthly change is +61,000. In 2025, the average monthly change was +10,000.

Despite the reduction in jobs last month, the unemployment rate fell from 4.2% to 4.1%. The unemployment rate is defined as the ratio of the number of unemployed people to the number of people in the labor force. Since November, there has been a decrease in the number of people wanting to work. Relative to the recent peak in November (171.5 million), the current size of the labor force is down nearly two and a half million people (to 169.1 million). Reductions in the labor force have been a factor holding the unemployment rate at lower levels.

Wage growth was 3.5% in July. This is similar to the levels recorded over the three previous months but is below many of the rates posted since 2020. With the slowdown in income growth and the acceleration in inflation, wage growth slipped below the rate of overall inflation in April. Stronger growth in prices relative to incomes may become a challenge for consumer spending.

Consumer Confidence & Spending: The Conference Board's Index of Consumer Confidence® decreased slightly (-1.4 points) to 90.8 in July. This reading is within the general range between 90–100 that has contained values over the past twelve months. Recent values have been concentrated at the lower end of this range.

Overall consumer spending (inflation-adjusted) increased 0.4% month-over-month in June. Year-over-year, overall spending was up 2.5%. Spending on garments (inflation-adjusted) was up 1.1% month-over-month for the second consecutive month in June. Year-over-year spending on apparel was 4.5% higher, which is nearly twice the long-term average.

Consumer Prices & Import Data: After ten consecutive month-over-month increases, the CPI for apparel decreased in June. Nonetheless, recent price levels remain the highest since the late 1990s (nominal terms) and about five percent higher than they were one year ago.

The average cost per square meter equivalent (SME) of cotton-dominant apparel increased marginally month-over-month from May to June (from \$3.69/SME to \$3.71/SME, seasonally-adjusted). In seasonally-adjusted terms, prices have been relatively stable around \$3.70/SME since late 2023. This level is about 12% higher than the costs around \$3.30/SME that were common before the pandemic. On top of higher costs for goods, tariffs are currently adding 10% to 12.5% of customs value to sourcing costs.

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U.S. Macroeconomic Indicators & Cotton Prices
August 2026

Cotton Incorporated

Macroeconomic Data

Quarterly Data	Recent Averages				Values in Recent Quarters				
	5-year	1-year	6-month	3-month	Q4 : 2025	Q1 : 2026	Q2 : 2026	Unit	Source
Growth in US Real GDP	2.8%	2.5%	2.1%	1.5%	0.5%	2.1%	1.5%	% Chg. Quarter/Quarter	Department of Commerce

Macroeconomic Series with Latest Data for July	Recent Averages				Values in Recent Months				
	5-year	1-year	6-month	3-month	May	June	July		
ISM Index of Manufacuring Activity	50.8	51.3	53.5	54.3	54.0	53.3	55.6	Index, values over 50 indicate expansion	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	54.2	53.4	54.4	54.2	54.5	54.0	54.1	Index, values over 50 indicate expansion	Institute for Supply Management
Consumer Confidence	102.2	93.0	91.8	91.2	90.6	92.2	90.8	Index, 1985=100	The Conference Board
Change in Non-Farm Payrolls	201.6	26.3	44.3	20.0	63	20	-23	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	4.0%	4.3%	4.3%	4.2%	n/a	4.2%	4.1%	People looking for jobs/people wanting jobs	Bureau of Labor Statistics
US Interest Rates									
Federal Funds	3.6%	3.8%	3.6%	3.6%	3.6%	3.6%	3.6%	Interest rate	Federal Reserve
10-year Treasury Bill	3.7%	4.3%	4.4%	4.5%	4.5%	4.5%	4.6%	Interest rate	Federal Reserve

Macroeconomic Series with Latest Data for June	Recent Averages				Values in Recent Months				
	5-year	1-year	6-month	3-month	April	May	June	Unit	Source
Index of Leading Economic Indicators	108.3	99.5	99.3	99.2	99.3	99.3	99.1	Index, 2016=100	The Conference Board
Housing Starts	1.4	1.4	1.4	1.3	1.4	1.2	1.4	Annual pace, millions of units	Department of Commerce
Existing Home Sales	4.5	4.1	4.1	4.1	4.0	4.2	4.1	Annual pace, millions of units	National Association of Realtors

Industrial & Textile Data

Industrial & Textile Series with Latest Data for June	Recent Averages				Values in Recent Months				
	5-year	1-year	6-month	3-month	April	May	June	Unit	Source
US Industrial Production	100.8	101.8	102.0	102.5	101.1	101.0	102.6	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	152.9	161.6	165.3	168.6	163.3	170.9	171.6	Index, December 2003=100	Bureau of Labor Statistics

Industrial & Textile Series with Latest Data for May	Recent Averages				Values in Recent Months				
	5-year	1-year	6-month	3-month	March	April	May	Unit	Source
Bale Equivalence of US Cotton Yarn & Fabric Exports	2.7	1.6	1.5	1.6	1.6	1.5	1.5	million 480lb bales	USDA ERS

Industrial & Textile Series with Latest Data for June	Recent Averages				Values in Recent Months				
	5-year	1-year	6-month	3-month	April	May	June	Unit	Source
US Textile Mill Inventory/Shipments Ratio	1.64	1.73	1.75	1.75	1.75	1.74	1.75	Ratio	Department of Commerce

Retail Data

Retail Series with Latest Data for June	Recent Averages				Values in Recent Months				
	5-year	1-year	6-month	3-month	April	May	June	Unit	Source
US Real Consumer Spending									
All Goods and Services	3.3%	2.3%	2.2%	2.3%	1.9%	2.4%	2.5%	% Chg. Year/Year	Department of Commerce
Clothing	4.4%	5.7%	4.1%	4.3%	4.3%	4.2%	4.5%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices	5-year	1-year	6-month	3-month	April	May	June		
Overall	4.5%	3.1%	3.5%	3.9%	3.8%	n/a	3.5%	% Chg Year/Year	Bureau of Labor Statistics
Clothing	3.1%	2.7%	3.9%	4.3%	4.2%	n/a	3.9%	% Chg. Year/Year	Bureau of Labor Statistics

Retail Series with Latest Data for February	Recent Averages				Values in Recent Months				
	5-year	1-year	6-month	3-month	December	January	February	Unit	Source
Retail Inventory/Sales Ratio									
Clothing and Clothing Accessory Stores	2.6	2.3	2.3	2.3	2.2	2.2	2.1	Value of inventory over value of sales	Department of Commerce
Clothing Wholesalers	2.4	2.1	2.1	2.0	2.0	2.2	2.1	Value of inventory over value of sales	Department of Commerce

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Executive Cotton Update

Daily Cotton Price and Currency Data

August 2026

Daily Cotton Price Data	Recent Averages				Averages over Recent Months				
	5-year	1-year	6-month	3-month	May	June	July	Unit	Source
NY Nearby	84.6	69.0	73.5	78.3	81.7	74.0	78.6	cents/pound	ICE
A Index	95.7	80.4	84.5	89.2	92.0	86.3	88.9	cents/pound	Cotlook

Daily Currency Data	Recent Averages				Averages over Recent Months				
	5-year	1-year	6-month	3-month	May	June	July	Unit	Source
Dollar Trade Weighted Exchange Index	120.7	122.0	118.9	119.5	118.0	119.9	120.5	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.97	7.14	6.83	6.79	6.80	6.78	6.78	Chinese Renminbi/US dollar	Reuters
Indian Rupee	83.44	86.58	93.37	95.03	94.48	95.27	95.33	Indian Rupee/US dollar	Reuters
Japanese Yen	142.15	151.44	158.32	159.65	156.63	160.50	161.83	Japanese Yen/US dollar	Reuters
Pakistani Rupee	255.18	280.86	278.89	278.32	278.78	278.20	277.98	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	5.28	5.35	5.09	5.06	4.90	5.19	5.11	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.35	1.38	1.38	1.39	1.37	1.39	1.42	Canadian dollar/US dollar	Reuters
Mexican Peso	18.84	18.35	17.35	17.37	17.21	17.38	17.51	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.78	0.77	0.74	0.74	0.73	0.75	0.75	British Pound/US dollar	Reuters
Euro	0.91	0.90	0.86	0.86	0.85	0.87	0.88	Euro/US dollar	Reuters
Swiss Franc	0.88	0.85	0.79	0.79	0.78	0.80	0.81	Swiss Franc/US dollar	Reuters
Turkish Lira	28.53	36.64	45.14	46.16	45.36	46.14	46.98	Turkish Lira/US dollar	Reuters

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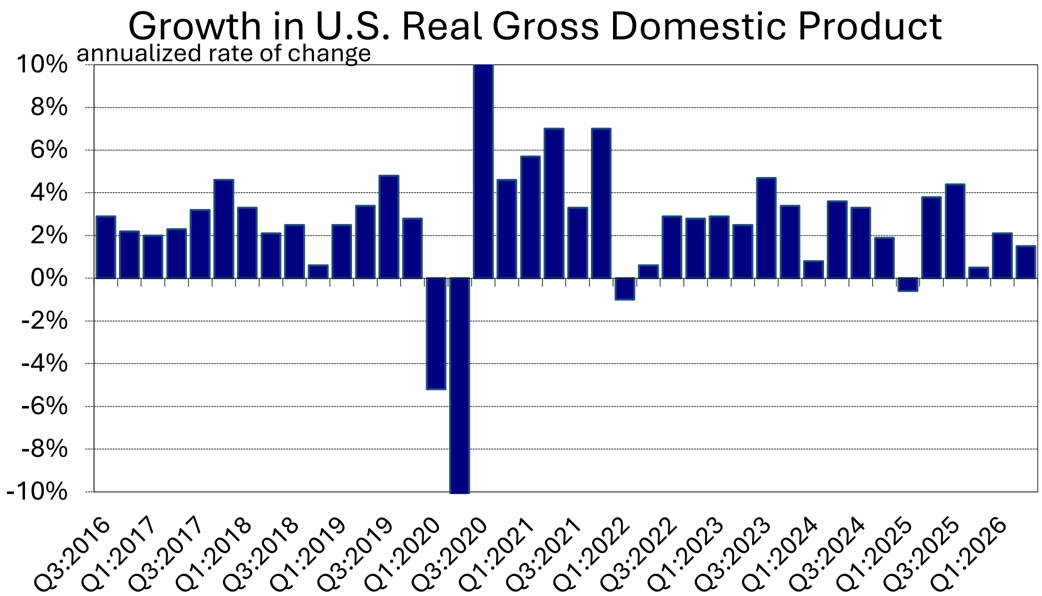
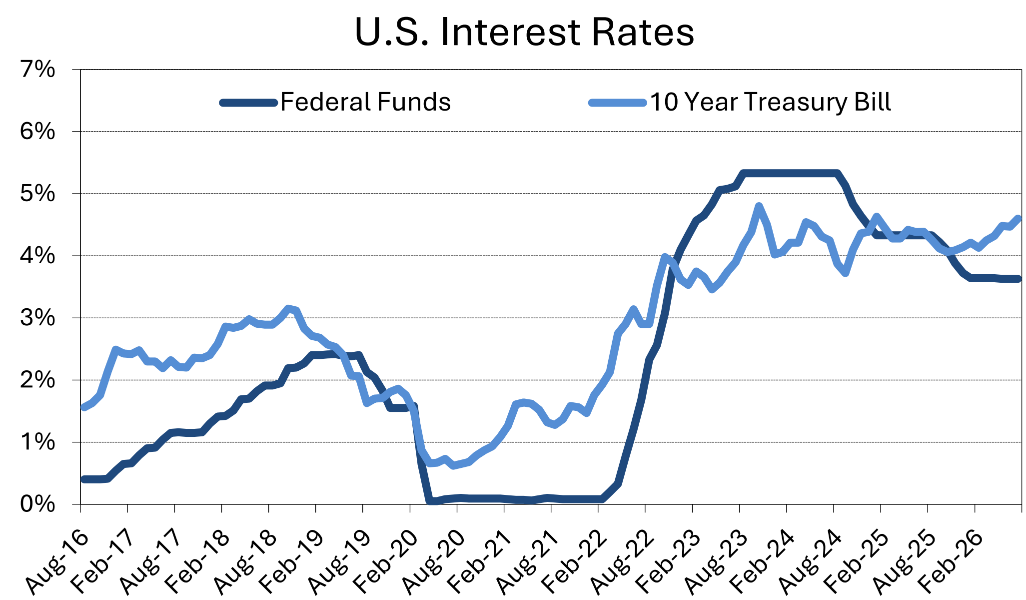


Source: Department of Commerce

Note: Chart truncated around COVID shutdowns to highlight normal change.



Source: Department of Commerce

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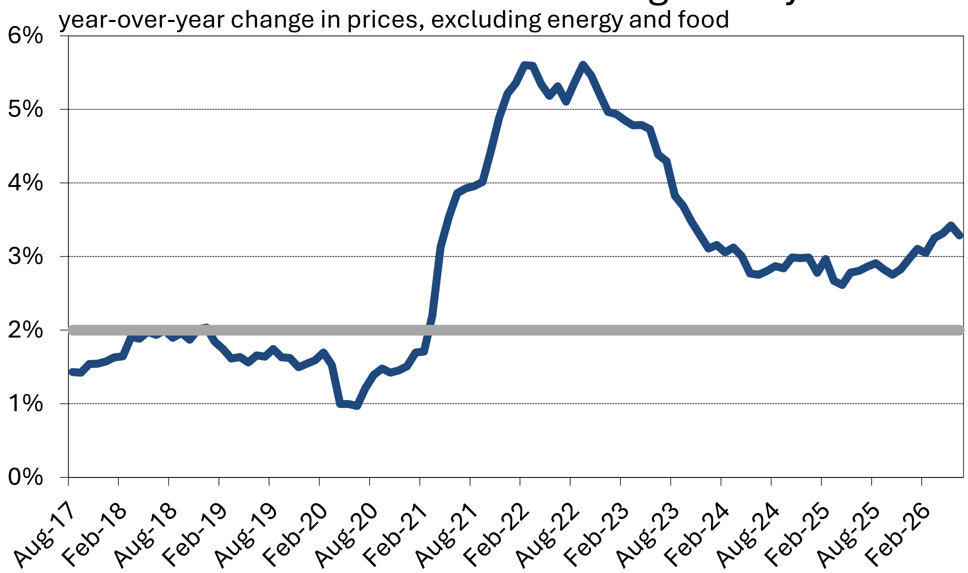
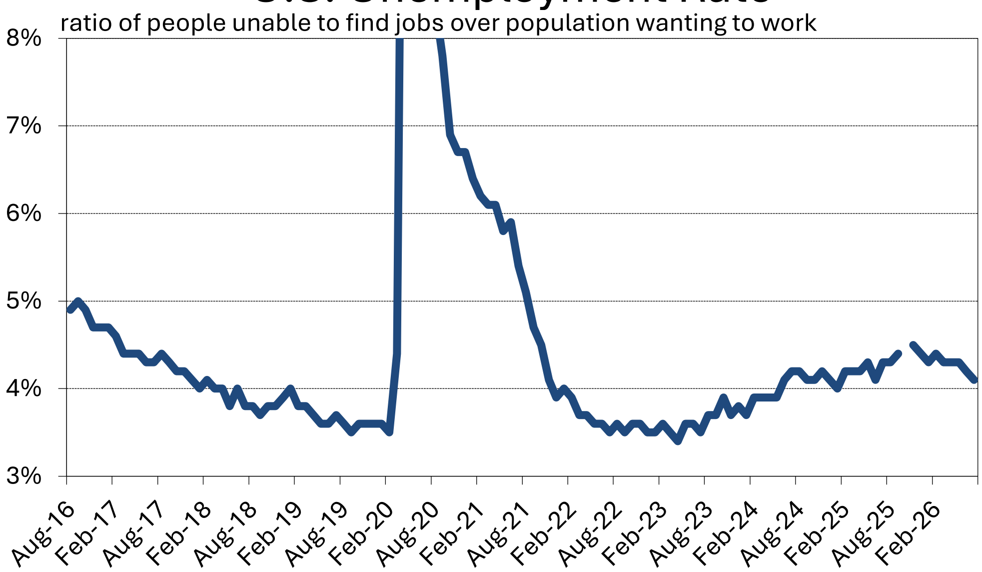
U.S. Inflation - Core Measure Targeted by the Fed



Source: Federal Reserve

Note: The Federal Reserve's official inflation target is two percent.

U.S. Unemployment Rate



Source: Bureau of Labor Statistics

Note: In addition to price control, the Federal Reserve's mandate requires pursuit of the maximum sustainable level of employment.

Note: Chart truncated around COVID shutdowns to highlight normal change.

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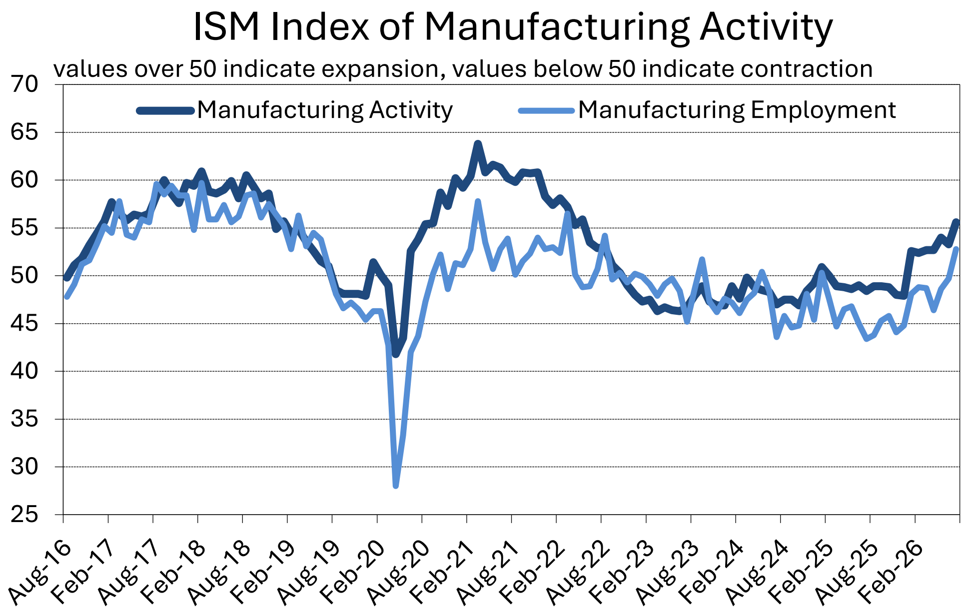
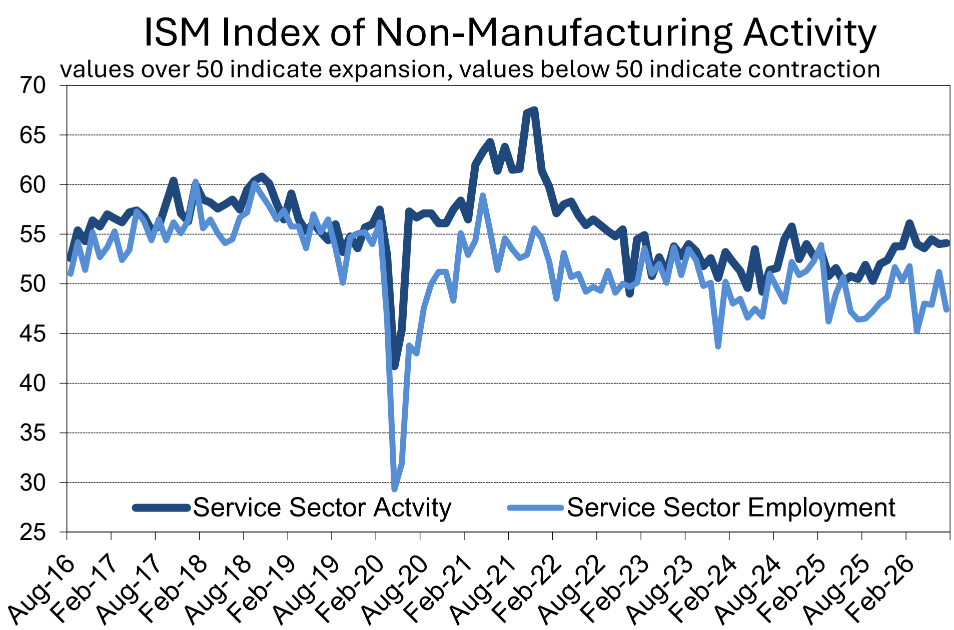


Source: Institute for Supply Chain Management



Source: Institute for Supply Chain Management

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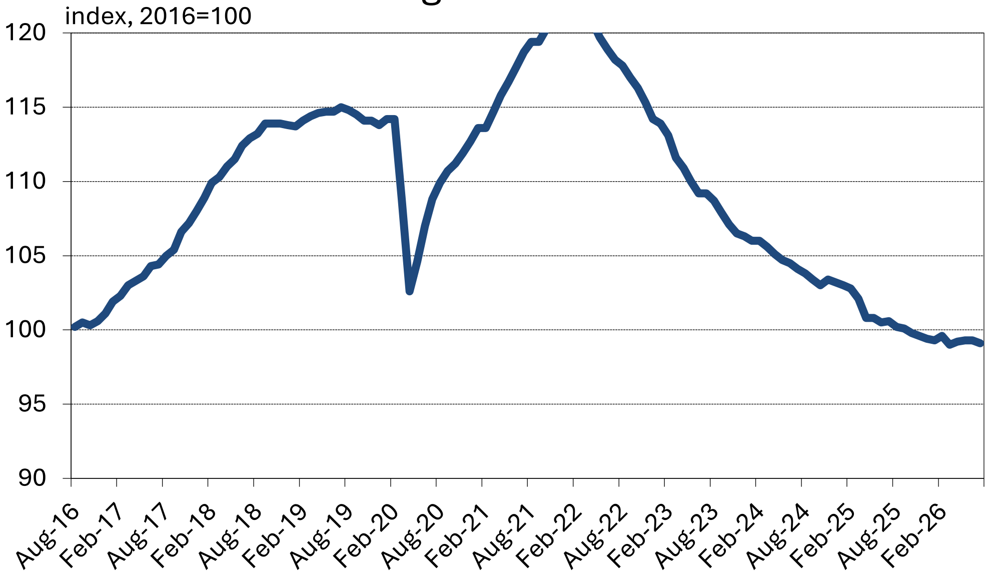
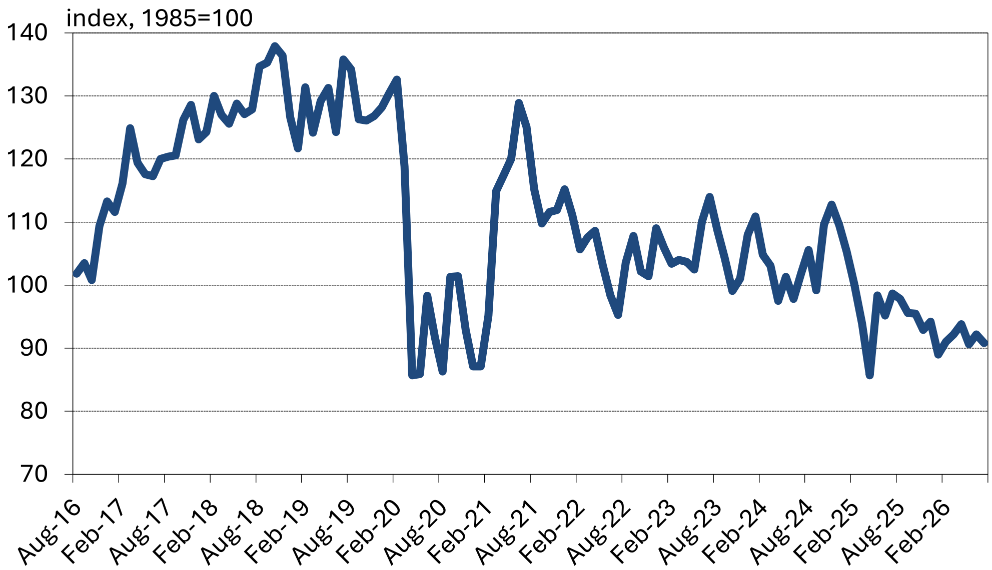
U.S. Leading Economic Indicators



Source: The Conference Board

Index of Consumer Confidence



Source: The Conference Board

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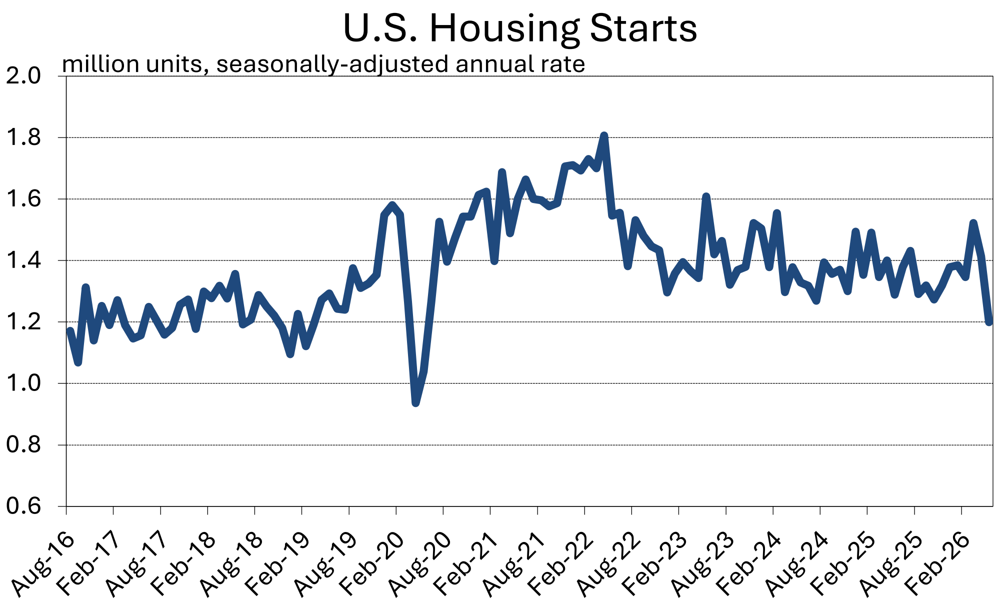
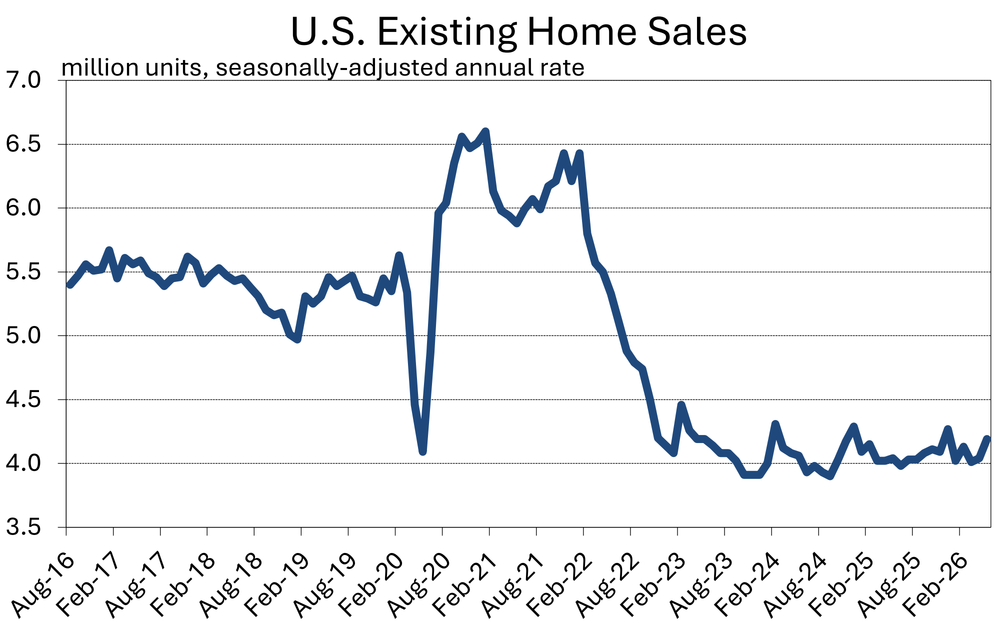


Source: Department of Commerce



Source: Department of Commerce

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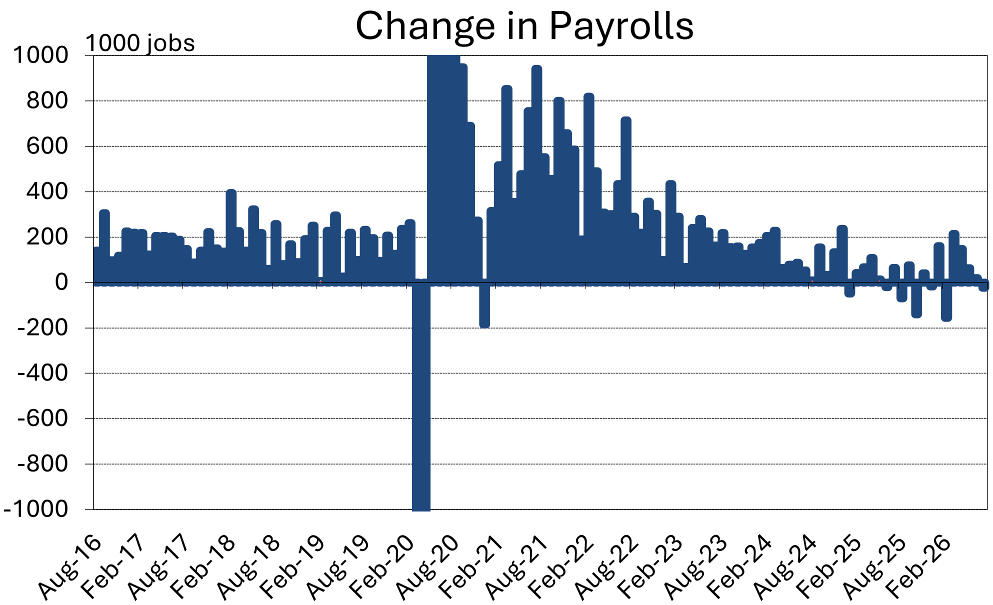
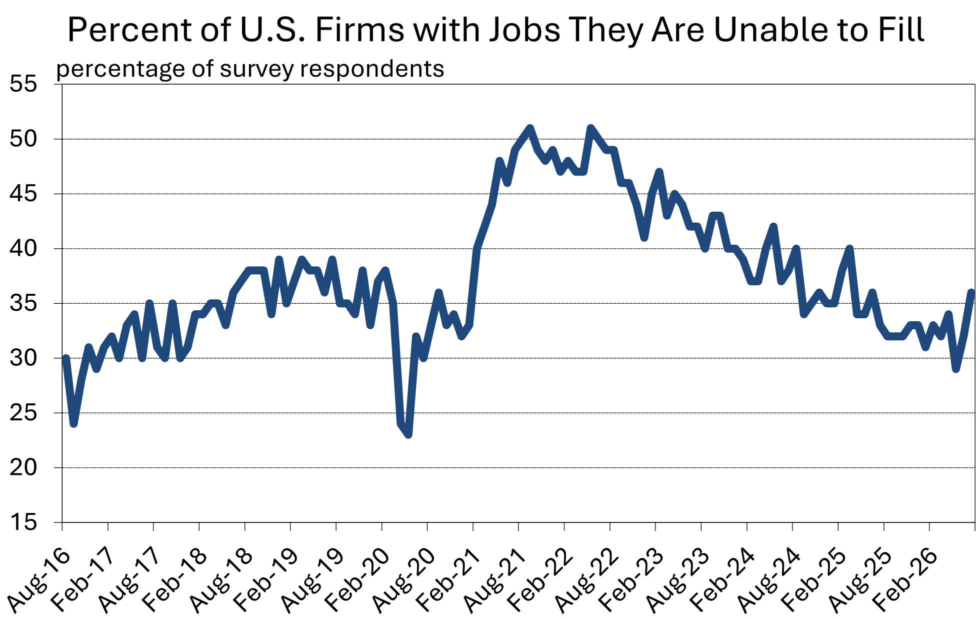


Source: Bureau of Labor Statistics

Note: Chart truncated around COVID shutdowns to highlight normal change.



Source: National Federation of Independent Business

Note: Chart truncated around COVID shutdowns to highlight normal change.

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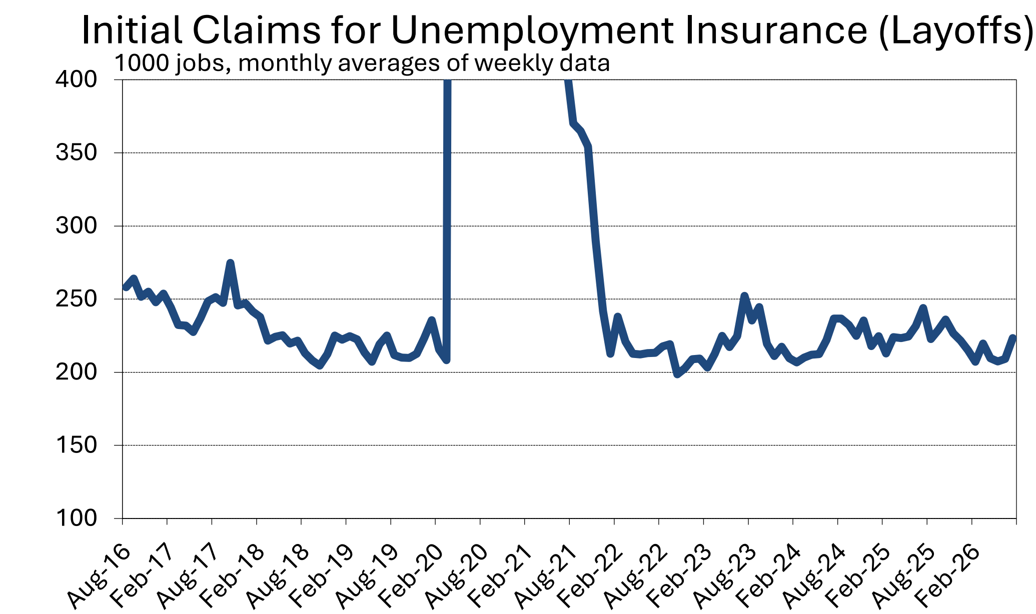
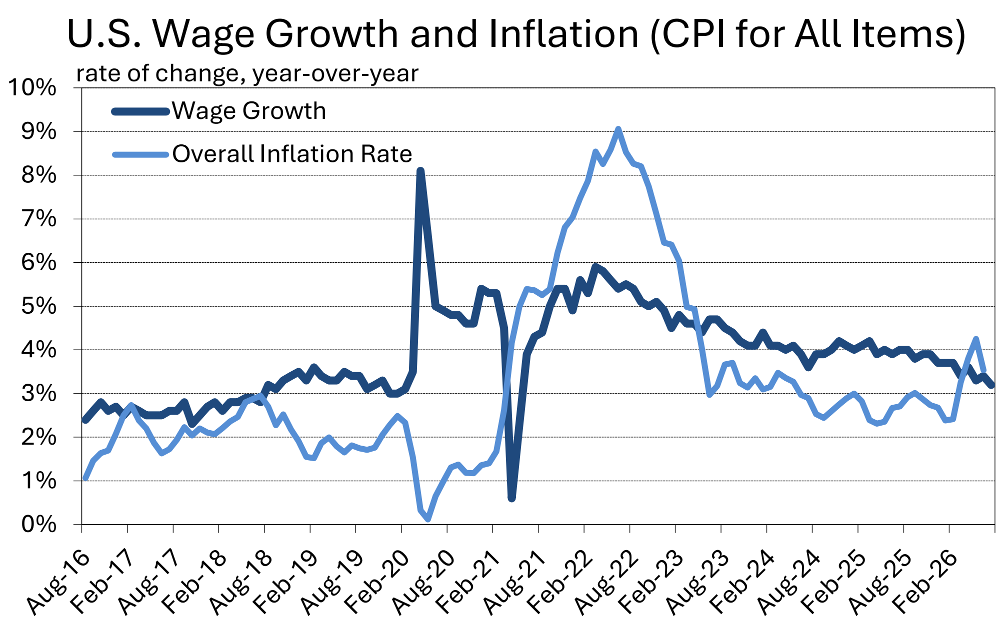


Source: Department of Labor

Note: Chart truncated around COVID shutdowns to highlight normal change.



Source: Bureau of Labor Statistics

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Source: Bureau of Economic Analysis

Note: Chart truncated around COVID shutdowns to highlight normal change.

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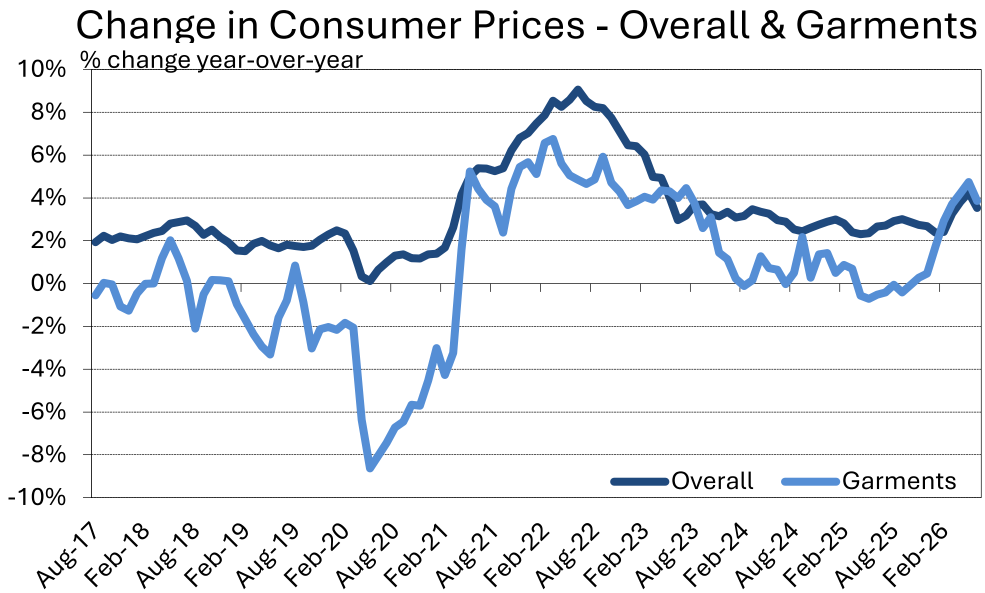
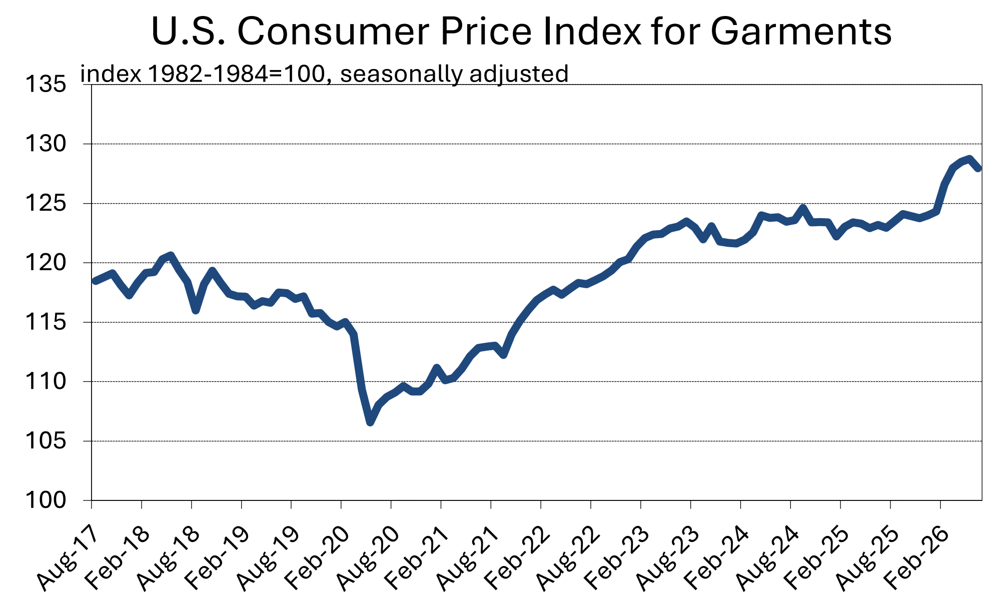


Source: Bureau of Labor Statistics



Source: Bureau of Labor Statistics

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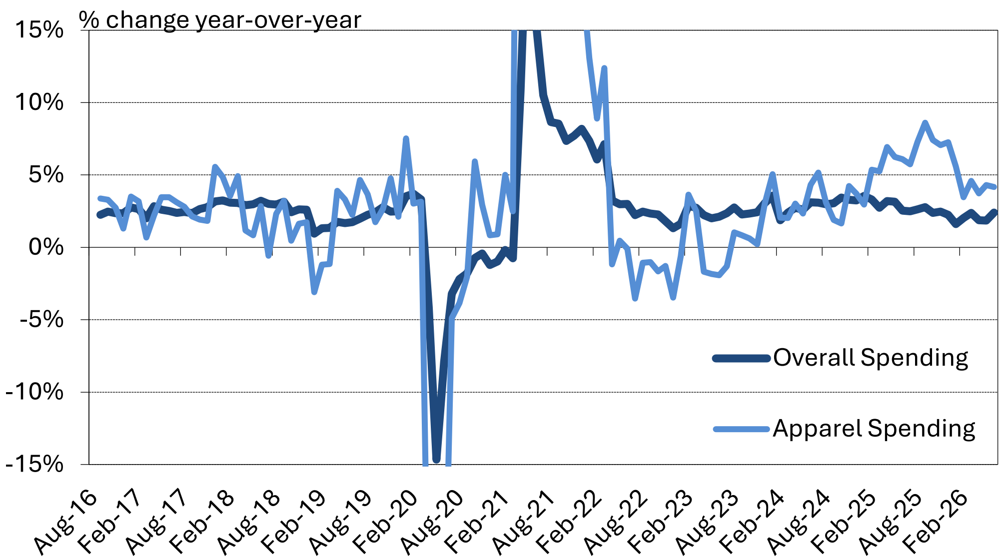
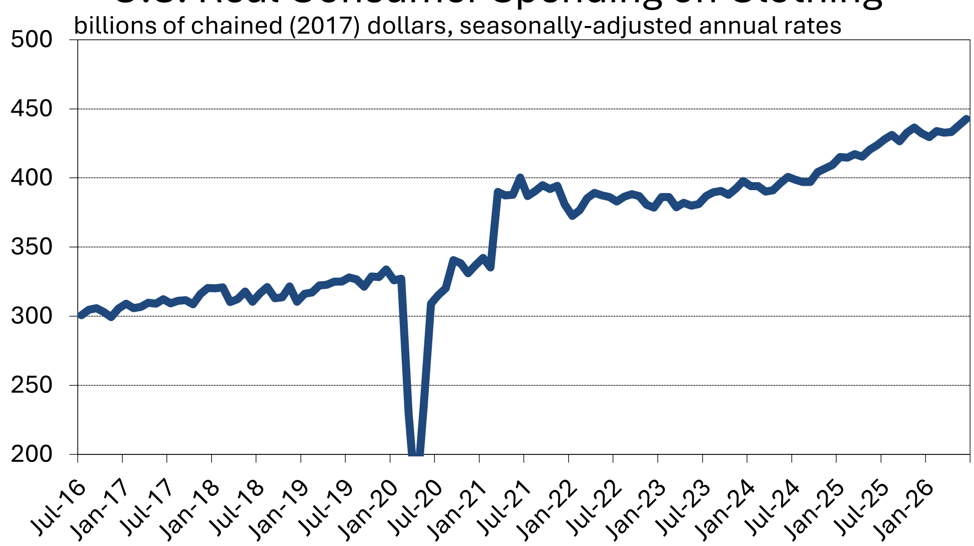
Real Consumer Spending Growth - Overall & Apparel



Note: Chart truncated around COVID shutdowns to highlight normal change.

U.S. Real Consumer Spending on Clothing



Source: Bureau of Economic Analysis

Note: Chart truncated around COVID shutdowns to highlight normal change.

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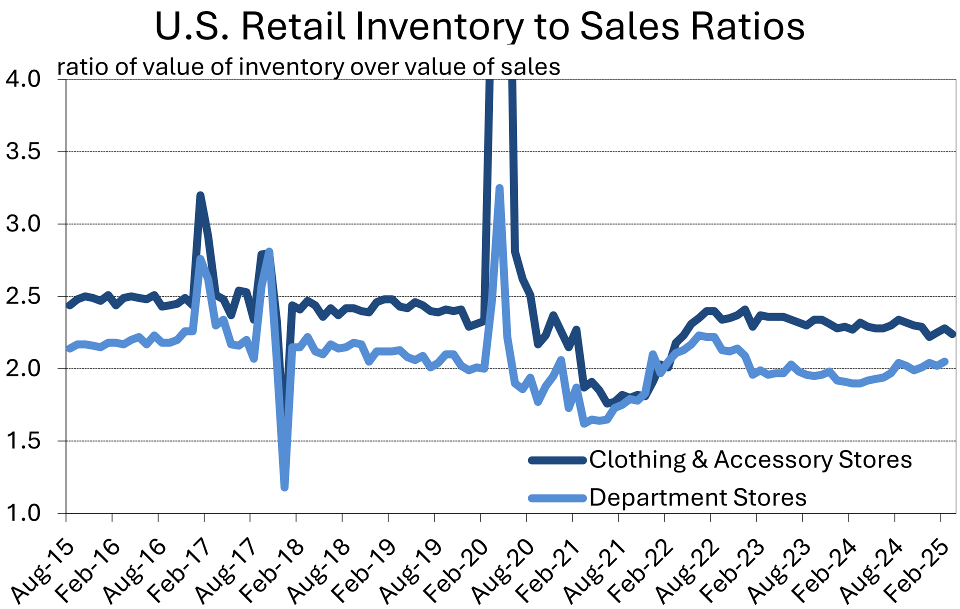

Source: Department of Commerce

Note: Chart truncated around COVID shutdowns to highlight normal change.

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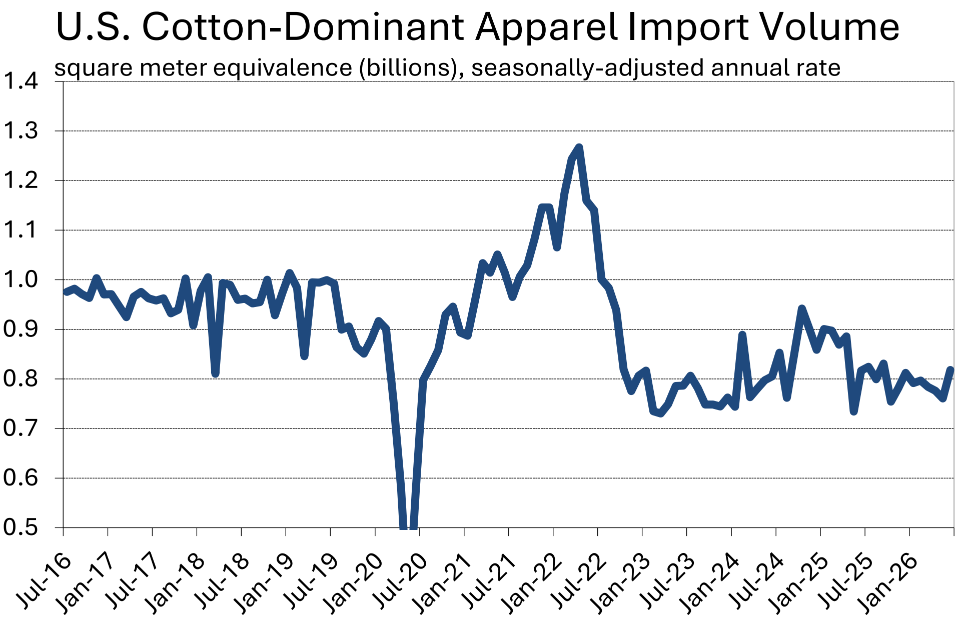
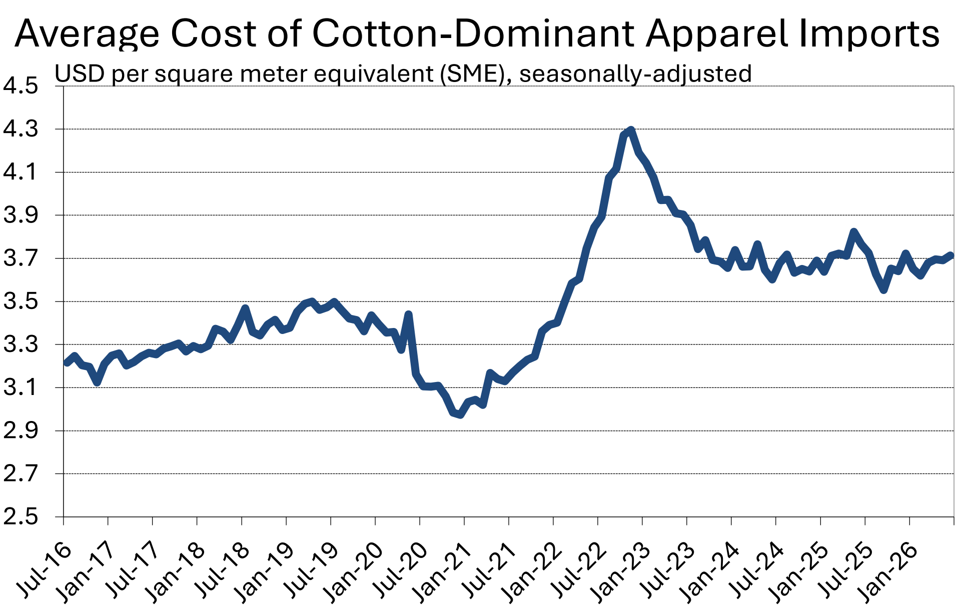


Source: OTEXA, seasonal-adjsutment by Cotton Incorporated



Source: OTEXA, seasonal-adjsutment by Cotton Incorporated

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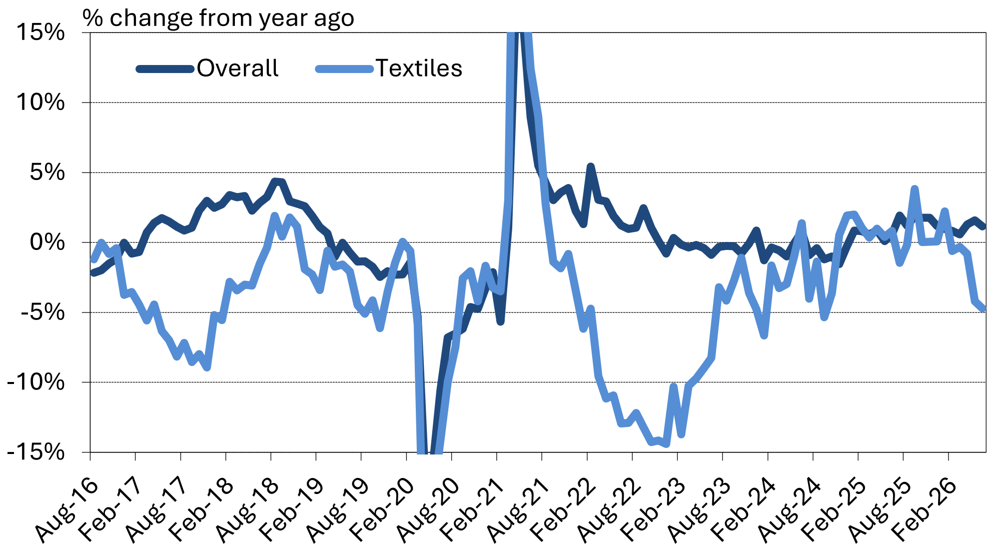
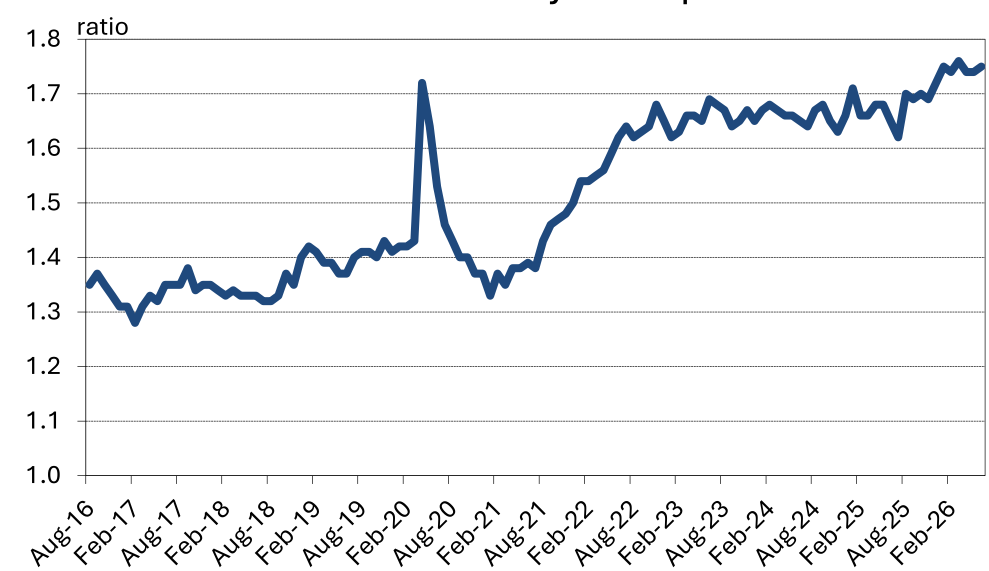
U.S. Industrial Production - Overall & Textiles



Source: Department of Commerce
Note: Chart truncated around COVID shutdowns to highlight normal change.

U.S. Textile Mill Inventory to Shipments Ratio



Source: Federal Reserve

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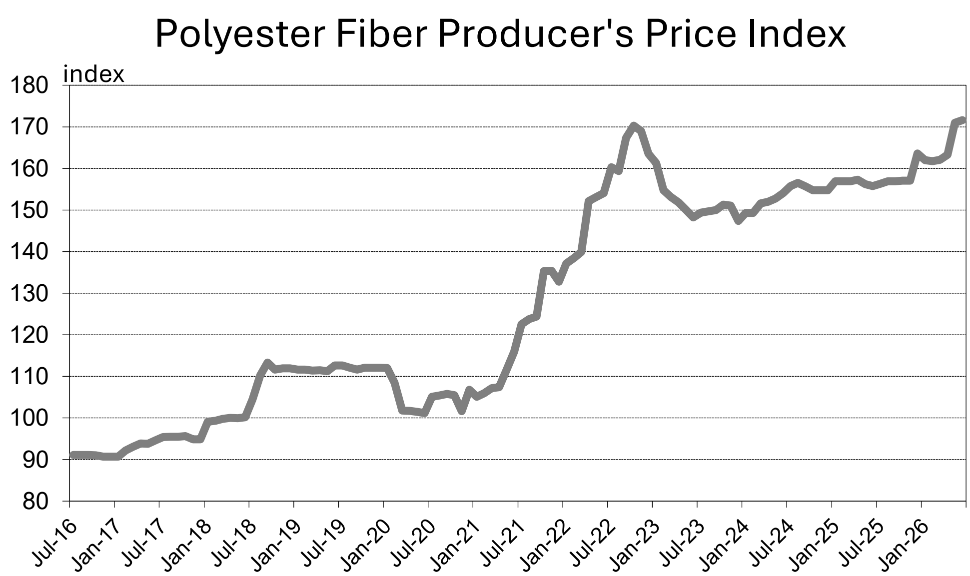
Source: USDA



Source: Bureau of Labor Statistics

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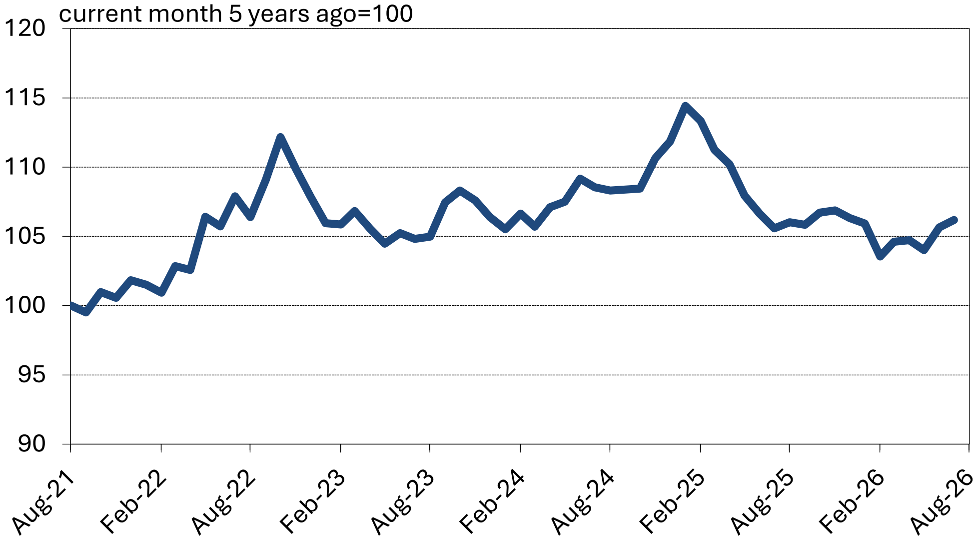
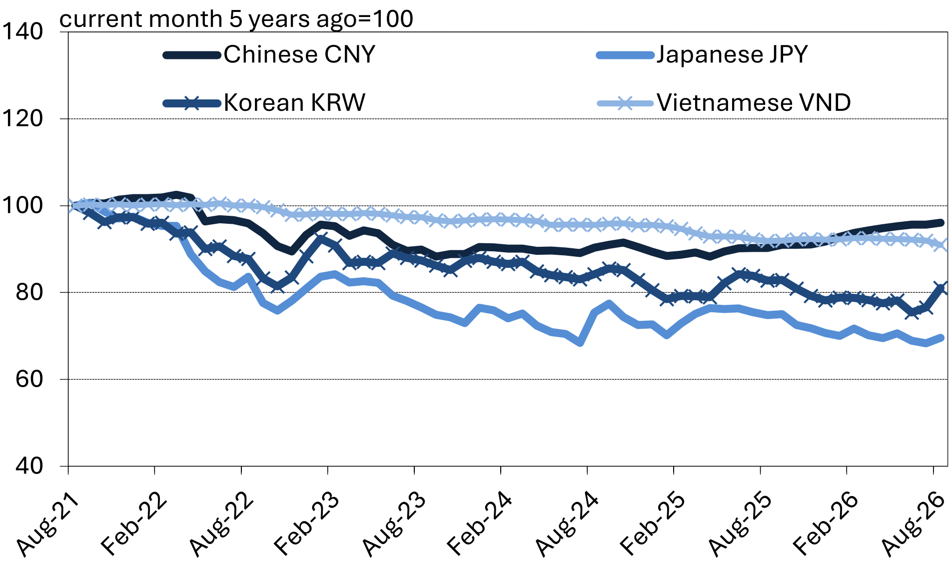
Trade Weighted Exchange Index for U.S. Dollar



Source: Federal Reserve

East Asian Currencies versus the U.S. Dollar



Source: Reuters

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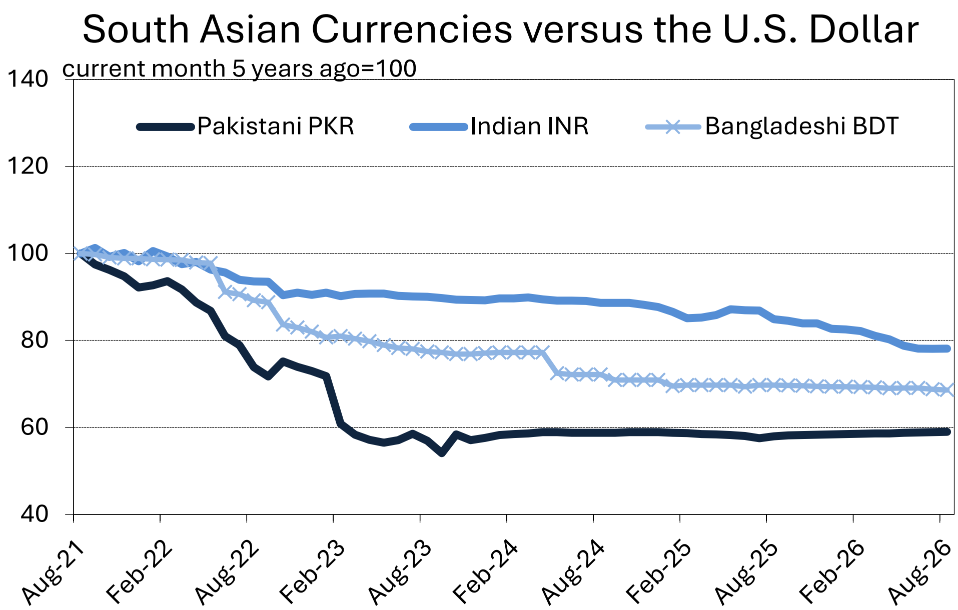
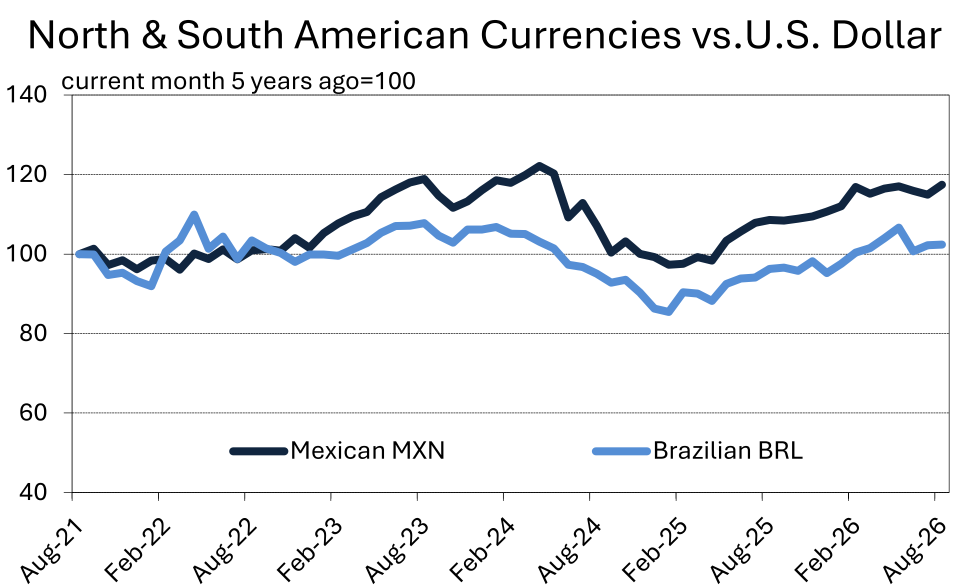


Source: Reuters



Source: Reuters

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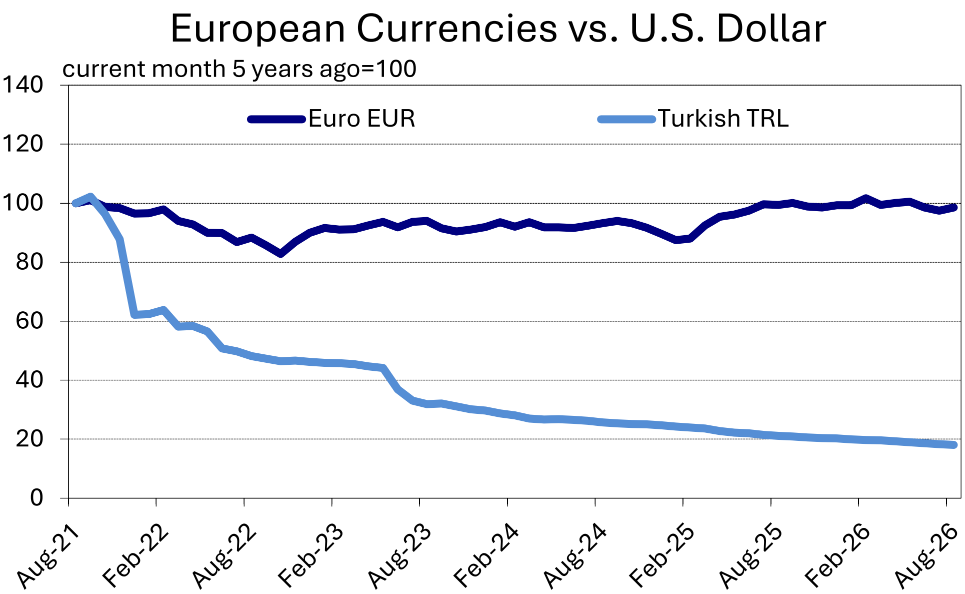
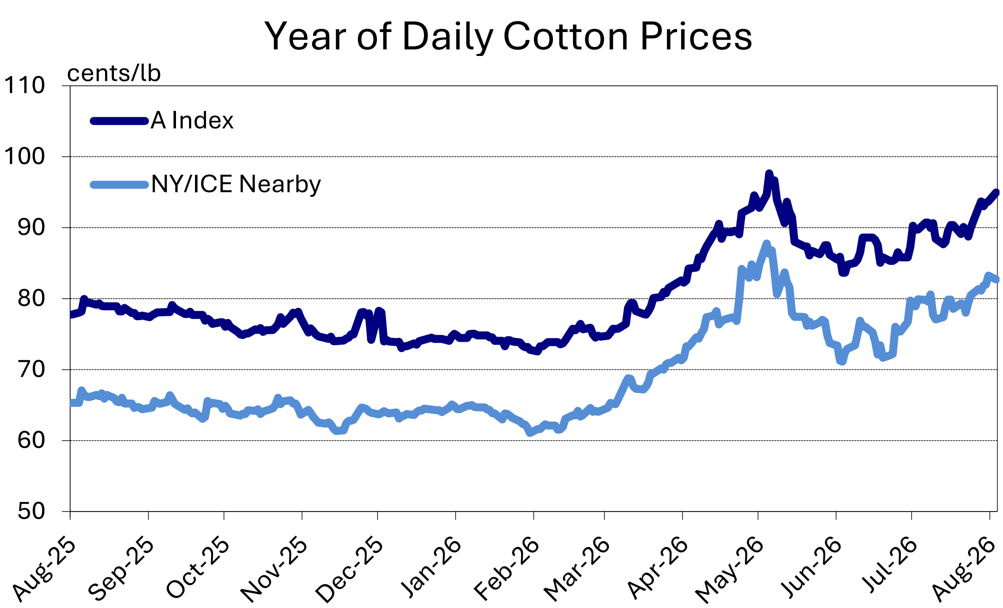


Source: Reuters



Sources: Cotlook, Reuters

Note: For more information on cotton supply, demand, and prices, please refer to [the Monthly Economic Letter.]

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