Executive Cotton Update

U.S. Macroeconomic Indicators & the Cotton Supply Chain

Cotton Incorporated

September 2026 www.cottoninc.com

Macroeconomic Overview: Recent activity in bond markets has refocused attention on inflation and interest rates ahead of the next Federal Reserve meeting on September 16. The last time the Fed cut rates was in December 2025. The last time the Fed lifted rates was in July 2023. With the rise in bond yields, expectations that the central bank will maintain or raise rates may have increased.

The latest data on the labor market, which were stronger than generally expected, may have reduced concerns about weakness in the employment portion of the Fed's dual mandate. Meanwhile, the core measure of inflation (price index based on personal consumption expenditures) that the Federal Reserve tracks to help determine policy has been near 3.3% since March. The Fed's official target for that measure is 2.0%. Since the surge in inflation that occurred after COVID, the lowest monthly reading is 2.6% (April 2025). With the latest inflation figures above that level, there may be motivation to keep monetary policy restrictive in pursuit of price stability.

Officials with the Fed have stated they believe the factors that contributed to the latest rise in inflation, including tariffs and higher energy prices, are already incorporated into inflation rates and may not be sources of significant additional price pressure. These competing considerations could support a decision not to increase rates in September and introduce uncertainty around the immediate direction of monetary policy.

Tariffs are another variable that could influence both inflation and the outlook for interest rates. There were two Section 301 investigations that were launched in March. Only one of those, the one focusing on the issue of forced labor, has had its findings released and it was used to justify tariffs in late July. Another topic of investigation was excess capacity. Those findings have not been released yet. When the report is published, it may be leveraged to support another round of tariff increases.

Employment: The U.S. economy is estimated to have added 162,000 jobs in August. This is the highest reading since May and represents a sharp reversal from the 23,000-job loss that was initially posted for July. Revisions to existing figures were positive. The figure for July increased from a 23,000-job loss to a 21,000-job gain. The figure for June increased from a 20,000-job gain to a 30,000-job gain. The current 12-month average for job gains is 50,250 (September 2025-August 2026).

There was no month-over-month change in the unemployment rate, which held at 4.1%. Excluding the volatile period around COVID, the rate has been below five percent since 2016. This is the longest sub-5.0% stretch since records began in 1948 – longer than the multi-year periods in the early 1950s, the late 1960s, and the late 1990s.

Wages increased 3.1% year-over-year in August. Excluding the volatile months around COVID, this is the lowest reading since 2019. The move lower in August is part of the downward trend that has been in place since May 2022, when post-pandemic wage growth was 5.9%. With slower wage growth and rising prices, real wage growth has been under pressure. In every month since April, the year-over-year change in the overall CPI has been larger than the change in wages.

Consumer Confidence & Spending: The Conference Board's Index of Consumer Confidence® decreased slightly (-0.8 points) to 89.4 in August. This reading is slightly below the 90–100 range that has generally prevailed over the past 12-months. Over the longer term, and excluding pandemic-related volatility, the index has followed a downward trend since 2018. In 2018, and extending through early 2020, values were consistently above 125.

Overall consumer spending (inflation-adjusted) was flat month-over-month in July. Year-over-year, overall spending was up 2.1%, which is near the average over the past twelve months (2.2%). Spending on garments (inflation-adjusted) was down 0.1% month-over-month, but it was up 2.8% year-over-year. This rate of annual growth in garment spending is weaker than what has been posted in recent months (12-month average is 5.2%) but is still higher than the long-term average (near two percent).

Consumer Prices & Import Data: After a string of month-over-month increases between August 2025 and May 2026, the CPI for apparel decreased 0.6% in June and was flat in July. Following this extended period of increases, recent clothing prices have been about four percent higher year-over-year and have climbed to the highest levels since the late 1990s (nominal terms).

The average cost per square meter equivalent (SME) of cotton-dominant apparel was unchanged month-over-month from June to July (at $3.71/SME, seasonally-adjusted). In seasonally-adjusted terms, prices have generally held near recent values since 2023. These import costs are about 12% higher than the costs per SME that were common before the pandemic and do not include any tariffs.

After shifting higher in late 2024 and into early 2025, cotton-dominant apparel import volumes turned lower around the second half of 2025. In July, SME volume was down 11.4% year-over-year. In May (3.6%) and June (0.2%), import volumes were higher year-over-year. Over the past 12-months, shipments were down 7.9% year-over-year, which may reflect greater sourcing caution with higher costs despite continued growth in consumer apparel spending.

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U.S. Macroeconomic Indicators & Cotton Prices
September 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 August

	Recent Averages				Values in Recent Months				
	5-year	1-year	6-month	3-month	June	July	August		
ISM Index of Manufacuring Activity	50.7	51.8	53.8	54.5	53.3	55.6	54.6	Index, values over 50 indicate expansion	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	54.1	53.7	54.3	54.5	54.0	54.1	55.4	Index, values over 50 indicate expansion	Institute for Supply Management
Consumer Confidence	101.7	92.2	91.4	90.6	92.2	90.2	89.4	Index, 1985=100	The Conference Board
Change in Non-Farm Payrolls	196.0	50.3	106.5	71.3	31	21	162	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	4.0%	4.3%	4.2%	4.1%	n/a	4.1%	4.1%	People looking for jobs/people wanting jobs	Bureau of Labor Statistics
US Interest Rates									
Federal Funds	3.7%	3.7%	3.6%	3.6%	3.6%	3.6%	3.6%	Interest rate	Federal Reserve
10-year Treasury Bill	3.8%	4.3%	4.5%	4.6%	4.5%	4.6%	4.7%	Interest rate	Federal Reserve

Macroeconomic Series with Latest Data for July

	Recent Averages				Values in Recent Months				
	5-year	1-year	6-month	3-month	May	June	July	Unit	Source
Index of Leading Economic Indicators	107.9	99.5	99.3	99.4	99.3	99.3	99.5	Index, 2016=100	The Conference Board
Housing Starts	1.4	1.3	1.4	1.3	1.2	1.4	1.2	Annual pace, millions of units	Department of Commerce
Existing Home Sales	4.5	4.1	4.1	4.1	4.2	4.1	4.1	Annual pace, millions of units	National Association of Realtors

Industrial & Textile Data

Industrial & Textile Series with Latest Data for July

	Recent Averages				Values in Recent Months				
	5-year	1-year	6-month	3-month	May	June	July	Unit	Source
US Industrial Production	100.9	101.9	102.4	102.8	101.0	101.5	103.0	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	153.6	161.9	164.9	167.4	168.1	167.8	166.4	Index, December 2003=100	Bureau of Labor Statistics

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
Bale Equivalence of US Cotton Yarn & Fabric Exports	2.7	1.6	1.5	1.5	1.5	1.5	1.5	million 480lb bales	USDA ERS

Industrial & Textile Series with Latest Data for July

	Recent Averages				Values in Recent Months				
	5-year	1-year	6-month	3-month	May	June	July	Unit	Source
US Textile Mill Inventory/Shipments Ratio	1.65	1.73	1.75	1.77	1.77	1.76	1.77	Ratio	Department of Commerce

Retail Data

Retail Series with Latest Data for July

	Recent Averages				Values in Recent Months				
	5-year	1-year	6-month	3-month	May	June	July	Unit	Source
US Real Consumer Spending									
All Goods and Services	3.1%	2.2%	2.2%	2.4%	2.4%	2.6%	2.1%	% Chg. Year/Year	Department of Commerce
Clothing	4.1%	5.2%	3.9%	3.5%	3.9%	3.9%	2.8%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices	5-year	1-year	6-month	3-month	May	June	July		
Overall	4.5%	3.1%	3.6%	3.4%	4.2%	n/a	3.4%	% Chg Year/Year	Bureau of Labor Statistics
Clothing	3.2%	2.9%	4.1%	3.9%	4.7%	n/a	4.0%	% 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

September 2026

Daily Cotton Price Data	Recent Averages				Averages over Recent Months				
	5-year	1-year	6-month	3-month	June	July	August	Unit	Source
NY Nearby	84.5	70.6	77.0	79.5	74.0	78.6	85.2	cents/pound	ICE
A Index	95.6	81.8	87.9	90.7	86.3	88.9	95.9	cents/pound	Cotlook

Daily Currency Data	Recent Averages				Averages over Recent Months				
	5-year	1-year	6-month	3-month	June	July	August	Unit	Source
Dollar Trade Weighted Exchange Index	120.9	122.0	119.7	119.9	119.4	120.7	119.7	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.98	7.13	6.82	6.77	6.77	6.78	6.75	Chinese Renminbi/US dollar	Reuters
Indian Rupee	83.67	86.85	94.30	95.43	95.72	95.23	95.34	Indian Rupee/US dollar	Reuters
Japanese Yen	142.71	151.54	158.61	159.27	159.95	161.29	156.58	Japanese Yen/US dollar	Reuters
Pakistani Rupee	257.01	280.82	278.94	278.23	278.55	278.28	277.85	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	5.28	5.36	5.12	5.10	5.04	5.17	5.08	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.35	1.38	1.39	1.40	1.39	1.42	1.40	Canadian dollar/US dollar	Reuters
Mexican Peso	18.82	18.35	17.51	17.37	17.32	17.48	17.32	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.78	0.77	0.75	0.75	0.74	0.75	0.74	British Pound/US dollar	Reuters
Euro	0.91	0.90	0.86	0.87	0.86	0.87	0.87	Euro/US dollar	Reuters
Swiss Franc	0.88	0.85	0.79	0.80	0.79	0.80	0.81	Swiss Franc/US dollar	Reuters
Turkish Lira	28.99	37.07	45.66	46.76	45.96	46.80	47.53	Turkish Lira/US dollar	Reuters

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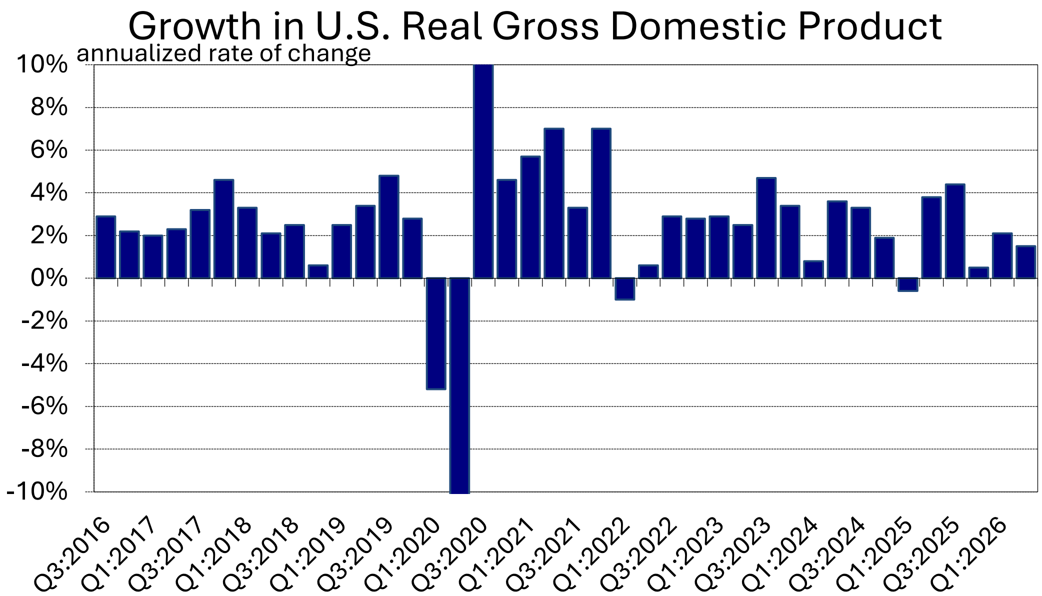
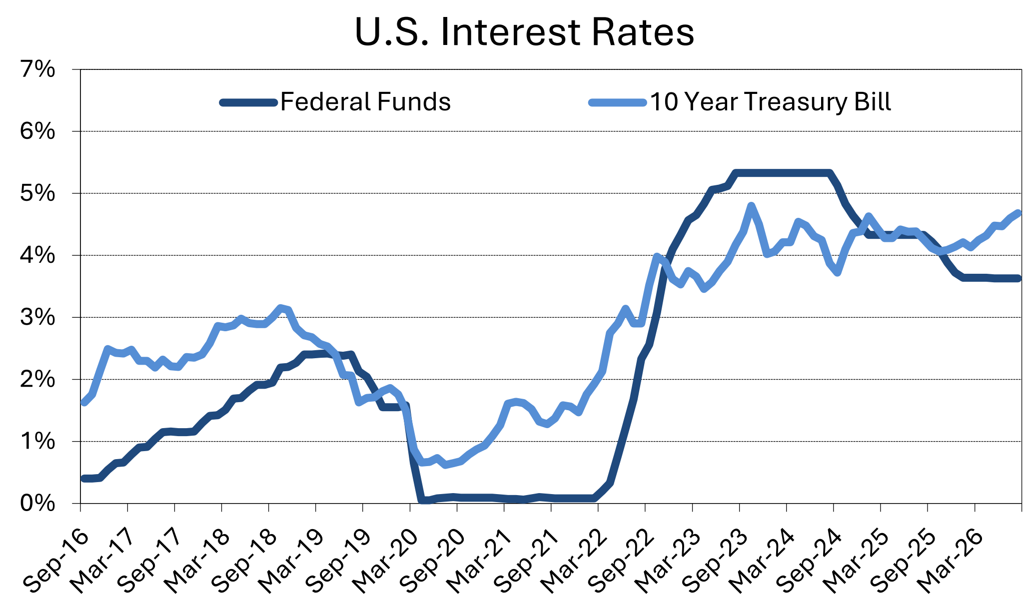


Source: Department of Commerce

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



Source: Department of Commerce

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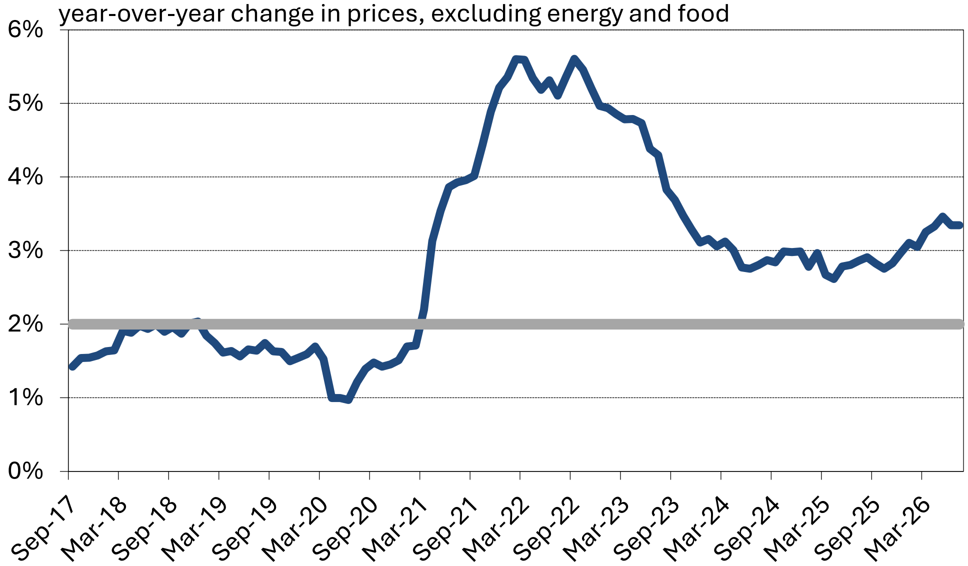
U.S. Inflation - Core Measure Targeted by the Fed

year-over-year change in prices, excluding energy and food



Source: Federal Reserve

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

U.S. Unemployment Rate

ratio of people unable to find jobs over population wanting to work

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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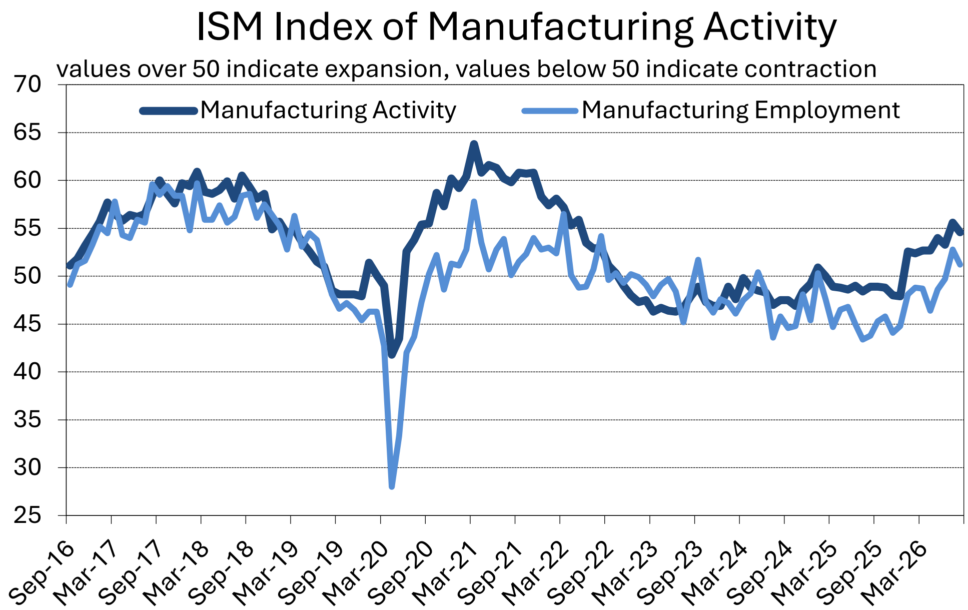
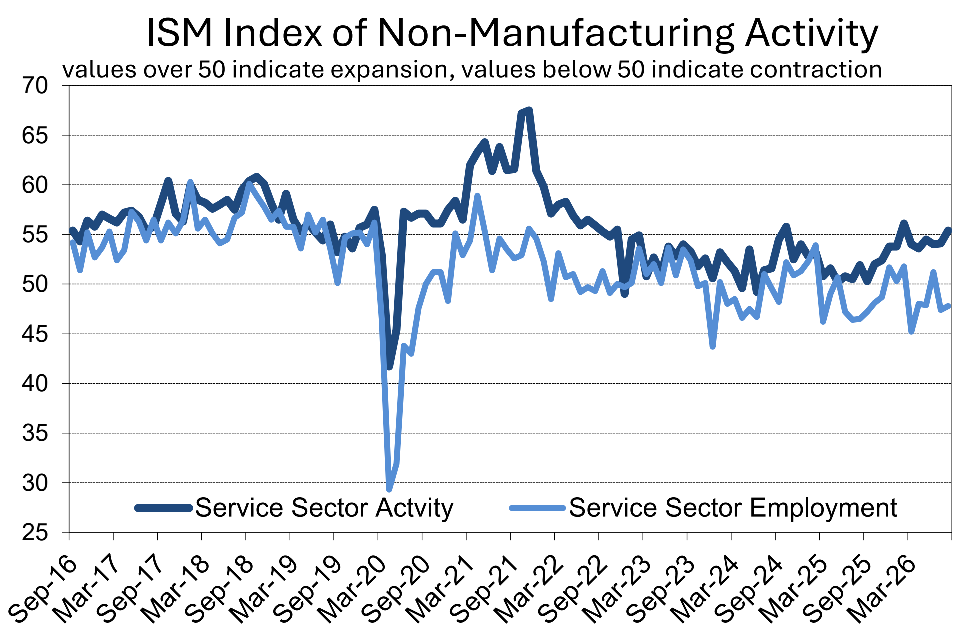


Source: Institute for Supply Chain Management



Source: Institute for Supply Chain Management

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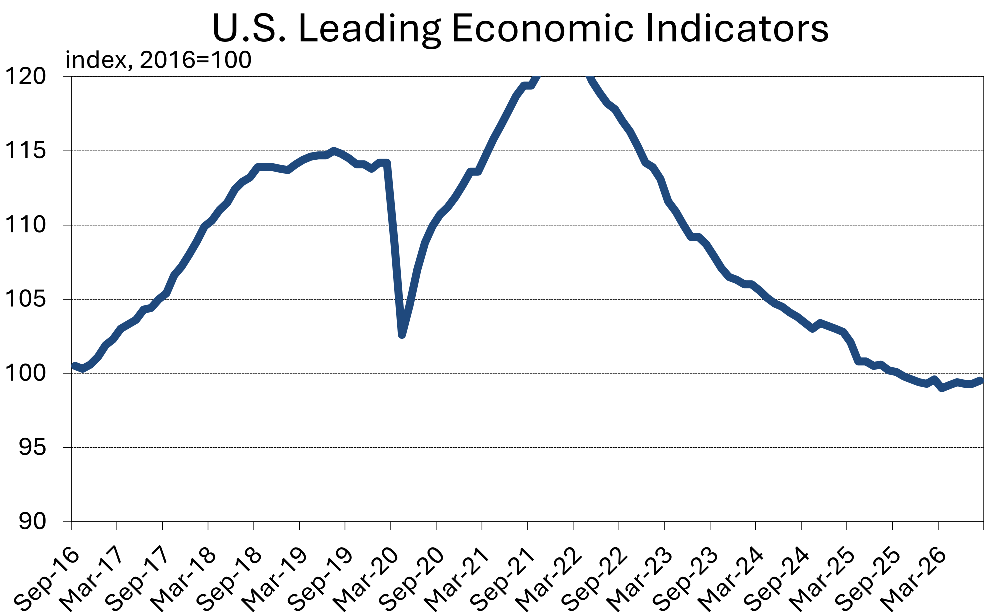
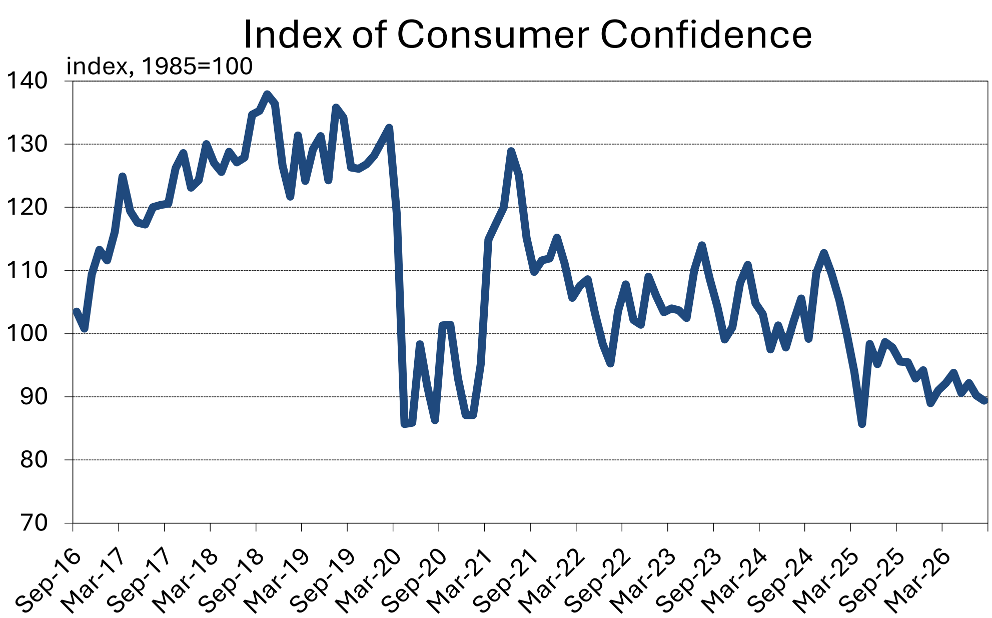


Source: The Conference Board



Source: The Conference Board

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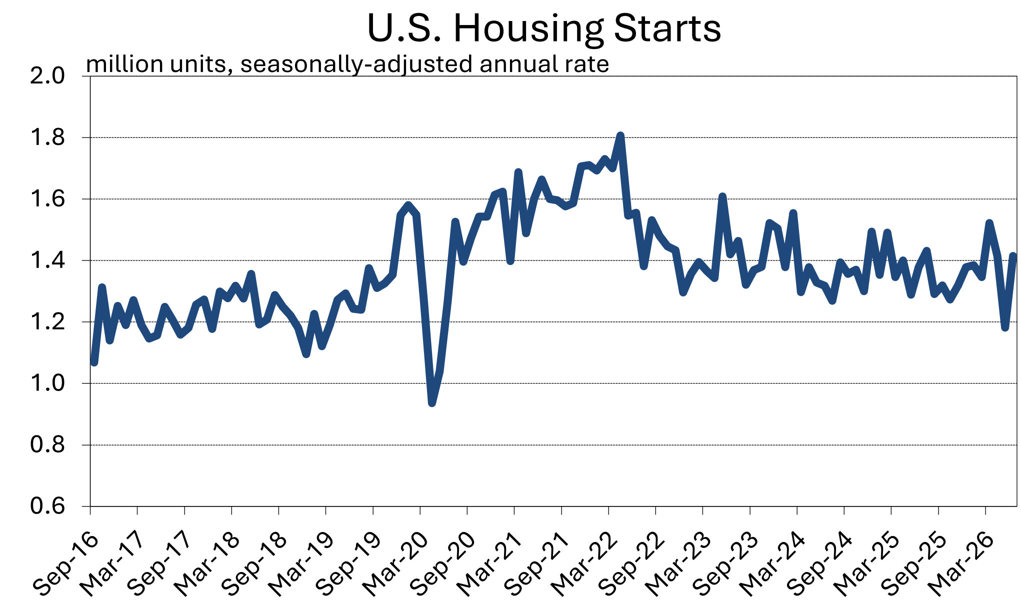
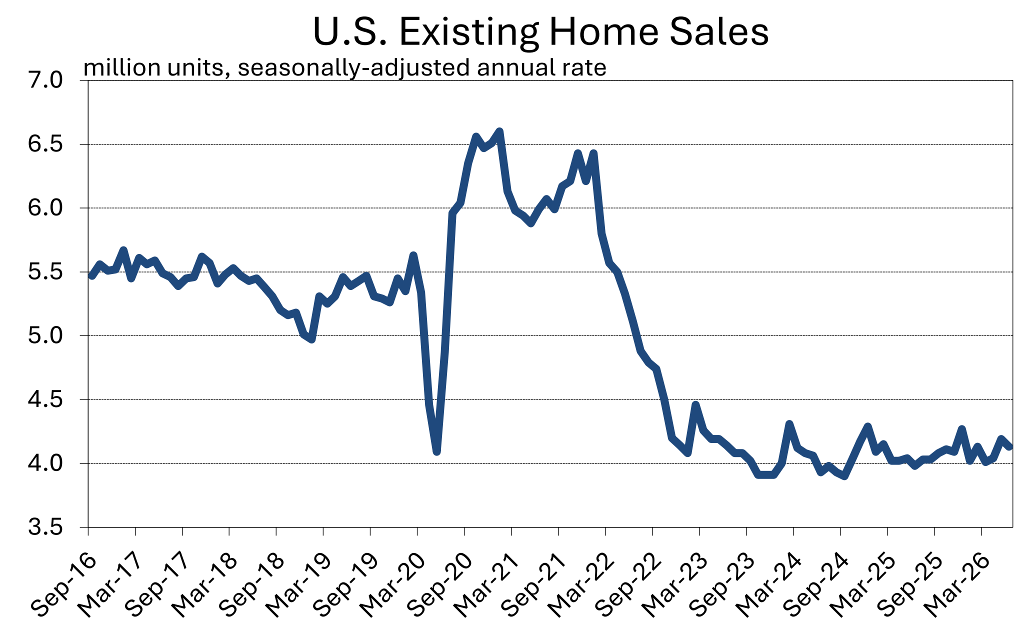


Source: Department of Commerce



Source: Department of Commerce

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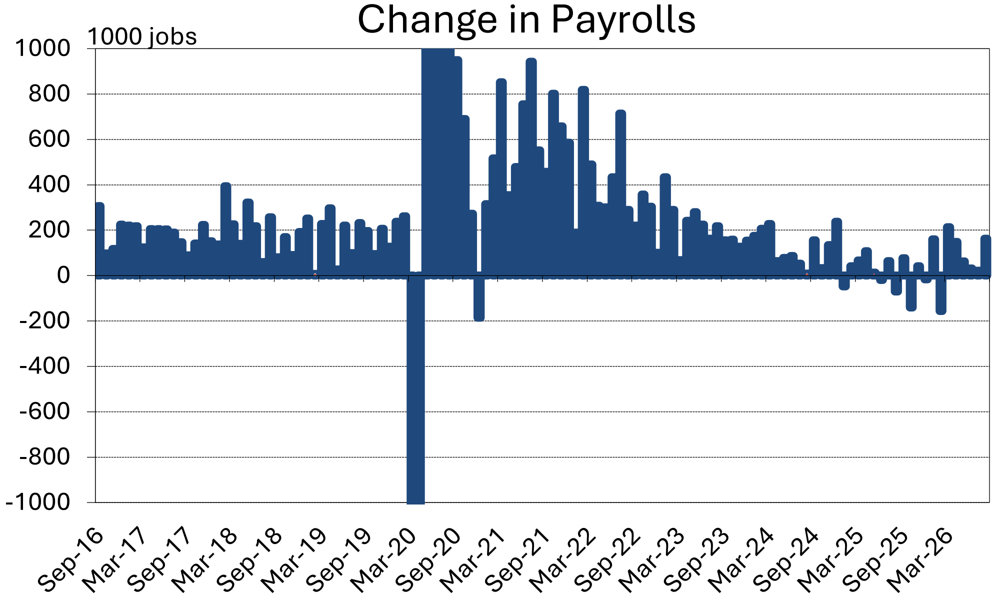
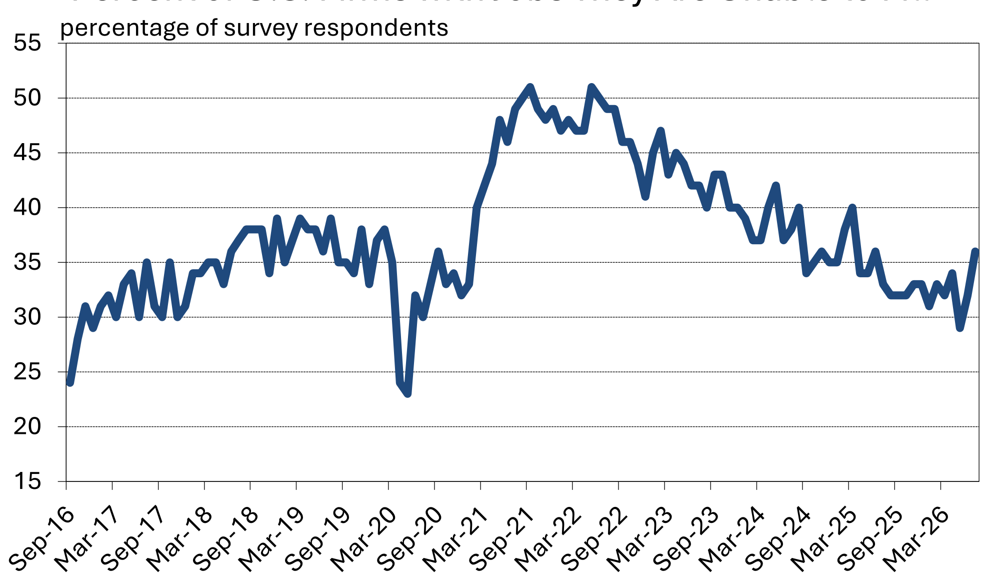
Change in Payrolls



Source: Bureau of Labor Statistics

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

Percent of U.S. Firms with Jobs They Are Unable to Fill



Source: National Federation of Independent Business

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

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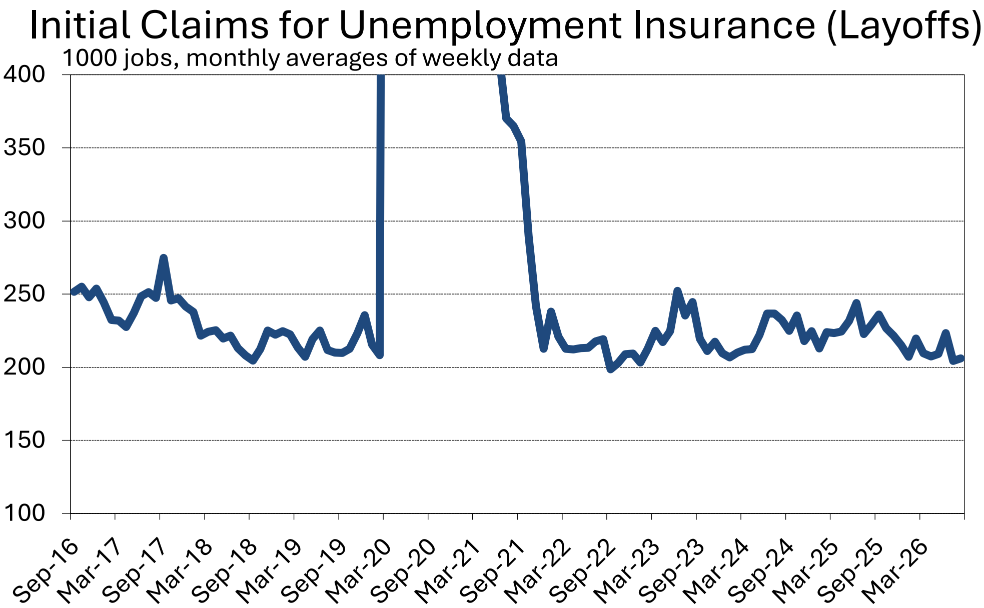
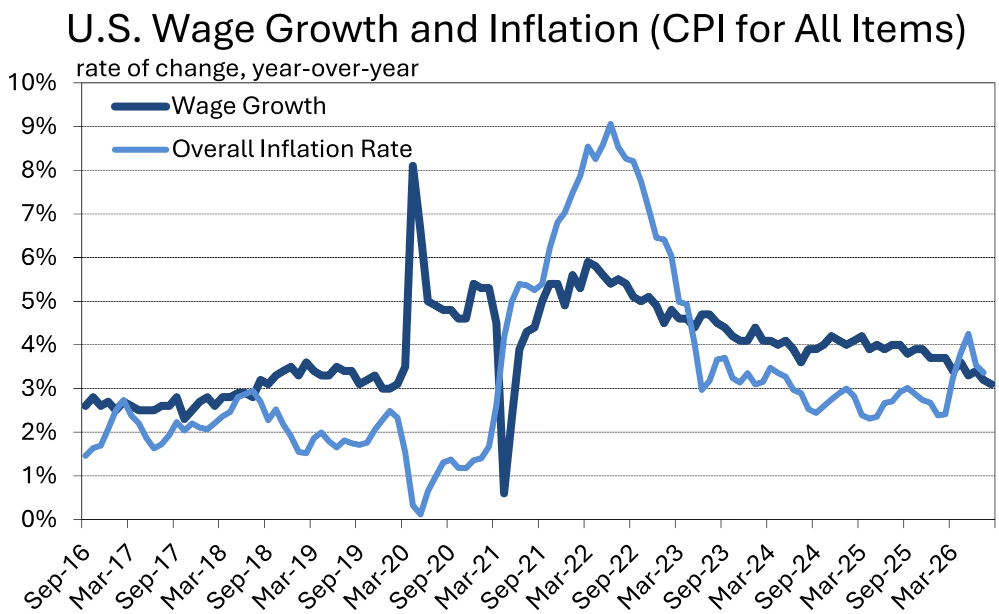


Source: Department of Labor

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



Source: Bureau of Labor Statistics

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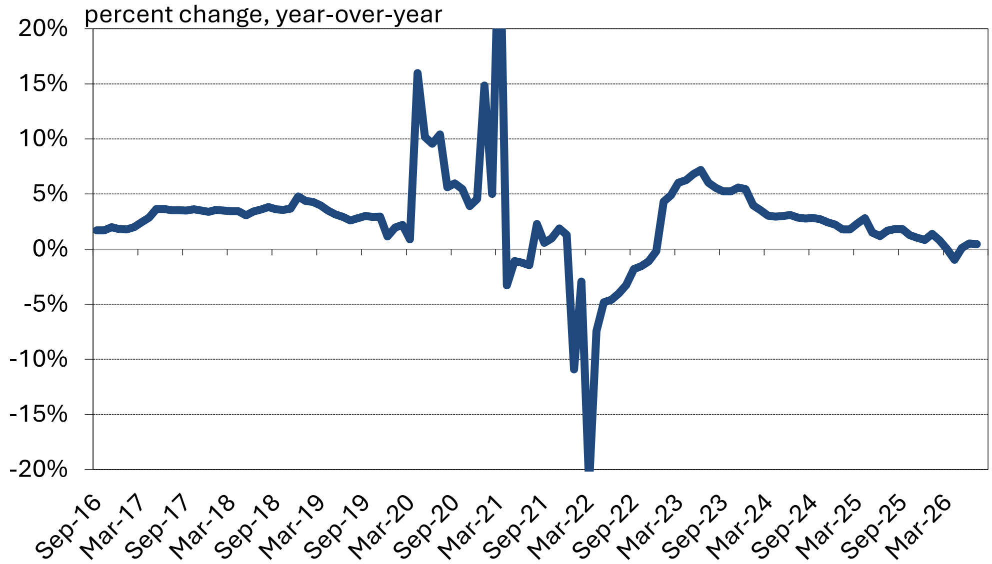
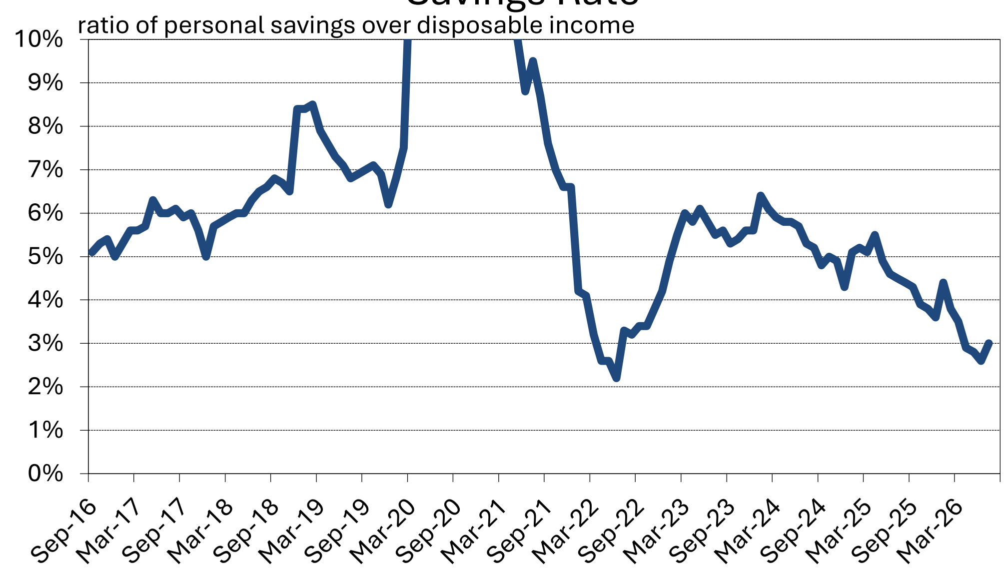
Growth in Real Disposable Personal Income



Source: Bureau of Economic Analysis

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

Savings Rate



Source: Bureau of Labor Statistics

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

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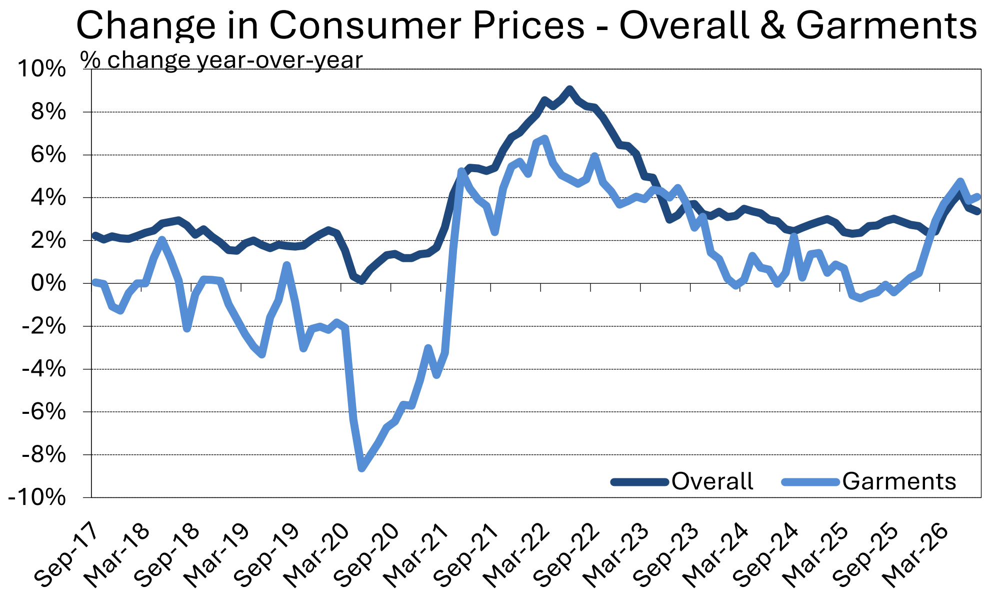
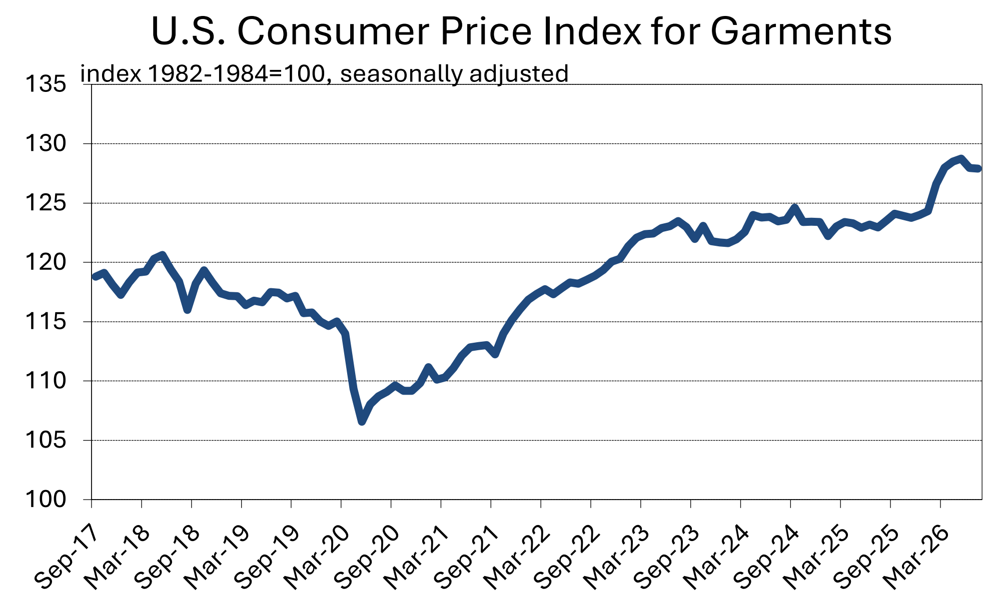


Source: Bureau of Labor Statistics



Source: Bureau of Labor Statistics

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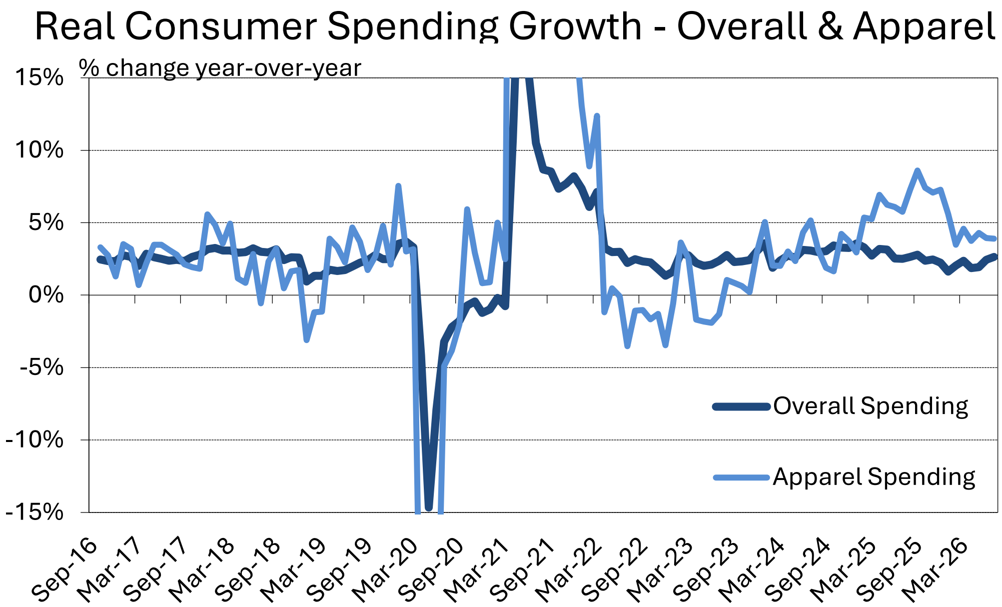

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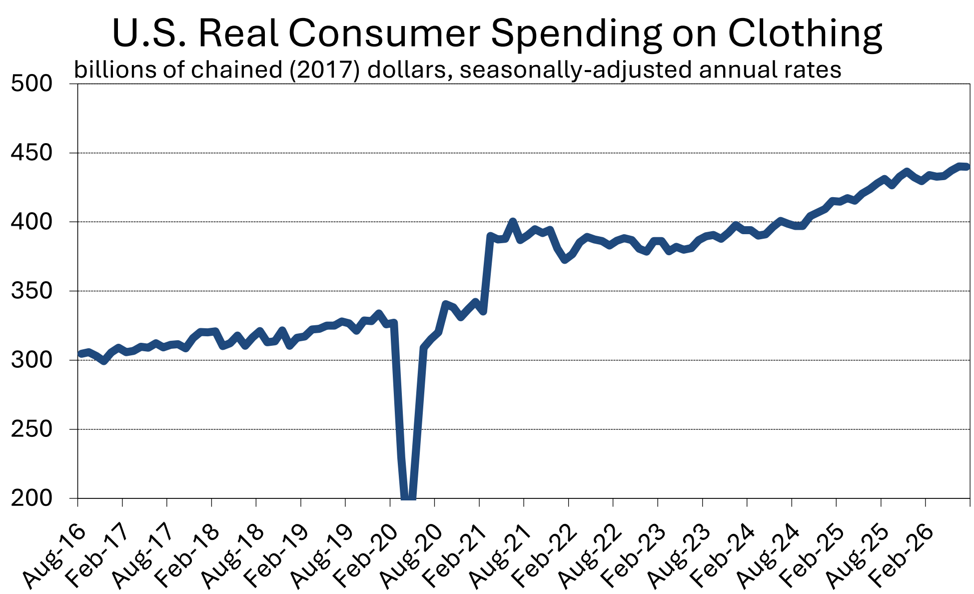

Source: Bureau of Economic Analysis

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

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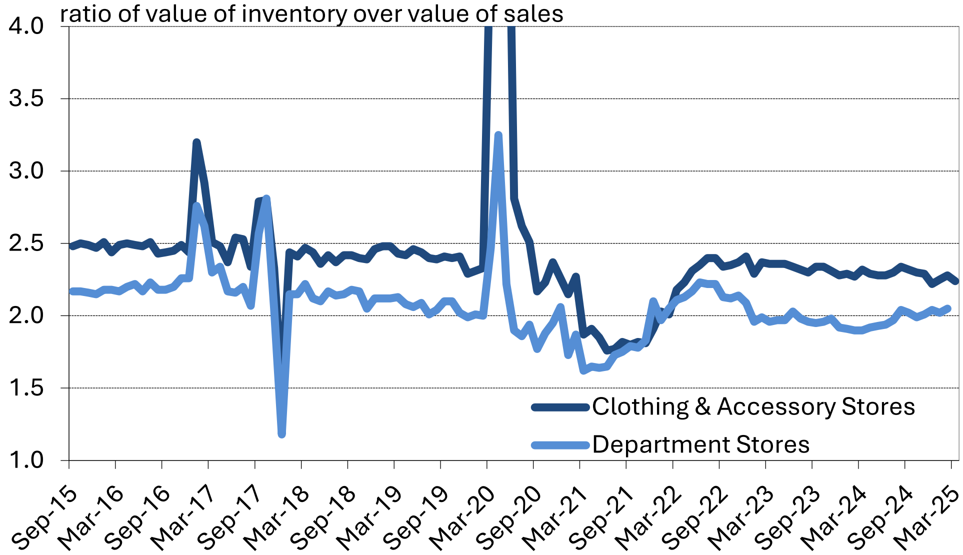
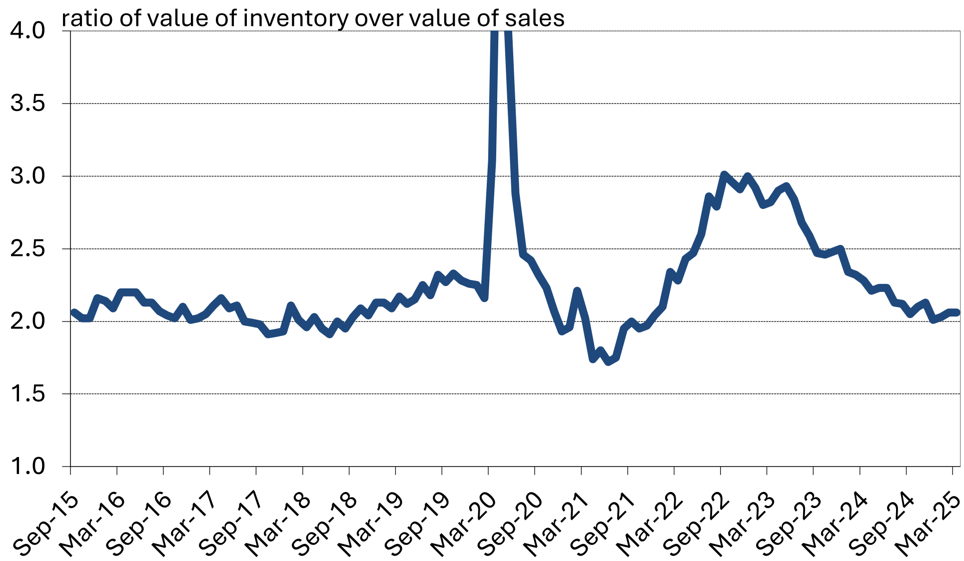
U.S. Retail Inventory to Sales Ratios



Source: Department of Commerce

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

U.S. Clothing Wholesaler Inventory/Sales Ratio



Source: Department of Commerce

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

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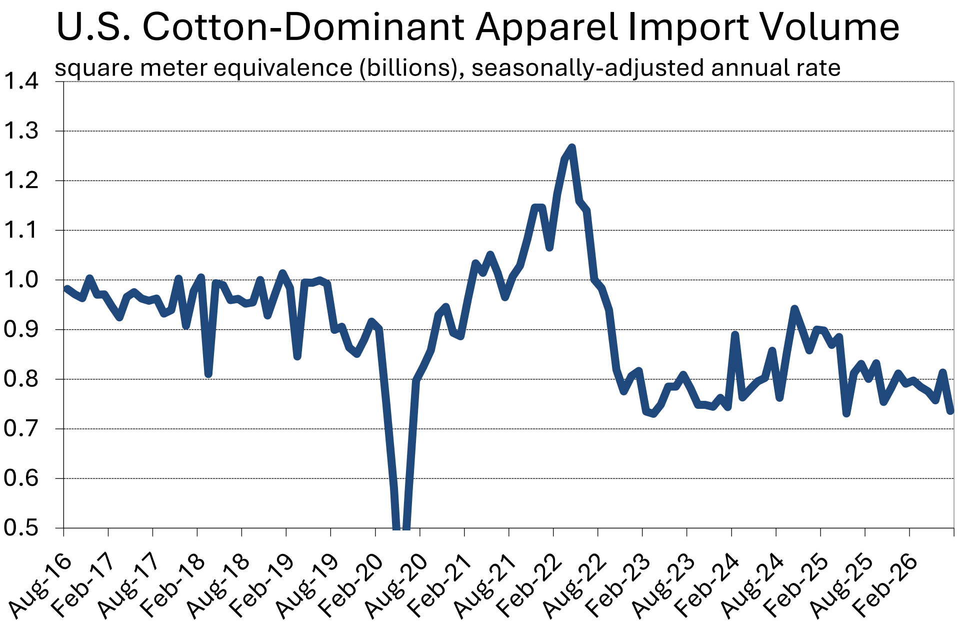
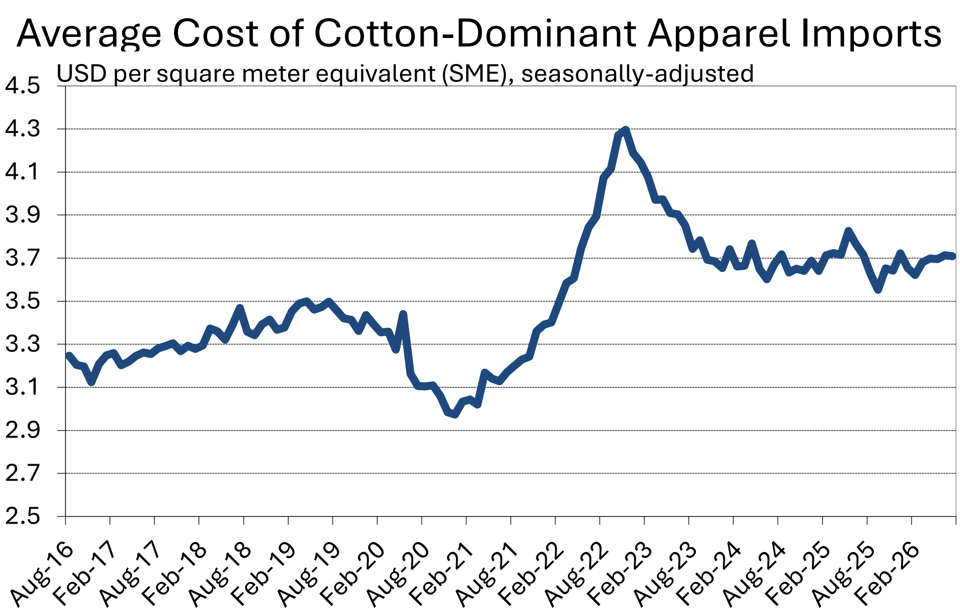


Source: OTEXA, seasonal-adjsutment by Cotton Incorporated



Source: OTEXA, seasonal-adjsutment by Cotton Incorporated

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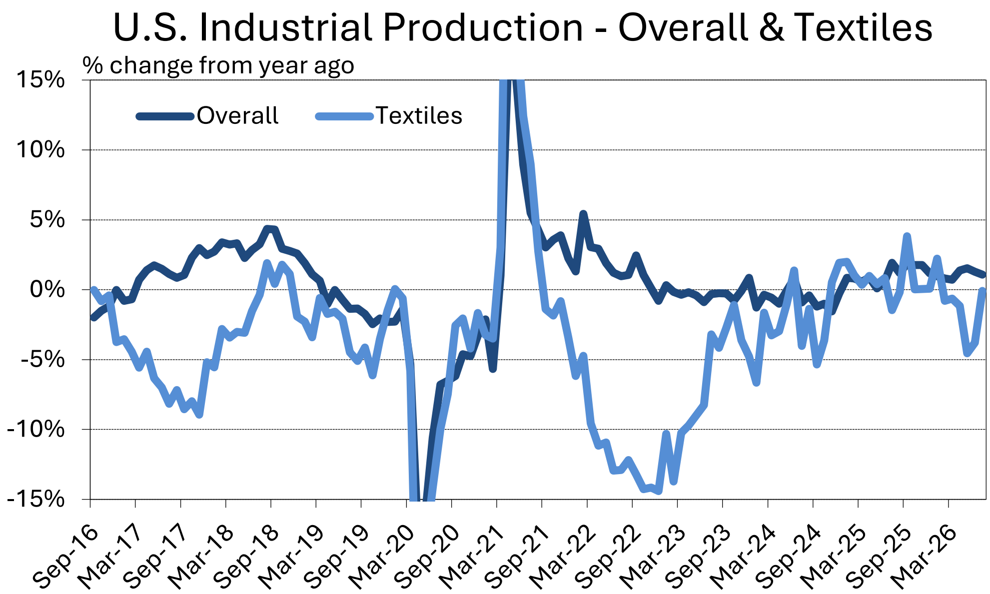

Source: Department of Commerce

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

Source: Federal Reserve

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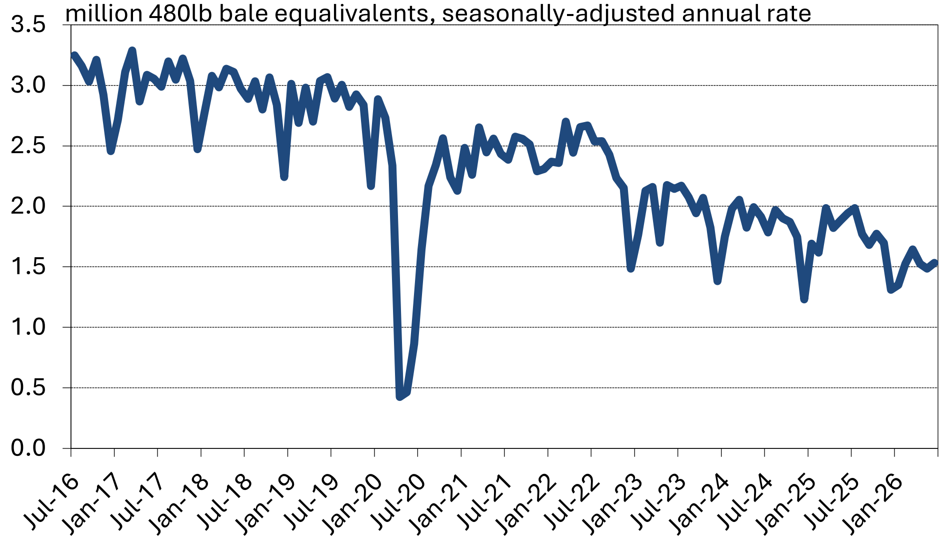
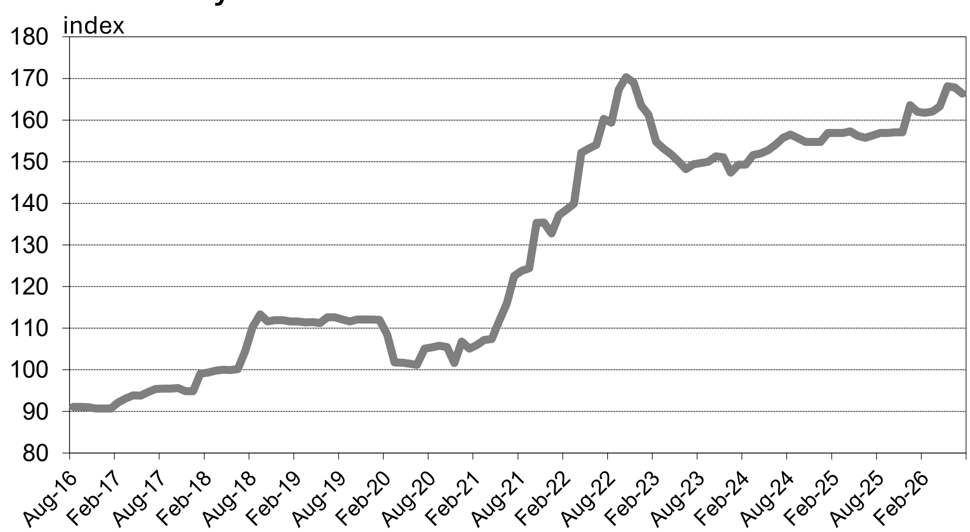
US Cotton Yarn & Fabric Exports



Source: USDA

Polyester Fiber Producer's Price Index



Source: Bureau of Labor Statistics

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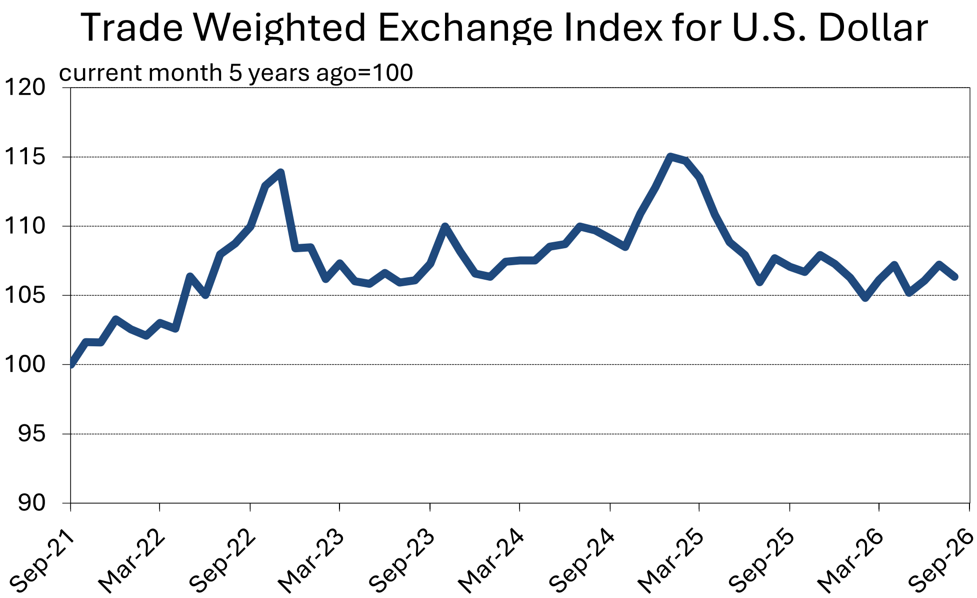
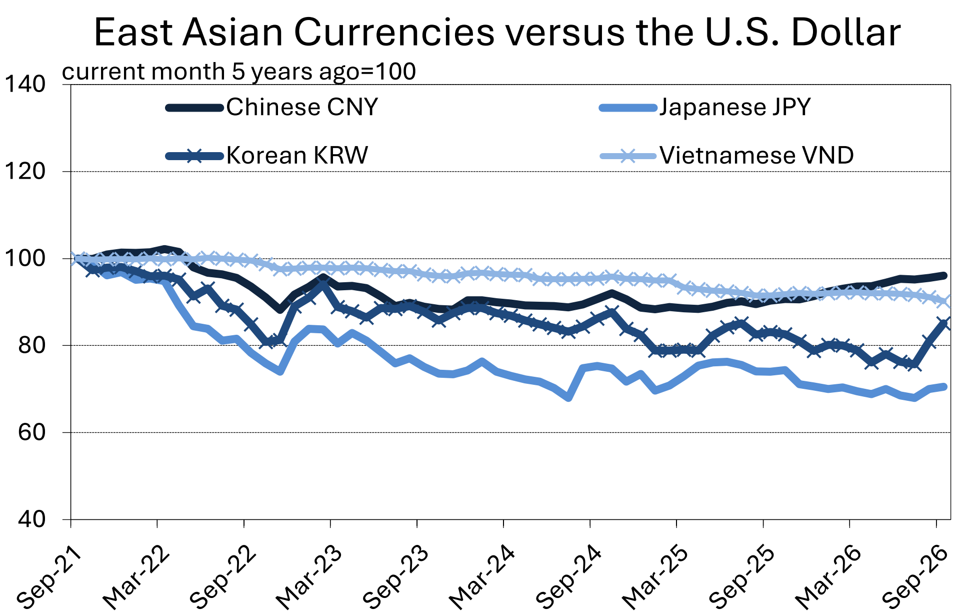


Source: Federal Reserve



Source: Reuters

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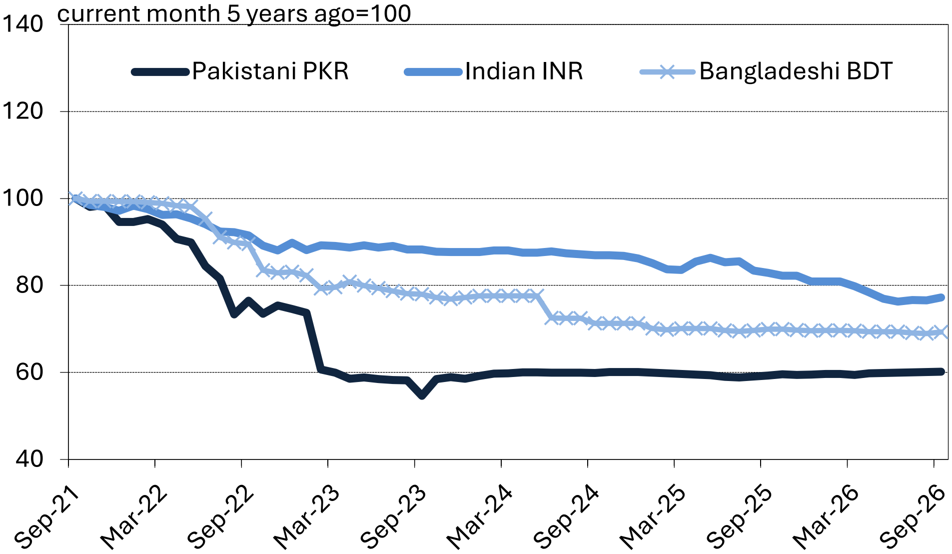
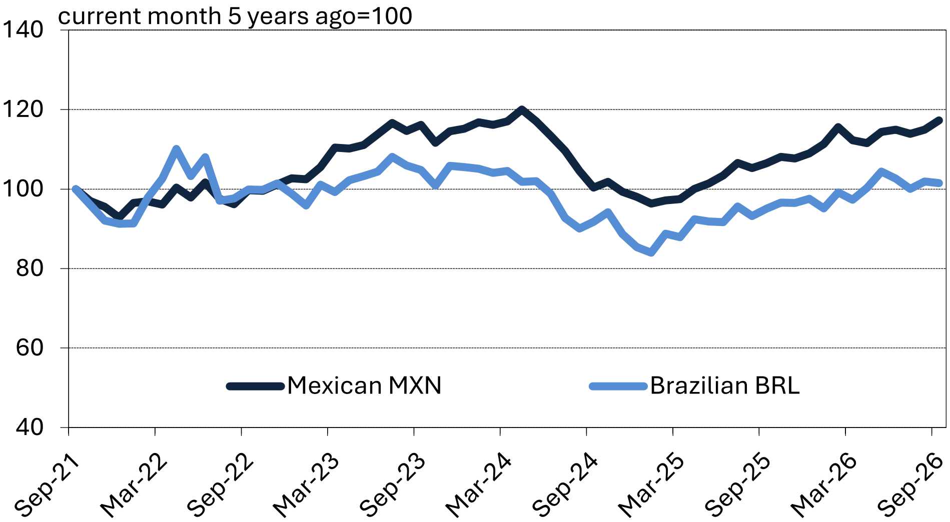
South Asian Currencies versus the U.S. Dollar



Source: Reuters

North & South American Currencies vs.U.S. Dollar



Source: Reuters

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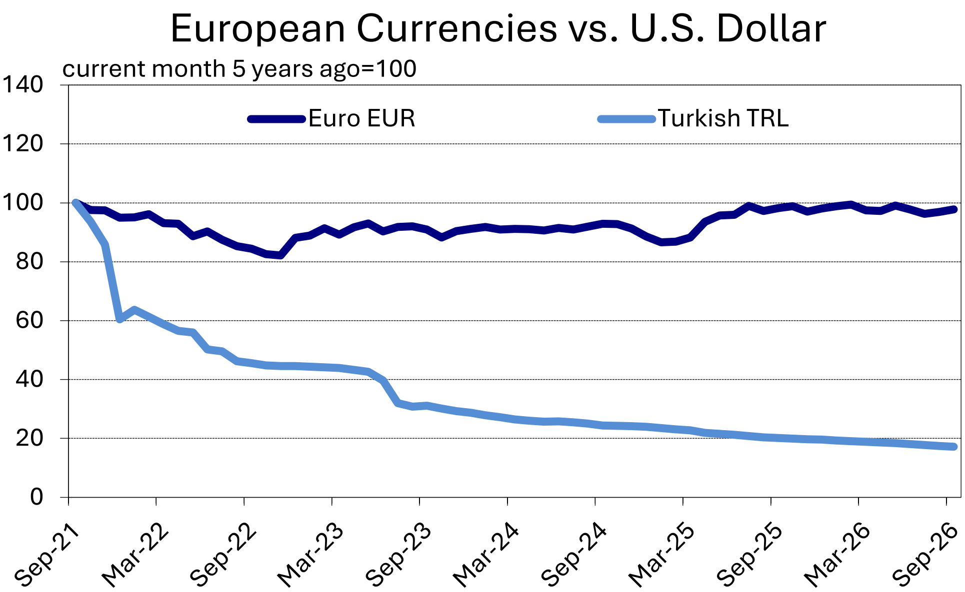
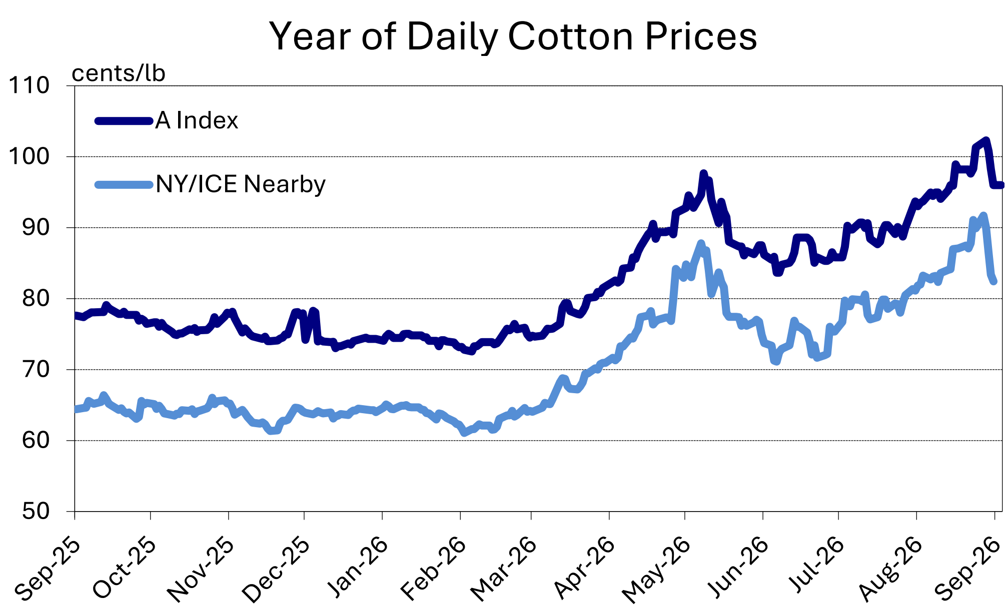


Source: Reuters



Sources: Cotlook, Reuters

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

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