

# Executive Cotton Update

U.S. Macroeconomic Indicators &  
the Cotton Supply Chain



September 2023

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

**Macroeconomic Overview:** Job gains have decelerated in recent months. However, the U.S. economy has held up better than was generally feared when inflation was surging and interest rates started climbing sharply higher. The effects of interest rates on an economy are lagged, but it has been 18 months since rates started increasing (began in March 2022), and forecasts for US GDP have been getting revised higher. When starting the process of increasing interest rates, claims from the Federal Reserve which suggested a soft landing was possible were met with skepticism. However, projections are now that the U.S. may be able to avoid a recession in 2023 and into 2024.

A major reason the economy has been resilient is the labor market has not weakened. The unemployment rate remains below four percent, which has only been maintained during a few periods in U.S. history. Strong employment can support income and, therefore, consumer spending. The rate of wage increases has slowed, but with the collapse in inflation, wages have been increasing faster than consumer prices since May. Higher wage growth relative to inflation implies greater spending power and can support continued strength in spending.

**Employment:** The U.S. economy is estimated to have added +187,000 jobs in August. Revisions to figures for previous months lowered the estimate for June by -80,000 to +105,000 and dropped the estimate for July by -30,000 to +157,000. The current twelve-month average is +286,000. The reductions to existing estimates suggest a more significant slowdown in the labor market than previously reported.

The unemployment rate increased from 3.5% to 3.8%. This was driven by a large +736,000-person addition to the number of people included in the labor force (the unemployment rate is the ratio of employed people over the number wanting to work). The labor force participation rate (number of people wanting to work over the entire population) has recovered to the level before COVID (near 63%), but it remains lower than the rates near 67% that were common from 1990 to 2010. A reason for the longer-term decline is demographics, with the baby boom generation having reached retirement age.

Average hourly wage growth was at 4.3% year-over-year in August. Since March, wage growth has been between 4.3% and 4.4%. This remains well above the levels between the financial crisis and the pandemic, when wages commonly grew between two and three percent, but wage growth has shifted lower since the post-COVID-stimulus peak of 5.9% (March 2022).

**Consumer Confidence & Spending:** The Conference Board's Index of Consumer Confidence decreased in August (from 114.0 in July to 106.1). The current value is near the average over the past twelve months.

In inflation-adjusted terms, overall consumer spending increased +0.6% month-over-month in July and was up +3.0% year-over-year. This was the highest rate of year-over-year growth in nearly one year and a half.

Spending on garments increased +1.3% month-over-month in July but was down -0.4% year-over-year. This marked the fifth consecutive month with a year-over-decrease in apparel spending. Despite the recent decreases in annual rates of clothing spending, the volume of apparel that consumers are buying continues at rates that are more than 20% higher than they were in 2019.

**Consumer Prices & Import Data:** Retail prices for apparel increased month-over-month for the ninth consecutive time in July (+0.2%). Year-over-year, average retail clothing prices rose for a twenty-eighth consecutive month (+4.5% in July). Relative to the average in 2019, clothing prices were 6.1% higher in July.

In seasonally-adjusted terms, the average import cost per square-meter equivalent (SME) of cotton-dominant apparel decreased -1.2% month-over-month. Although average costs have moved lower than the post-COVID peak (-9.7% relative to the value of \$4.31/SME in November 2022), they remain elevated compared to where they were before the pandemic (averaged \$3.45/SME in 2019, the value in July was 12.9% higher).

Import volumes shifted sharply lower in the second half of 2022 as import costs increased and concerns about the economy rose alongside interest rates. In terms of weight volume, recent apparel imports have been at some of the lowest levels in decades (excluding the months most affected by COVID). Those volumes have been moving slightly higher over the past three months but remain low. The low level of imports has contrasted with the relative stability of consumer spending on apparel.

## 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  
September 2023



## Macroeconomic Data

Quarterly Data	Recent Averages				Values in Recent Quarters			Unit	Source
	5-year	1-year	6-month	3-month	Q4 : 2022	Q1 : 2023	Q2 : 2023		
Growth in US Real GDP	2.5%	3.2%	2.3%	2.0%	2.6%	2.0%	2.1%	% Chg. Quarter/Quarter	Department of Commerce

### Macroeconomic Series with Latest Data for August

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	June	July	August		
ISM Index of Manufacturing Activity	53.7	47.8	46.7	46.7	46.0	46.4	47.6	Index	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	56.7	53.3	52.4	53.7	53.9	52.7	54.5	Index	Institute for Supply Management
Consumer Confidence	112.4	105.9	106.7	110.1	110.1	114.0	106.1	Index	The Conference Board
Change in Non-Farm Payrolls	119.1	257.3	194.0	149.7	105	157	187	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	4.9%	3.6%	3.6%	3.6%	3.6%	3.5%	3.8%	Rate	Bureau of Labor Statistics
US Interest Rates									
Federal Funds	1.7%	4.4%	5.0%	5.2%	5.1%	5.1%	5.3%	Interest rate	Federal Reserve
10-year Treasury Bill	2.2%	3.7%	3.8%	3.9%	3.8%	3.9%	4.2%	Interest rate	Federal Reserve

### Macroeconomic Series with Latest Data for July

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	May	June	July		
Index of Leading Economic Indicators	111.2	109.1	106.8	106.1	106.2	106.2	105.8	Index	The Conference Board
Housing Starts	1.4	1.4	1.4	1.5	1.6	1.4	1.5	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.4	4.3	4.3	4.2	4.3	4.2	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			Unit	Source
	5-year	1-year	6-month	3-month	May	June	July		
US Industrial Production	100.5	102.8	102.6	102.5	103.1	102.7	102.9	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	125.3	158.0	150.9	148.5	150.1	147.8	147.7	Index, December 2003=100	Bureau of Labor Statistics

### Industrial & Textile Series with Latest Data for June

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	April	May	June		
Bale Equivalence of US Cotton Yarn & Fabric Exports	3.2	2.2	2.1	2.2	2.0	2.3	2.3	million 480lb bales	USDA ERS

### Industrial & Textile Series with Latest Data for July

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	May	June	July		
US Textile Mill Inventory/Shipments Ratio	1.50	1.70	1.72	1.73	1.73	1.73	1.72	Ratio	Department of Commerce

## Retail Data

### Retail Series with Latest Data for July

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	May	June	July		
US Real Consumer Spending									
All Goods and Services	2.6%	2.2%	2.4%	2.5%	2.2%	2.4%	3.0%	% Chg. Year/Year	Department of Commerce
Clothing	6.7%	0.4%	-0.3%	-0.9%	-1.3%	-0.9%	-0.4%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	3.9%	5.9%	4.4%	3.4%	4.0%	3.0%	3.2%	% Chg Year/Year	Bureau of Labor Statistics
Clothing	0.5%	4.4%	4.2%	4.3%	4.4%	4.2%	4.5%	% Chg. Year/Year	Bureau of Labor Statistics

### Retail Series with Latest Data for June

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	April	May	June		
Retail Inventory/Sales Ratio									
Clothing and Clothing Accessory Stores	2.6	2.3	2.3	2.4	2.4	2.4	2.4	Ratio	Department of Commerce
Department Stores	2.0	2.1	2.0	2.1	2.0	2.0	2.1	Ratio	Department of Commerce

# Executive Cotton Update

Daily Cotton Price and Currency Data

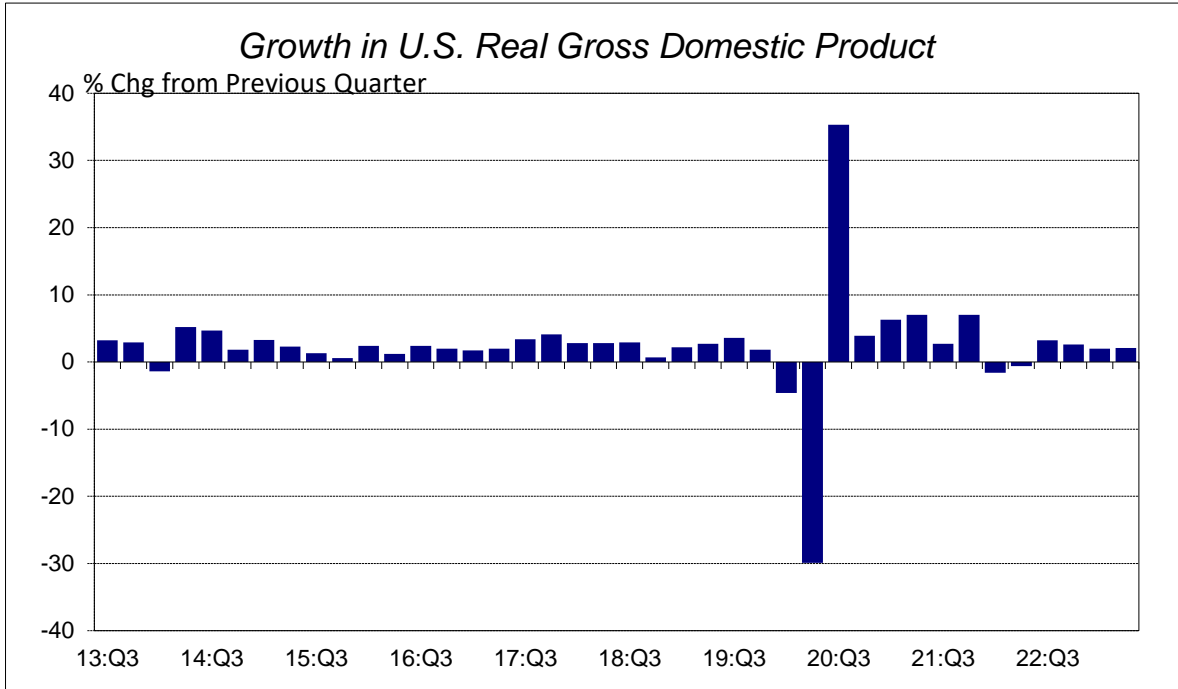
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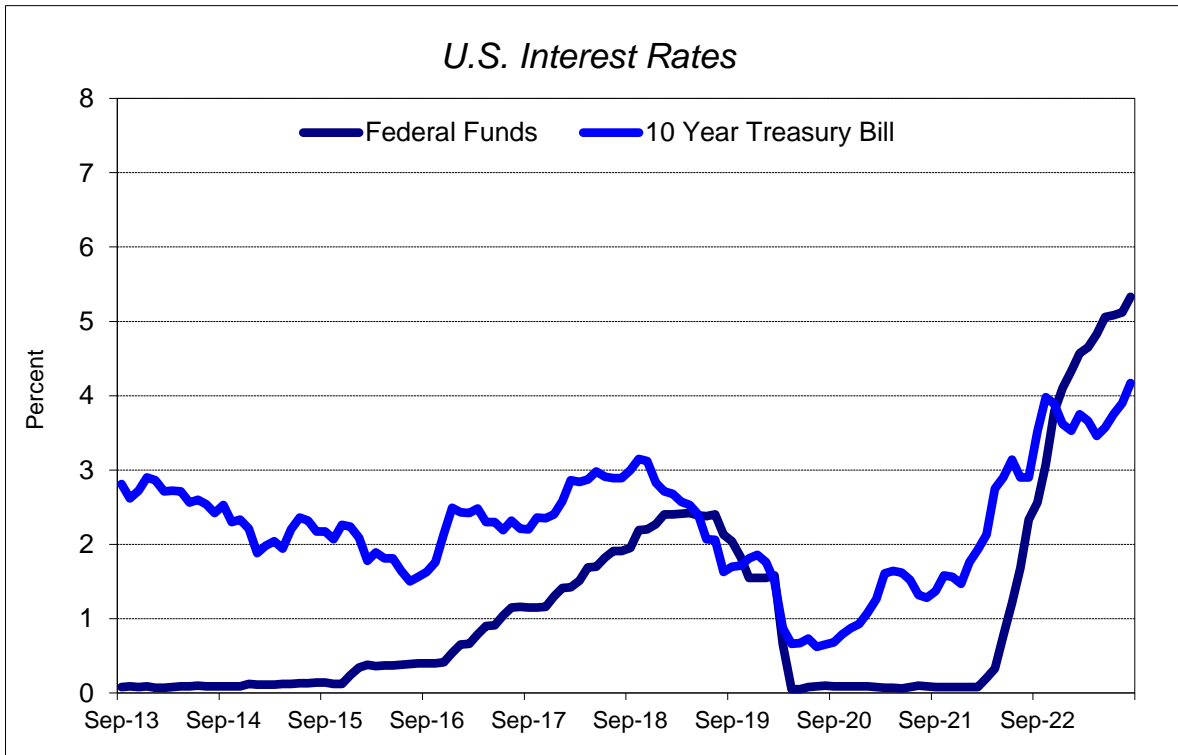
Daily Cotton Price Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	June	July	August		
NY Nearby	83.8	84.7	83.1	84.4	82.0	84.1	86.3	cents/pound	ICE
A Index	94.3	98.7	94.3	93.8	92.5	93.2	95.8	cents/pound	Cotlook

Daily Currency Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	June	July	August		
Dollar Trade Weighted Exchange Index	117.2	117.5	119.9	119.8	120.2	119.6	119.6	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.79	6.69	7.05	7.19	7.13	7.24	7.19	Chinese Renminbi/US dollar	Reuters
Indian Rupee	75.15	77.29	82.28	82.68	82.55	82.74	82.75	Indian Rupee/US dollar	Reuters
Japanese Yen	117.04	122.31	137.96	141.43	139.74	142.20	142.35	Japanese Yen/US dollar	Reuters
Pakistani Rupee	180.12	200.38	282.31	283.38	286.75	278.00	285.40	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	4.85	5.24	4.99	4.90	4.92	4.87	4.91	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.31	1.30	1.34	1.33	1.34	1.33	1.34	Canadian dollar/US dollar	Reuters
Mexican Peso	19.93	19.81	17.63	17.19	17.38	17.12	17.07	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.78	0.78	0.80	0.79	0.80	0.78	0.78	British Pound/US dollar	Reuters
Euro	0.89	0.90	0.92	0.92	0.93	0.91	0.91	Euro/US dollar	Reuters
Swiss Franc	0.95	0.93	0.90	0.89	0.91	0.89	0.87	Swiss Franc/US dollar	Reuters
Turkish Lira	10.82	14.04	22.32	25.41	23.18	26.06	27.00	Turkish Lira/US dollar	Reuters



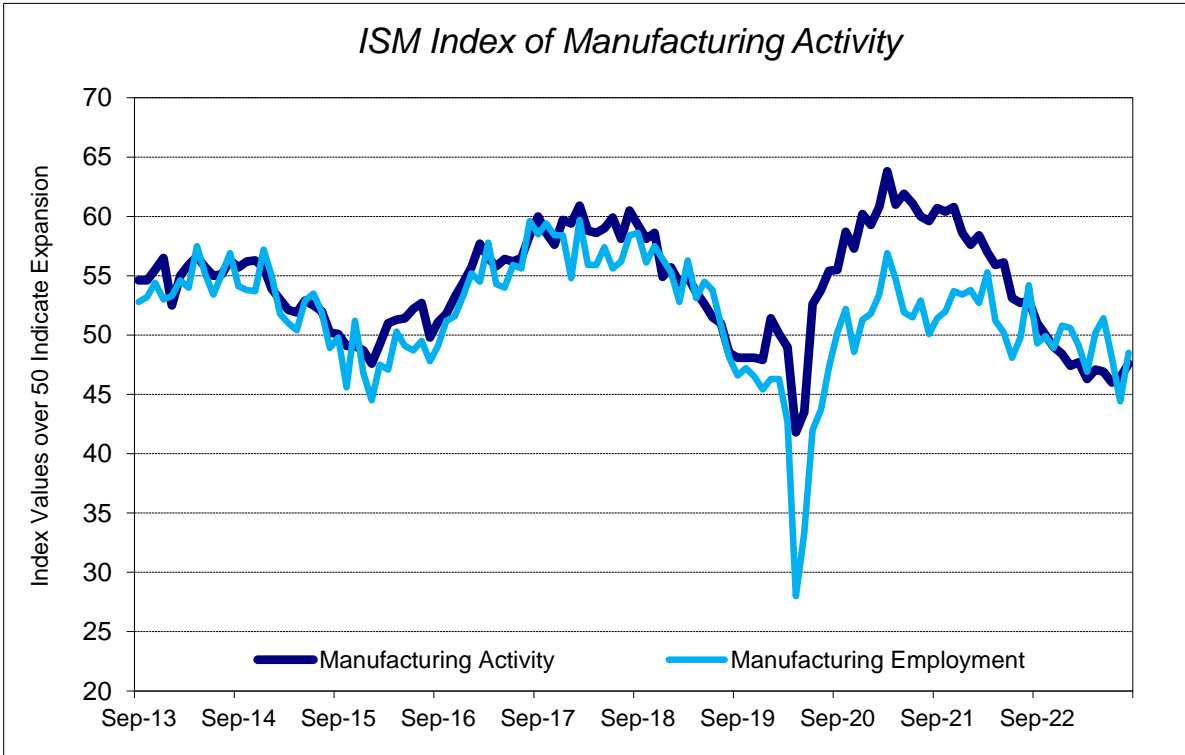
Seasonally Adjusted Annual Rate; Source: Department of Commerce  
 \*Based on chained 2005\$.



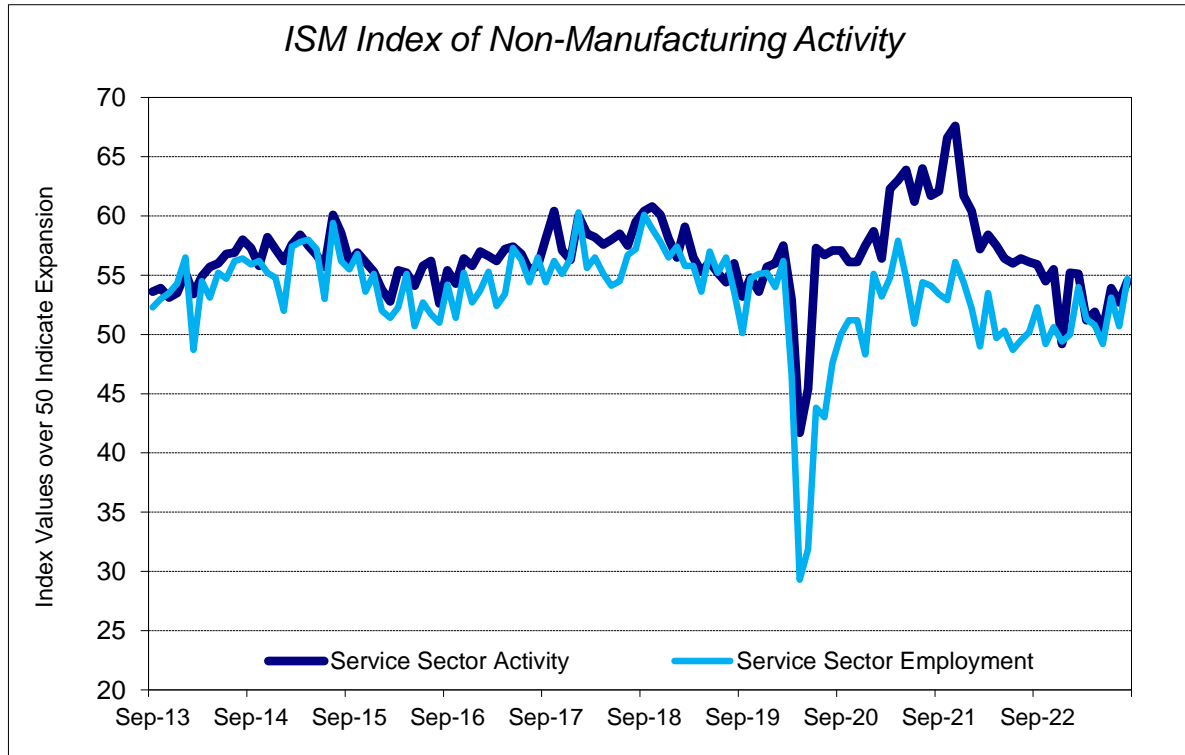
Source: Federal Reserve

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Source: Institute for Supply Chain Management



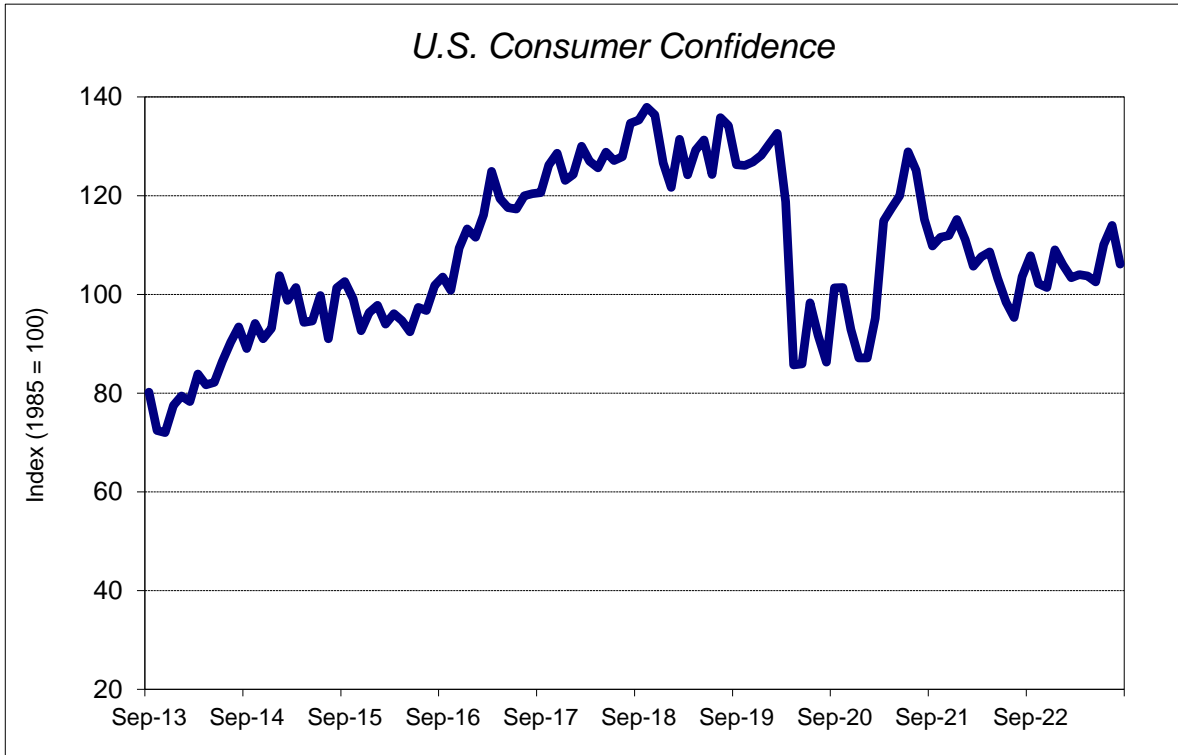
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Source: The Conference Board



Source: The Conference Board

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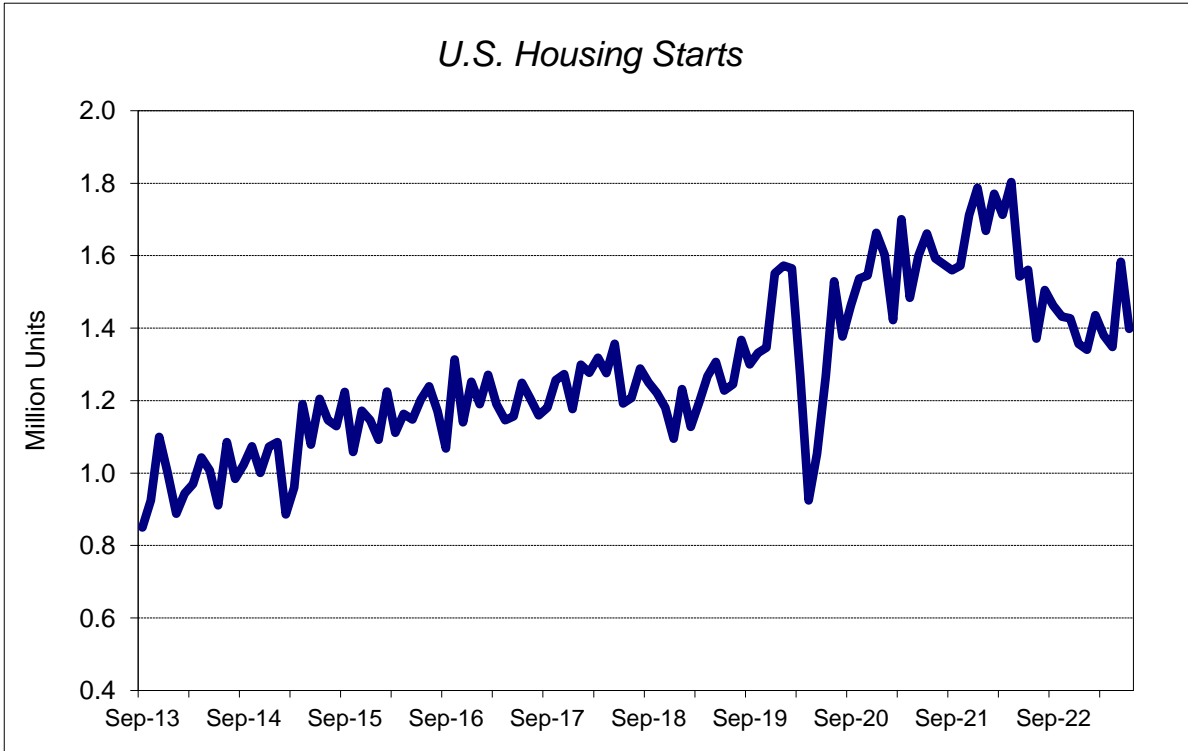
Source: Bureau of Labor Statistics



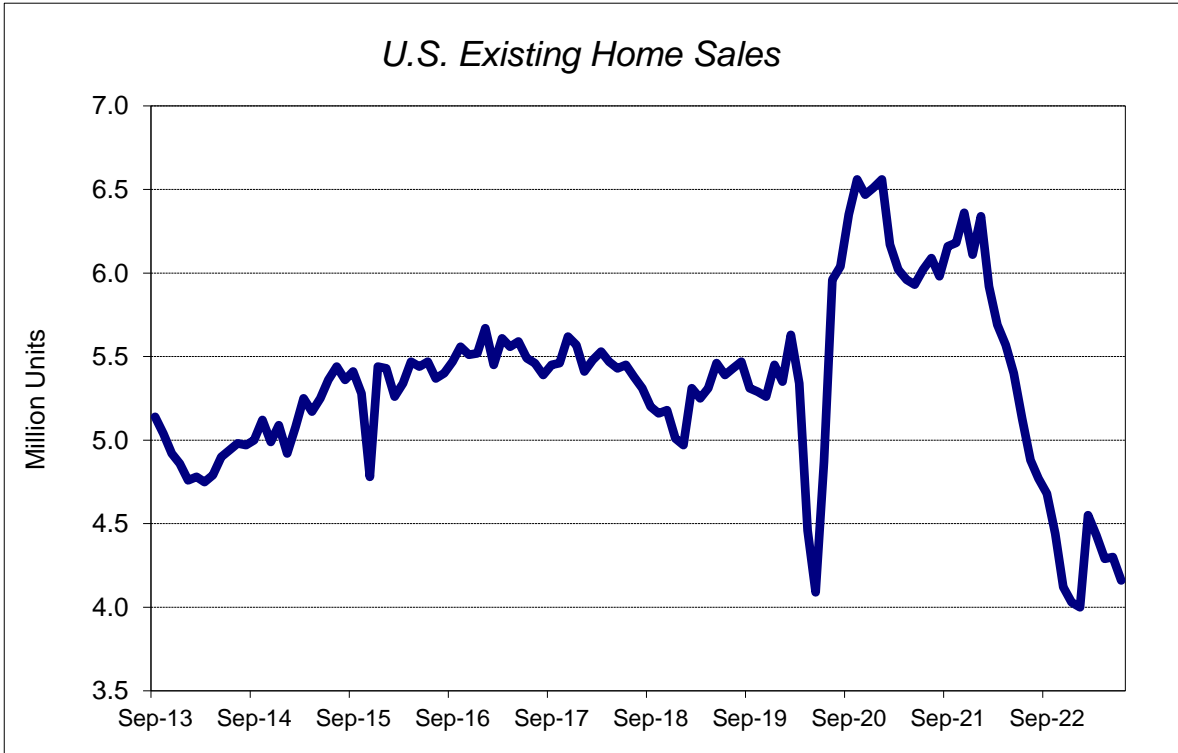
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Seasonally Adjusted Annual Rate; Source: Department of Commerce

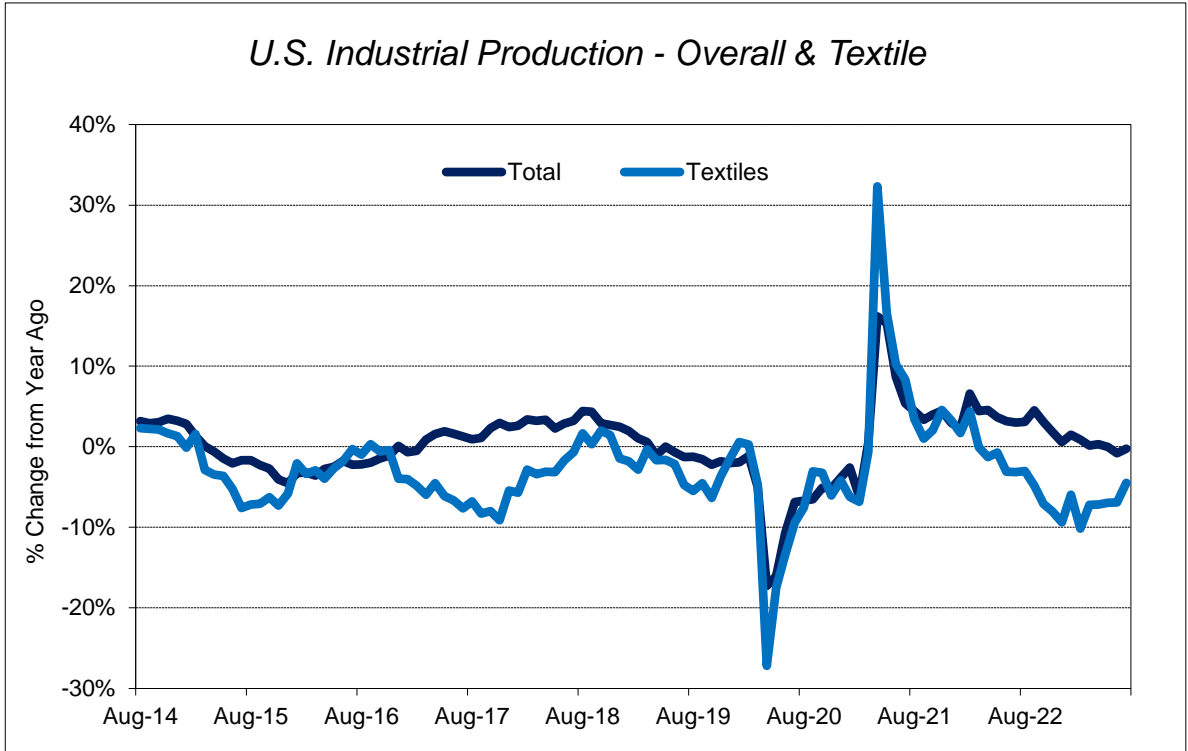


Seasonally Adjusted Annual Rate; Source: National Association of Realtors

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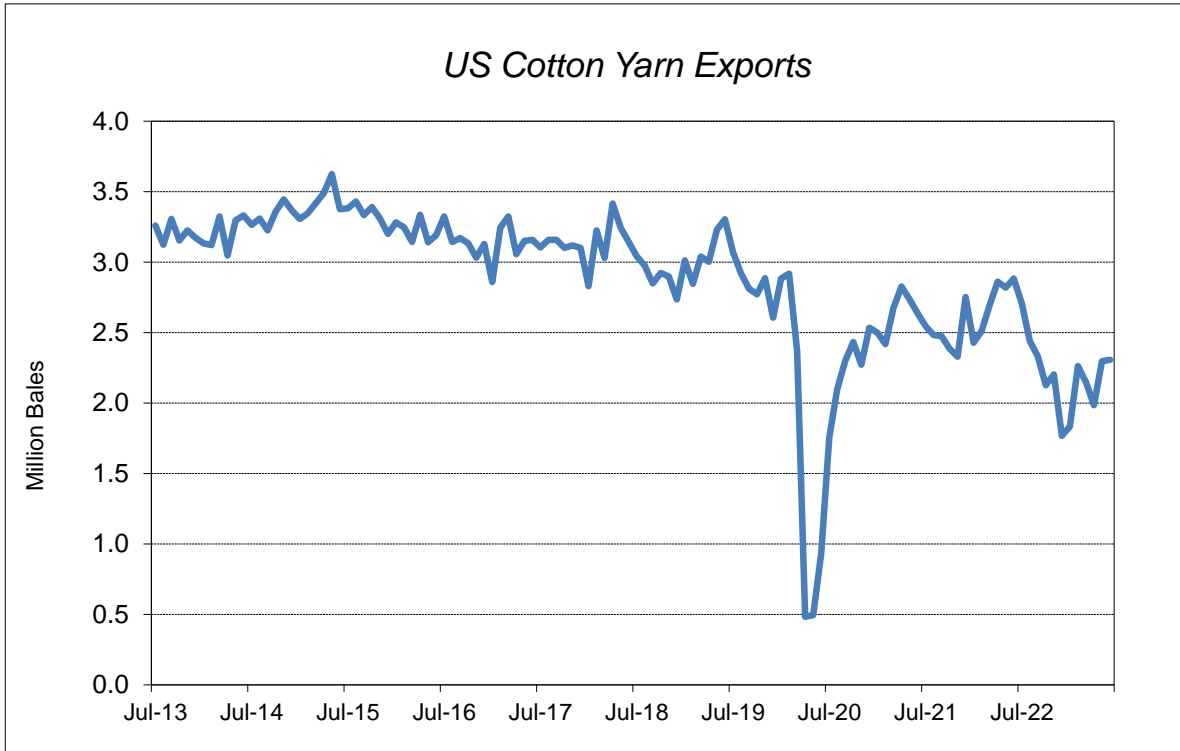
Source: Federal Reserve. Historical data revised to 1997 baseline.



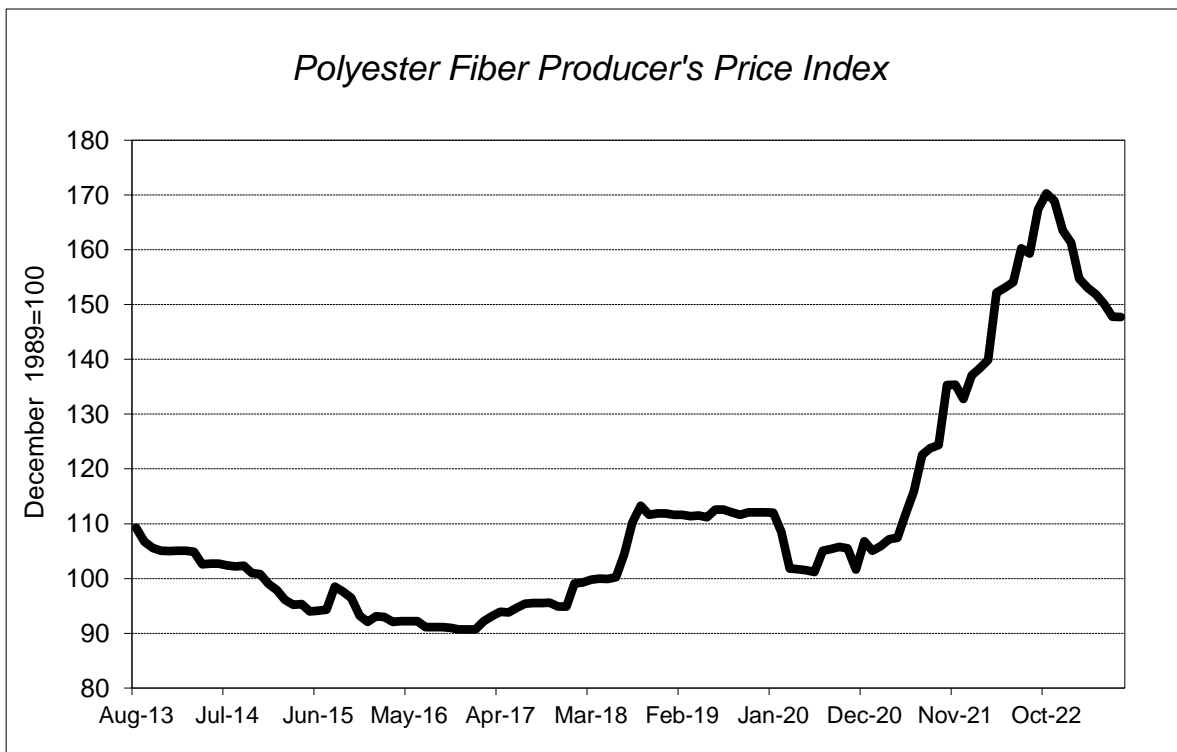
Seasonally Adjusted; Source: Department of Commerce

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Seasonally Adjusted Annual Rate  
 Source: USDA ERS

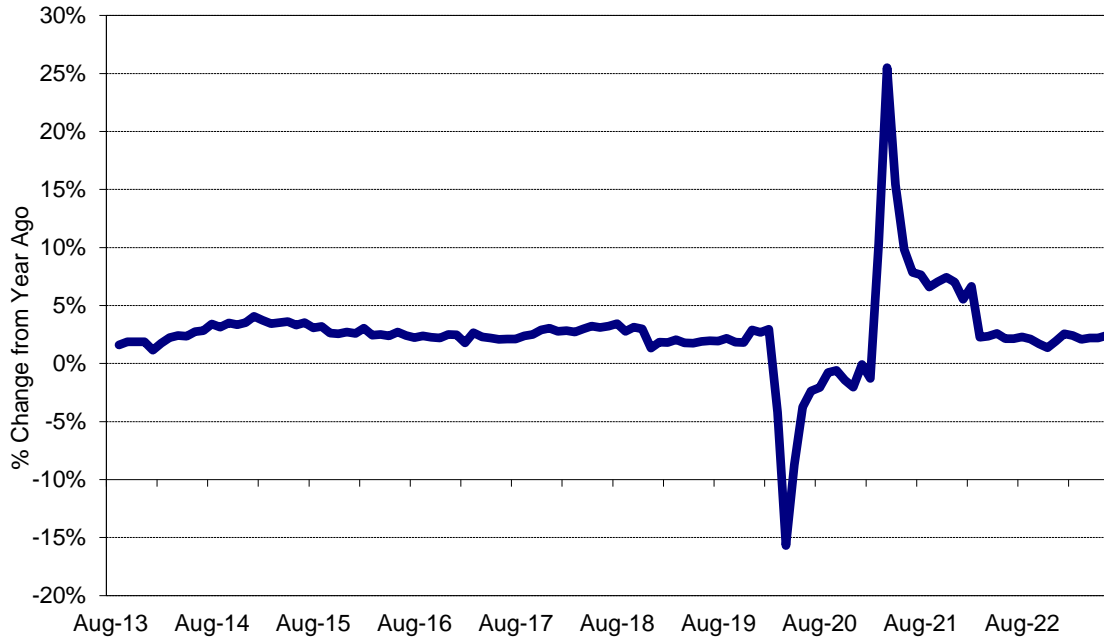


Source: Bureau of Labor Statistics

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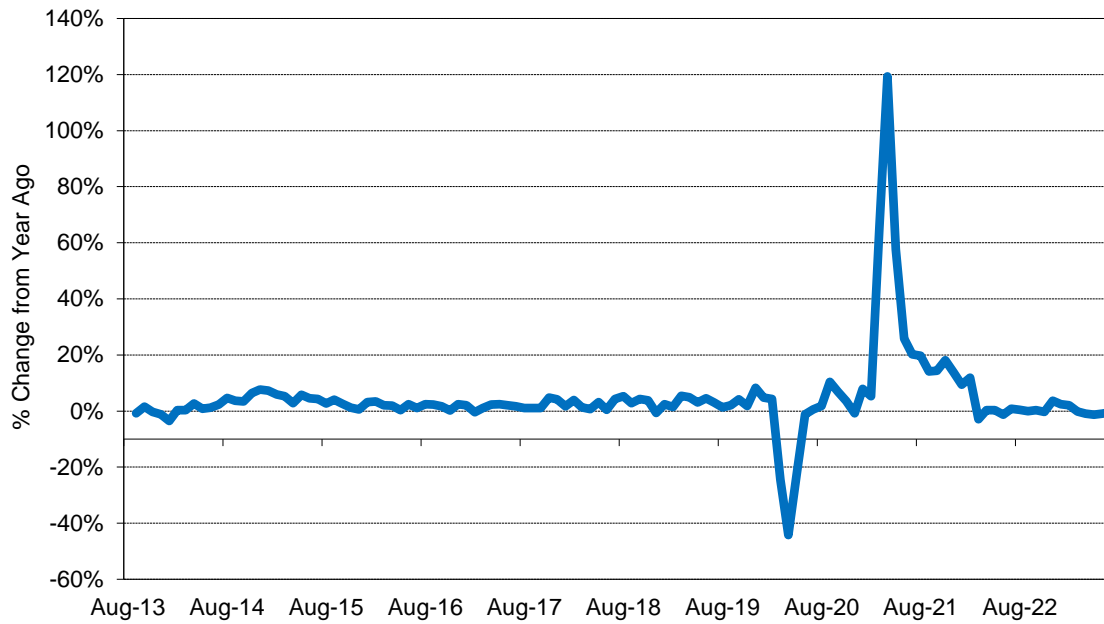


### U.S. Real Consumer Spending - All Goods & Services



\*Based on chained 2005\$.

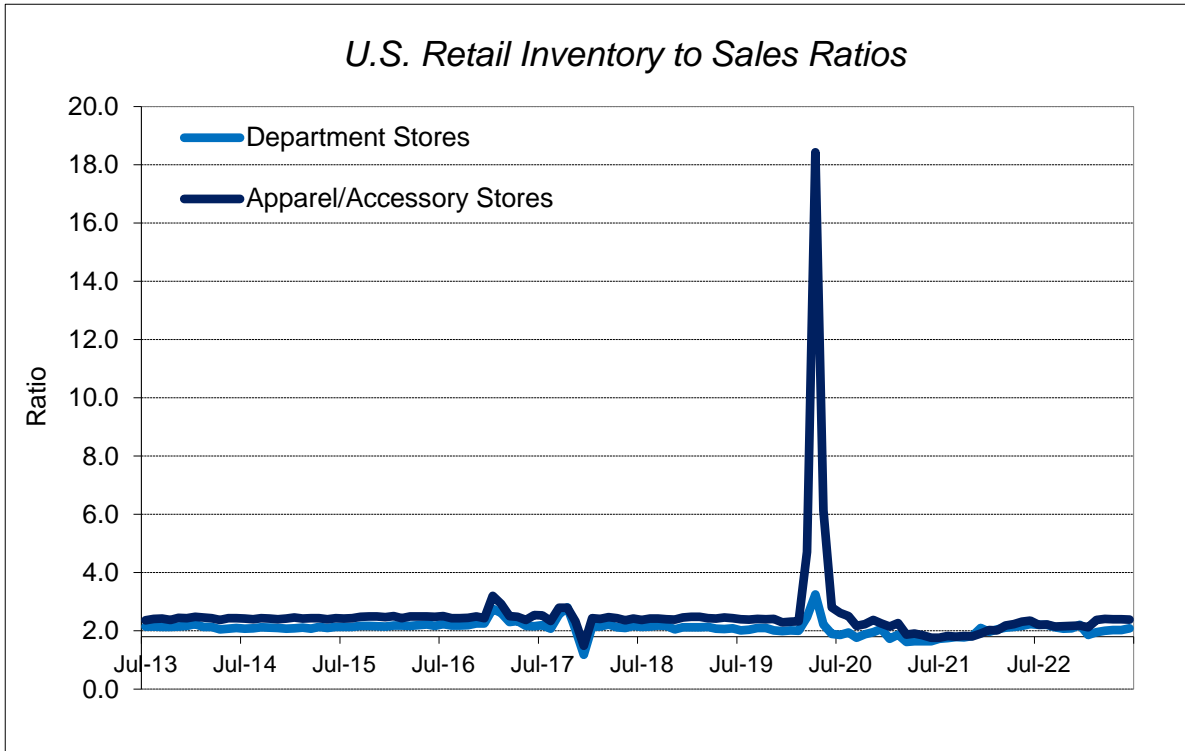
### U.S. Real Consumer Spending on Clothing



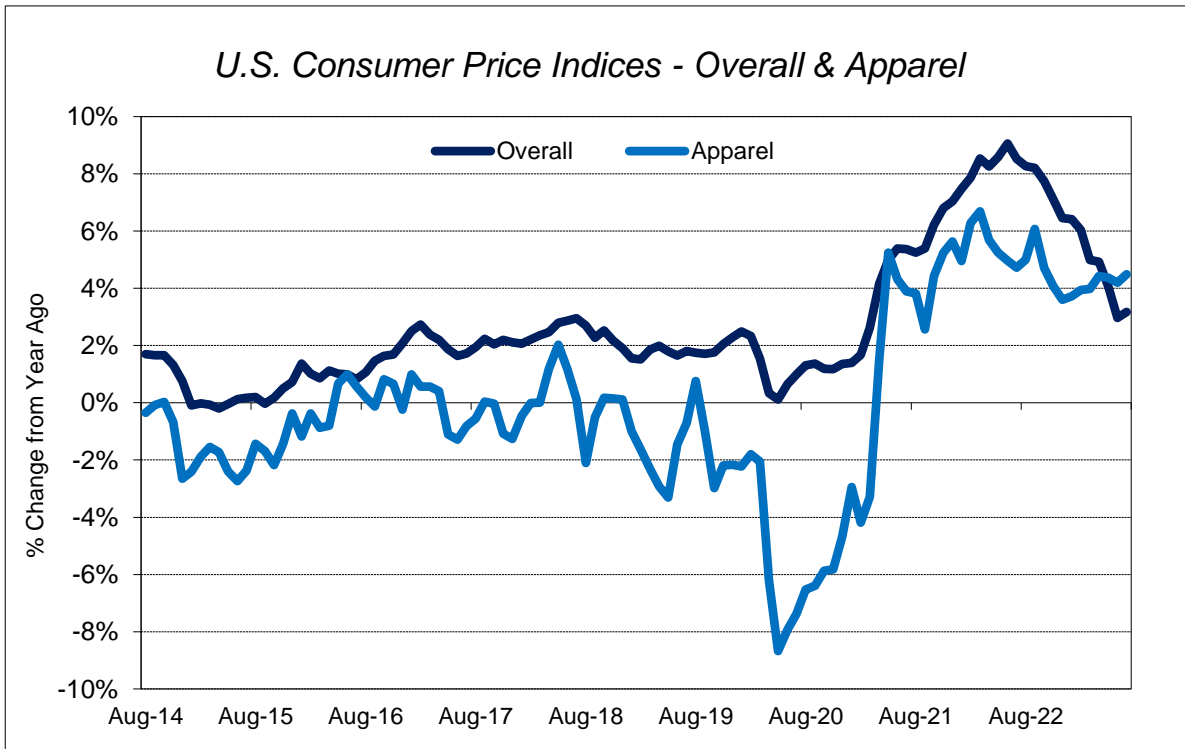
\*Based on chained 2005\$.

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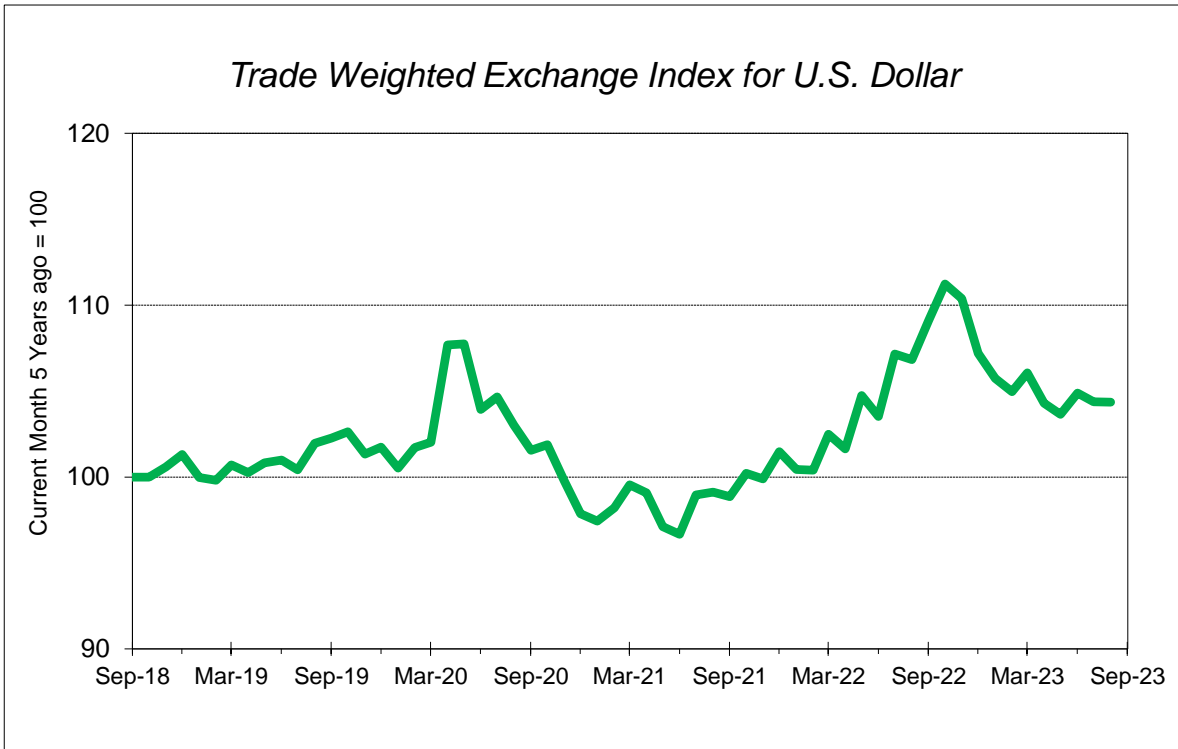
Source: Department of Commerce



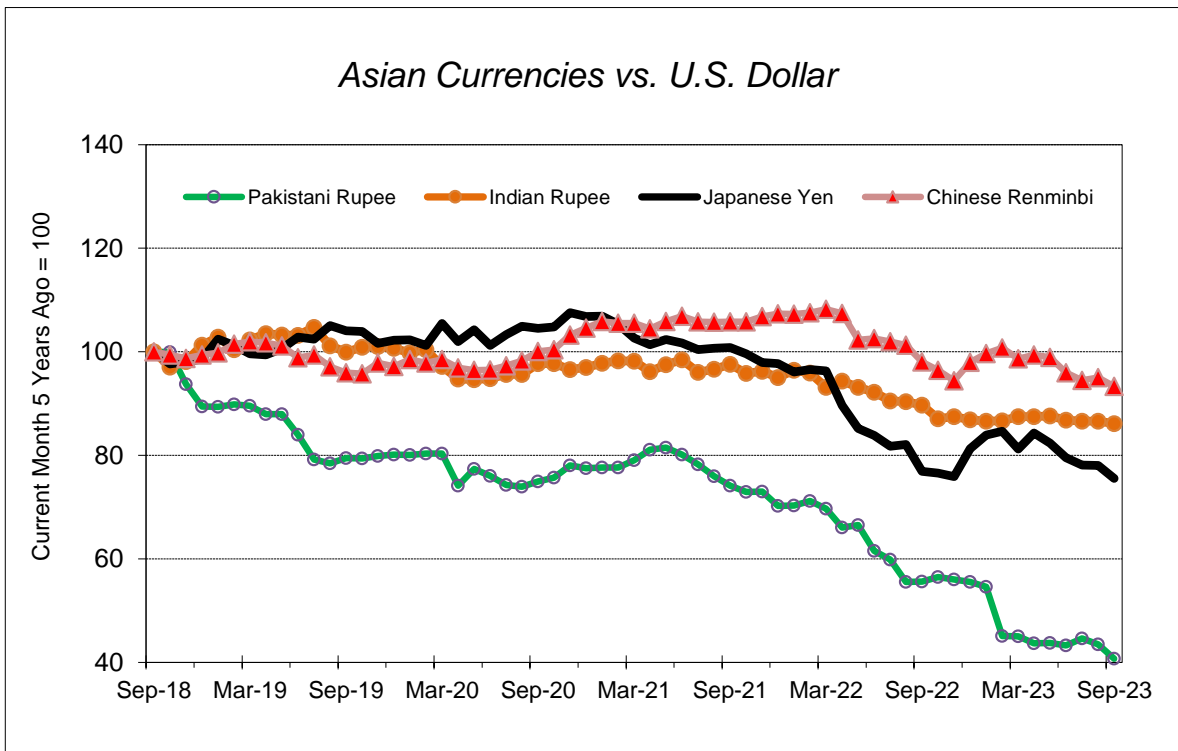
Source: Bureau of Labor Statistics

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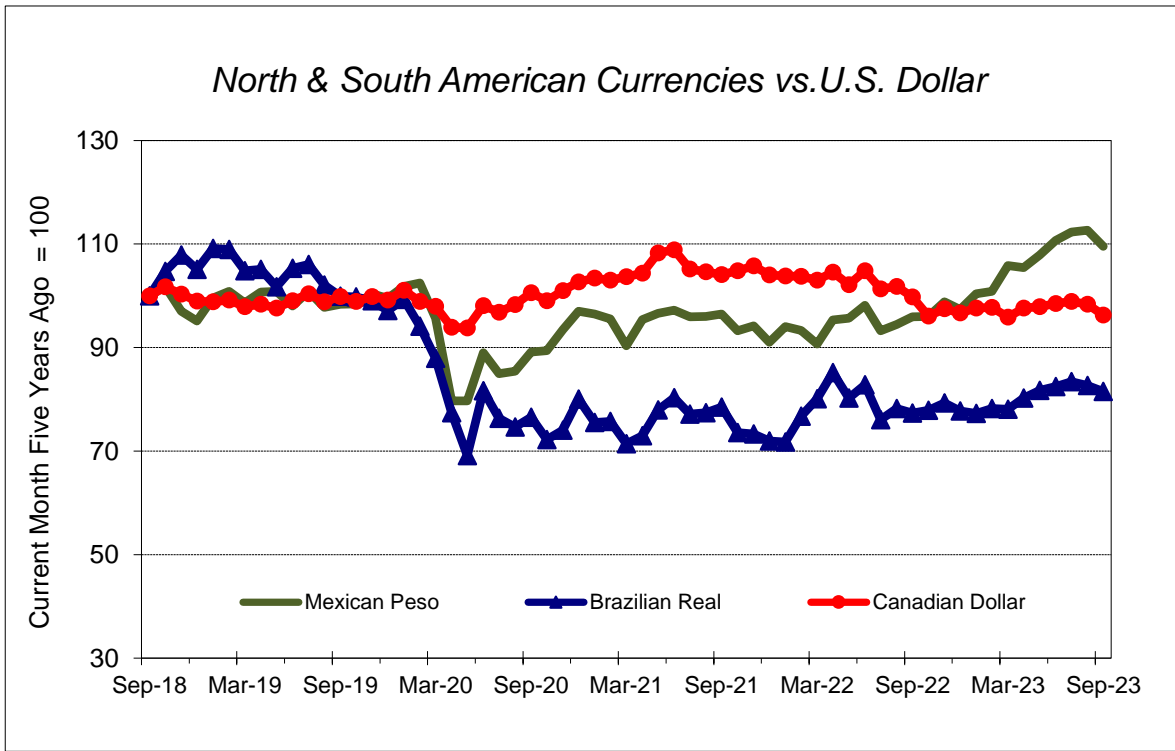
Source: Federal Reserve



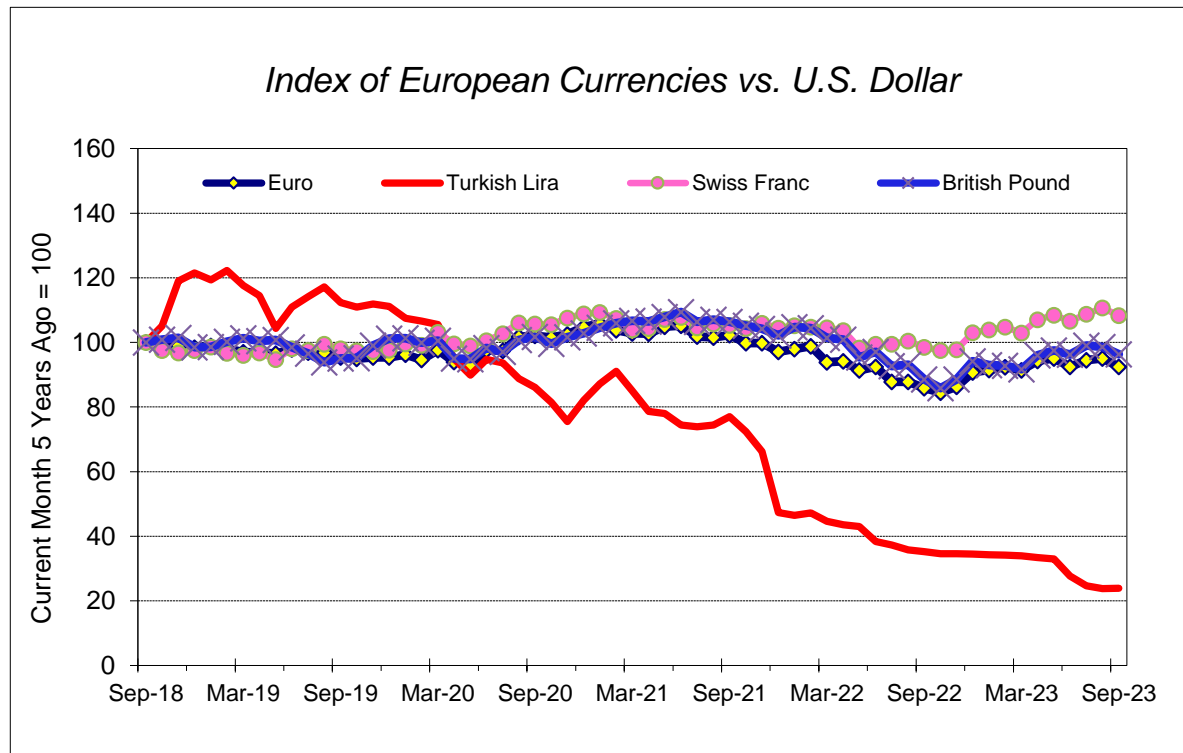
Source: Reuters

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Source: Reuters



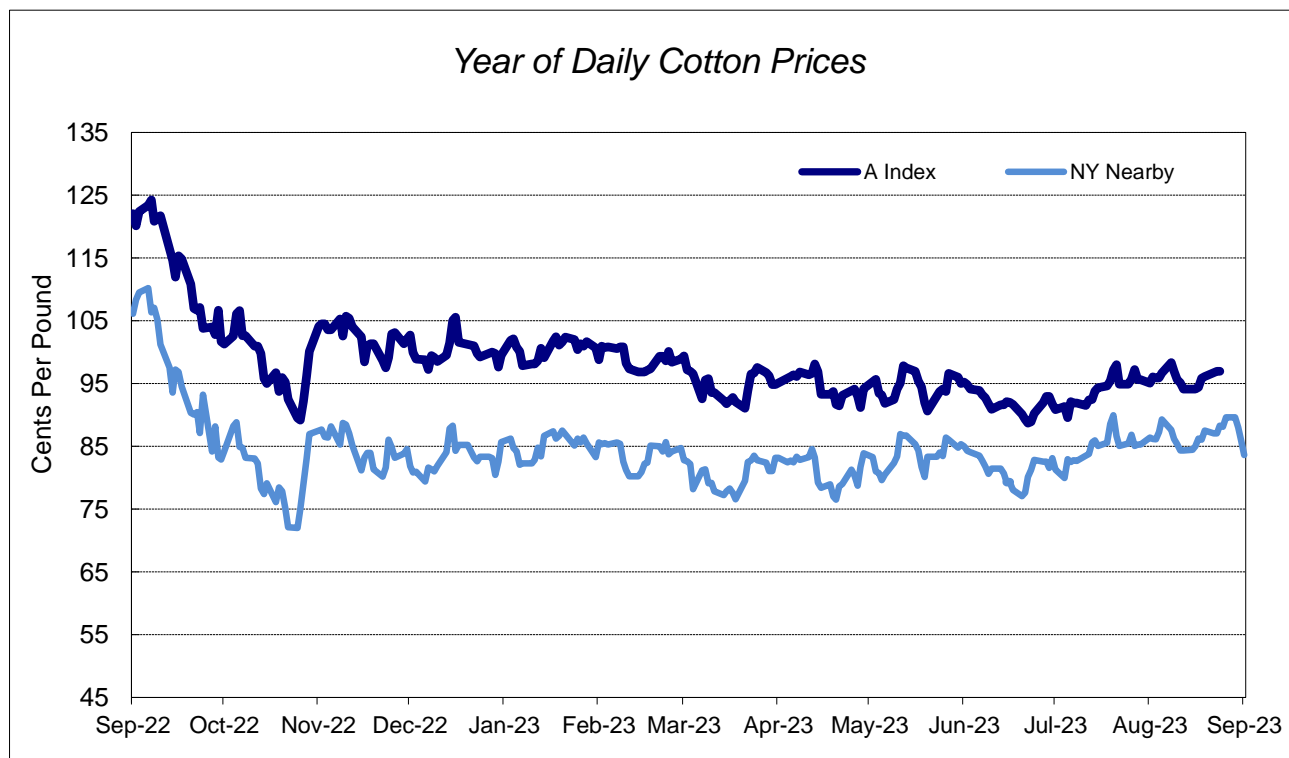
Source: Reuters

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## U.S. Balance Sheet

million 480 lb. bales	2019/20	2020/21	2021/22	2022/23	2023/24	2023/24
					July	August
Beginning Stocks	4.9	7.3	3.2	3.8	3.3	3.7
Production	19.9	14.6	17.5	14.5	16.5	14.0
Imports	0.0	0.0	0.0	0.0	0.0	0.0
Supply	24.8	21.9	20.7	18.2	19.8	17.7
Mill-Use	2.2	2.4	2.6	2.1	2.2	2.2
Exports	15.5	16.4	14.5	12.8	13.8	12.5
Demand	17.7	18.8	17.0	14.9	16.0	14.7
Ending Stocks	7.3	3.2	3.8	3.7	3.8	3.1
Stocks/Use Ratio	41.0%	16.8%	22.0%	24.9%	23.8%	21.2%



Sources: ICE Futures U.S. & Cotton Outlook

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