

Executive Cotton Update

U.S. Macroeconomic Indicators &
the Cotton Supply Chain



August 2024

www.cottoninc.com

Macroeconomic Overview: Financial markets were rocked by volatility in recent trading. A selloff in technology stocks was a factor. Concern about the strength of the U.S. economy following the release of the latest employment data may have also been a contributor.

The U.S. economy has proven surprisingly resilient and has been an engine for global economic growth since COVID. A reason the U.S. economy has performed well is that consumer spending has been strong. Stimulus was an initial source of support for spending after the pandemic. More recently, the labor market has buoyed consumers.

Unemployment rates held at historically low levels below four percent for a period of 27 months, extending from February 2022 to April of this year. Low unemployment encouraged wage growth. Since 2022, after the distortive effects of stimulus calmed, year-over-year increases in income have been consistently higher than any point in the decade between the financial crisis and the onset of COVID. Simultaneously, inflation diminished consumers' buying power, and even though inflation has slowed, price levels remain elevated. Nonetheless, wages have been growing faster than inflation since March 2023 and consumers have continued to spend.

Because the labor market was an important factor sustaining consumer spending and overall economic growth in recent years, signs of weakening in the latest employment data prompted worries about recession. In the latest data, the unemployment rate climbed from 4.1% to 4.3%. While the current rate remains low by historical standards, and while the rise in unemployment was partly due to more workers entering the labor force (a positive for the economy over the longer-term), last month's increase reinforced the gentle upward trend in the unemployment rate that has been in place since the first quarter of 2023 (when the unemployment rate was near 3.5%). In addition, wage growth has been slowing. The latest annual rate of income growth was the lowest since the middle of 2021 (but it still ranks higher than any value from 2010 to 2019, and it was still higher than the overall inflation rate).

While there is increasing evidence that the labor market is slowing, questions remain about what it might mean for consumer spending and the overall economic situation in the U.S. Is the economy normalizing after a period of exceptional tightness in the labor market? Or, is the economy on track to dip into recession? After increasing rates to slow the economy because of inflation, the combination of a weakening labor market and slowing inflation appear to have put the Federal Reserve in a position to begin lowering rates. While any decreases can be expected to be gradual, any lightening of the interest rate brakes may help prevent an economic contraction.

Employment: The U.S. economy is estimated to have added +114,000 new jobs in July. Revisions to previous months were negative. The figure for May was lowered -2,000 positions to +216,000. The figure for June was lowered -27,000 to +179,000. The current twelve-month average is +209,000.

The unemployment rate increased from 4.1% to 4.3%. There was a +420,000 person increase in the estimated number of people wanting to work last month. This increase in the size of the labor force contributed to the rise in the unemployment rate.

Wage growth slowed last month. In July, the year-over-year rate of change in average hourly private wages was +3.6%. The rate of wage growth has been trending lower since March 2022, when it peaked at level of +5.9%. The overall inflation rate (CPI, all goods and services) was +3.0% higher year-over-year in June (month with the latest available data).

Consumer Confidence & Spending: The Conference Board's Index of Consumer Confidence increased slightly in July (from 97.8 in June to 100.3). The current value remains in the lower half of the range between 95 and 115 that has contained values for the past two years.

Overall consumer spending increased +0.2% month-over-month and +2.6% year-over-year. Consumer spending on clothing increased +1.1% month-over-month and +4.7% year-over-year. This was the strongest rate of annual growth for apparel sales since early 2022, when year-over-year comparisons were still being affected by stimulus payments.

Consumer Prices & Import Data: The CPI for garments increased +0.3% month-over-month in June. Year-over-year, average retail prices were +0.8% higher.

Average import costs for cotton-dominant apparel, represented by the value per square meter equivalent, decreased -1.0% month-over-month (seasonally-adjusted). Year-over-year, average import costs for cotton-dominant garments were down -7.2%.

U.S. Macroeconomic & Cotton Supply Chain Charts

Macroeconomic Indicators	Industry & Textiles	Retail	Currencies	Cotton
GDP Growth	Leading Indicators	Consumer Spending	Weighted Index	U.S. Balance Sheet
Interest Rates	Consumer Conf.	Inventory/Sales	Asia	Fiber Prices
ISM Indices	Employment	Consumer Prices	The Americas	
	Housing	Polyester PPI	Europe	

Executive Cotton Update

U.S. Macroeconomic Indicators & Cotton Prices
August 2024



Macroeconomic Data

Quarterly Data	Recent Averages				Values in Recent Quarters			Unit	Source
	5-year	1-year	6-month	3-month	Q4 : 2023	Q1 : 2024	Q2 : 2024		
Growth in US Real GDP	2.7%	2.8%	2.4%	1.4%	3.4%	1.4%	2.8%	% Chg. Quarter/Quarter	Department of Commerce

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		
ISM Index of Manufacturing Activity	52.4	48.1	48.6	48.0	48.7	48.5	46.8	Index	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	55.7	51.9	51.2	51.3	53.8	48.8	51.4	Index	Institute for Supply Management
Consumer Confidence	107.3	103.1	100.8	99.8	101.3	97.8	100.3	Index	The Conference Board
Change in Non-Farm Payrolls	129.8	209.3	193.8	169.7	216	179	114	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	4.9%	3.9%	4.0%	4.1%	4.0%	4.1%	4.3%	Rate	Bureau of Labor Statistics
US Interest Rates									
Federal Funds	2.2%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	Interest rate	Federal Reserve
10-year Treasury Bill	2.5%	4.3%	4.3%	4.3%	4.5%	4.3%	4.3%	Interest rate	Federal Reserve

Macroeconomic 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		
Index of Leading Economic Indicators	109.9	102.8	101.7	101.2	101.3	101.3	101.1	Index	The Conference Board
Housing Starts	1.5	1.4	1.4	1.3	1.4	1.3	1.4	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.1	4.0	4.1	4.0	4.1	4.1	3.9	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			Unit	Source
	5-year	1-year	6-month	3-month	April	May	June		
US Industrial Production	100.5	102.8	102.7	103.3	103.2	103.0	104.0	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	131.8	150.1	150.4	152.0	151.6	152.0	152.5	Index, December 2003=100	Bureau of Labor Statistics

Industrial & Textile Series with Latest Data for May

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

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		
US Textile Mill Inventory/Shipments Ratio	1.56	1.70	1.69	1.67	1.67	1.68	1.66	Ratio	Department of Commerce

Retail Data

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		
US Real Consumer Spending									
All Goods and Services	2.7%	2.4%	2.3%	2.5%	2.4%	2.6%	2.6%	% Chg. Year/Year	Department of Commerce
Clothing	5.9%	1.3%	2.4%	3.1%	1.6%	3.0%	4.7%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	4.1%	3.3%	3.2%	3.2%	3.4%	3.3%	3.0%	% Chg Year/Year	Bureau of Labor Statistics
Clothing	1.0%	1.6%	0.5%	1.0%	1.4%	0.8%	0.8%	% Chg. Year/Year	Bureau of Labor Statistics

Retail Series with Latest Data for May

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	March	April	May		
Retail Inventory/Sales Ratio									
Clothing and Clothing Accessory Stores	2.6	2.3	2.3	2.3	2.3	2.3	2.3	Ratio	Department of Commerce
Department Stores	2.0	2.0	1.9	1.9	1.9	1.9	1.9	Ratio	Department of Commerce

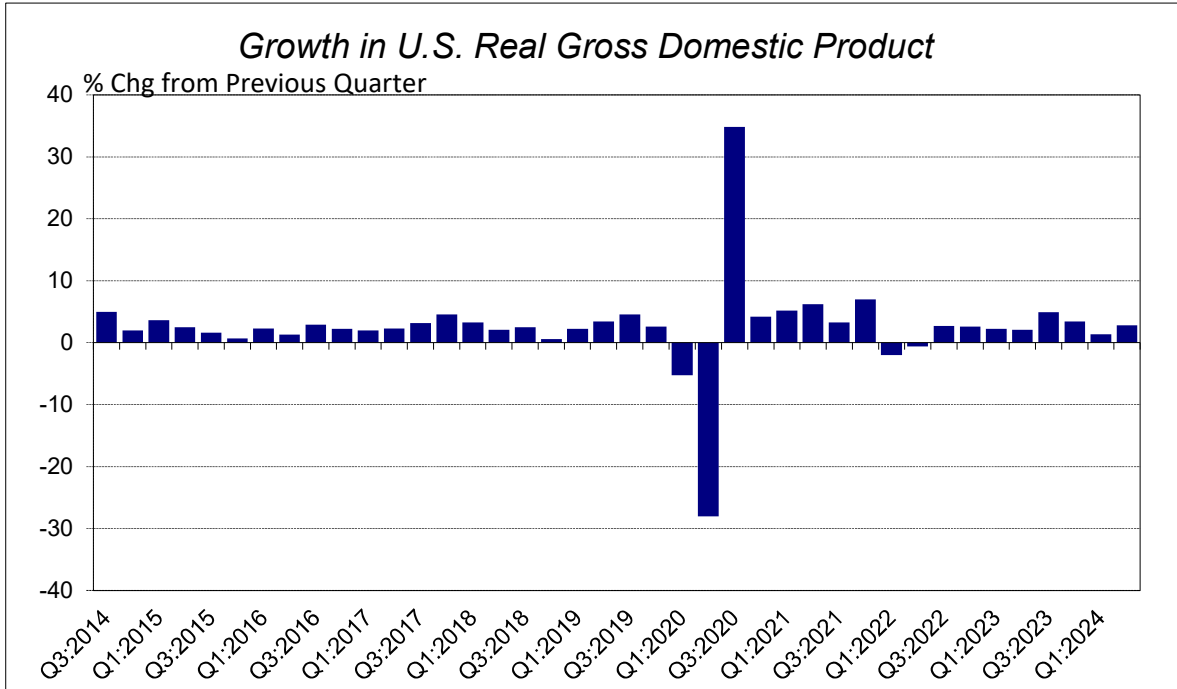
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Daily Cotton Price and Currency Data
August 2024

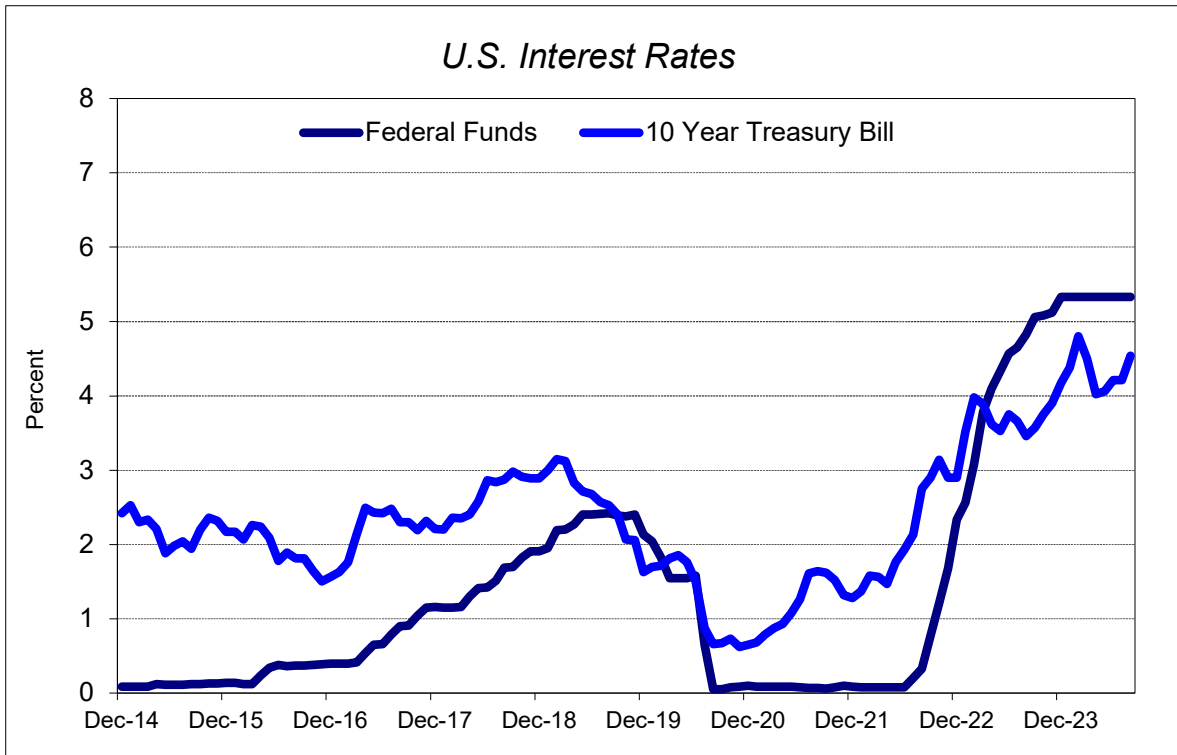


Daily Cotton Price Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	May	June	July		
NY Nearby	85.3	82.0	80.9	72.8	77.9	71.9	69.4	cents/pound	ICE
A Index	95.8	91.7	89.6	83.4	86.5	83.2	81.3	cents/pound	Cotlook

Daily Currency Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	May	June	July		
Dollar Trade Weighted Exchange Index	118.5	120.2	122.2	123.4	122.5	123.9	123.8	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.86	6.89	7.23	7.24	7.21	7.24	7.27	Chinese Renminbi/US dollar	Reuters
Indian Rupee	77.46	80.24	83.24	83.46	83.52	83.38	83.49	Indian Rupee/US dollar	Reuters
Japanese Yen	124.30	135.63	153.32	157.42	154.44	156.83	160.98	Japanese Yen/US dollar	Reuters
Pakistani Rupee	206.59	238.31	278.59	278.40	278.15	278.50	278.55	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	5.07	5.14	5.13	5.27	5.05	5.28	5.49	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.32	1.32	1.36	1.37	1.37	1.37	1.36	Canadian dollar/US dollar	Reuters
Mexican Peso	19.58	18.89	17.30	17.79	16.87	18.34	18.16	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.78	0.80	0.79	0.79	0.80	0.79	0.78	British Pound/US dollar	Reuters
Euro	0.90	0.93	0.92	0.93	0.93	0.92	0.92	Euro/US dollar	Reuters
Swiss Franc	0.93	0.92	0.89	0.90	0.91	0.90	0.90	Swiss Franc/US dollar	Reuters
Turkish Lira	15.34	20.87	31.94	32.42	32.26	32.33	32.66	Turkish Lira/US dollar	Reuters



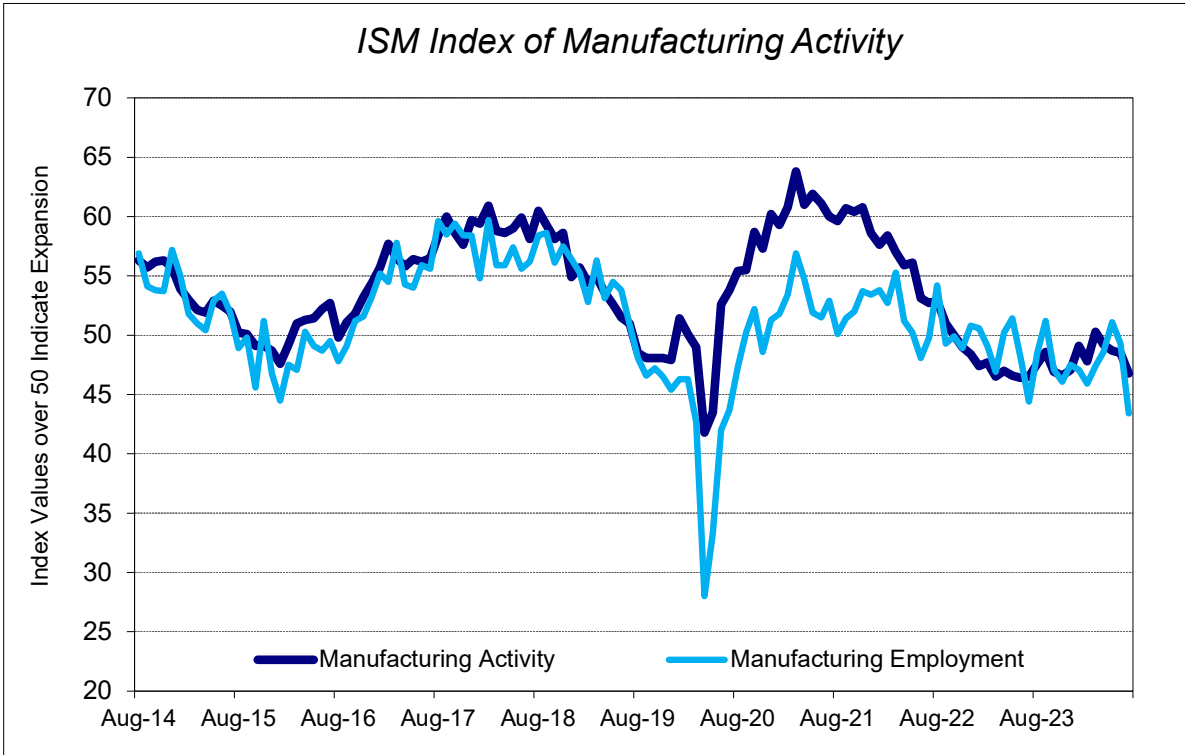
Seasonally Adjusted Annual Rate; Source: Department of Commerce
 *Based on chained 2005\$.



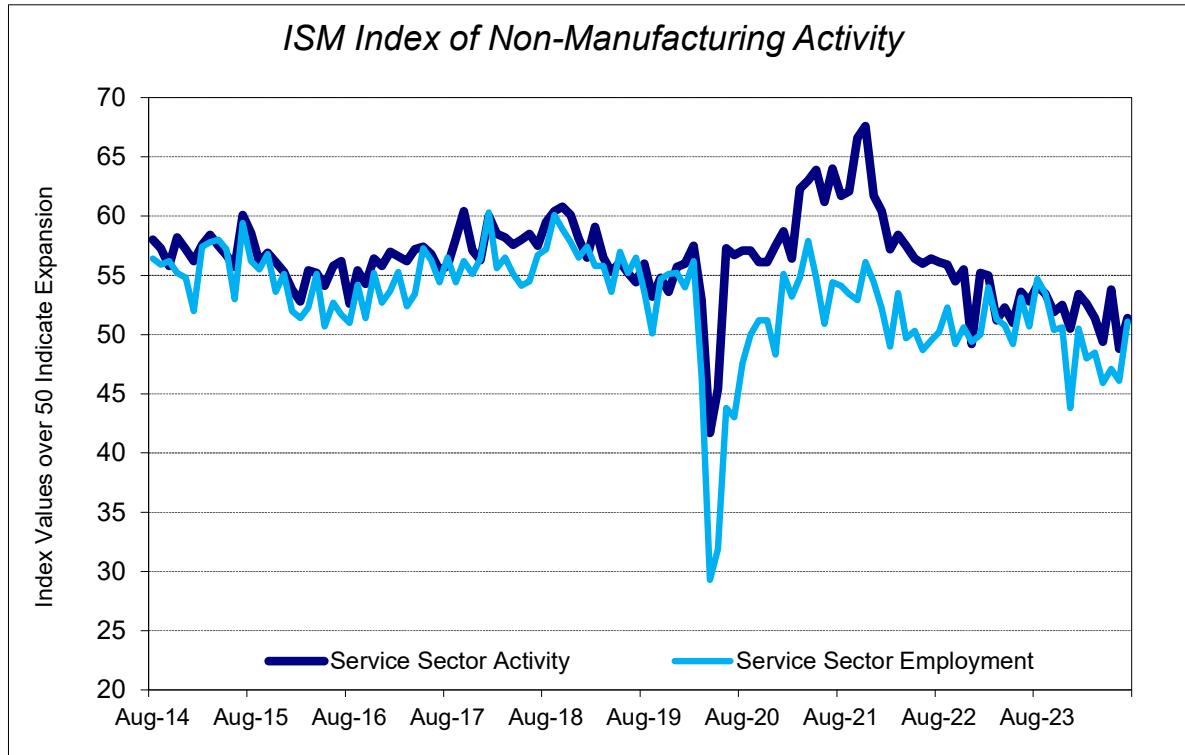
Source: Federal Reserve

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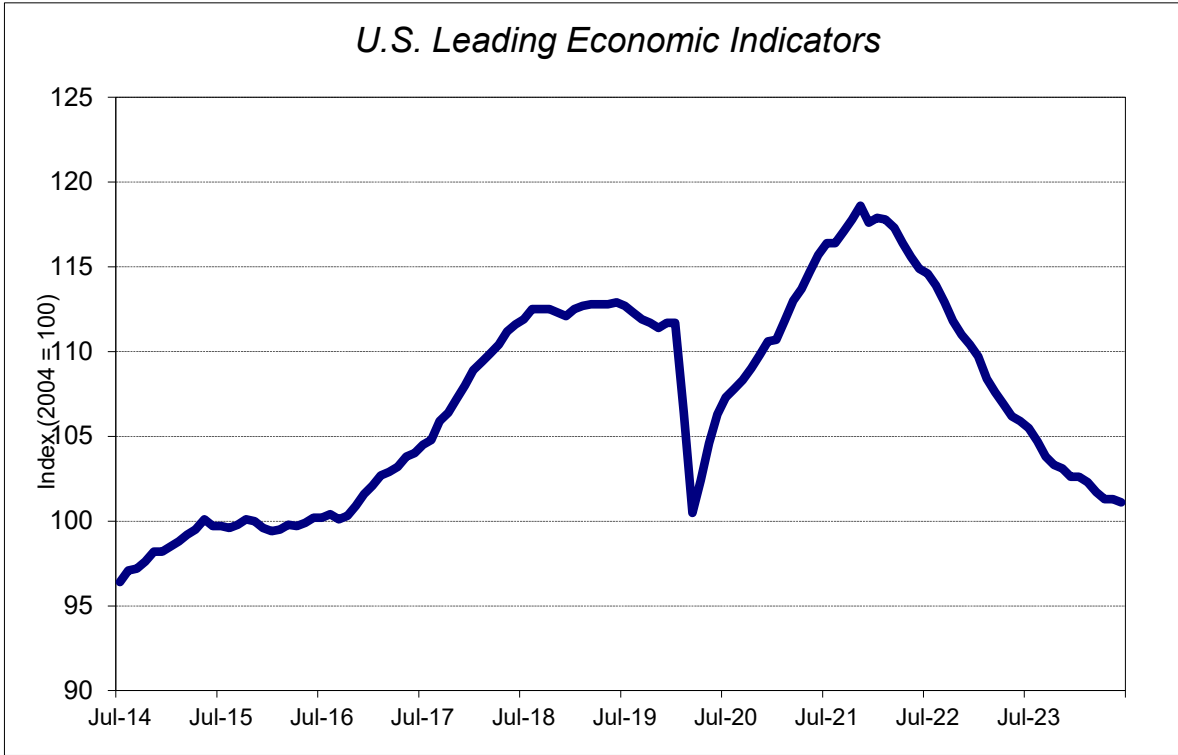
Source: Institute for Supply Chain Management



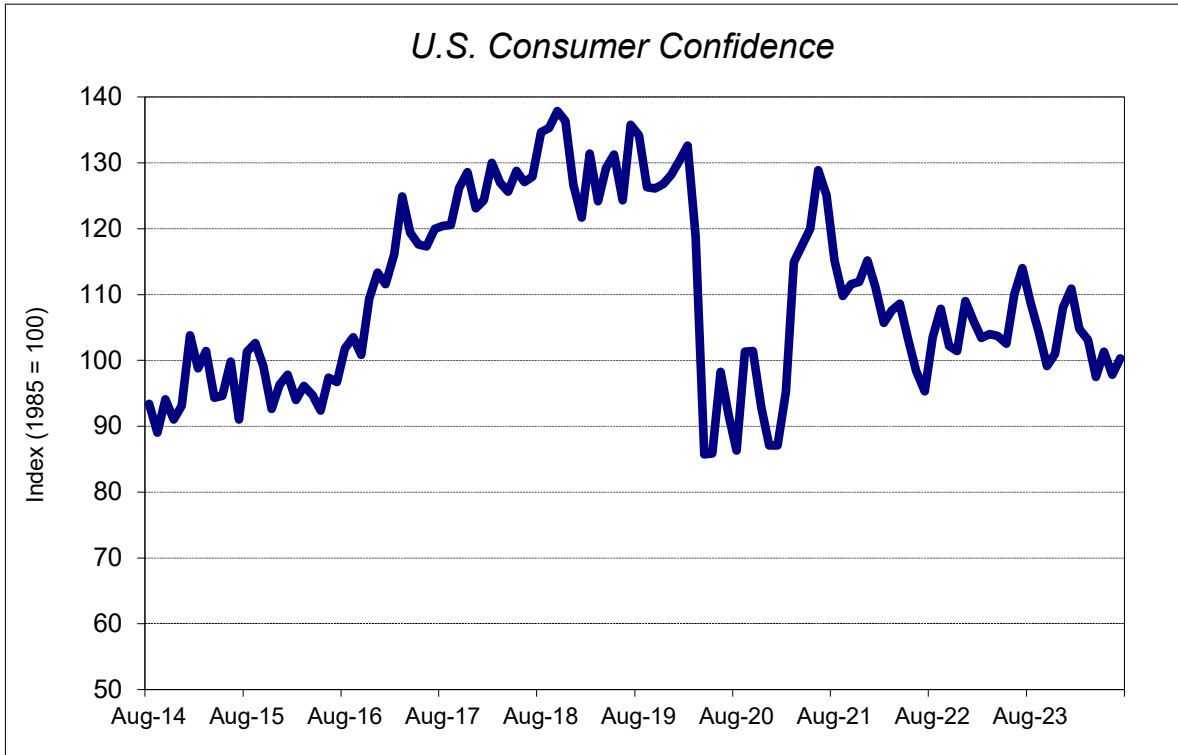
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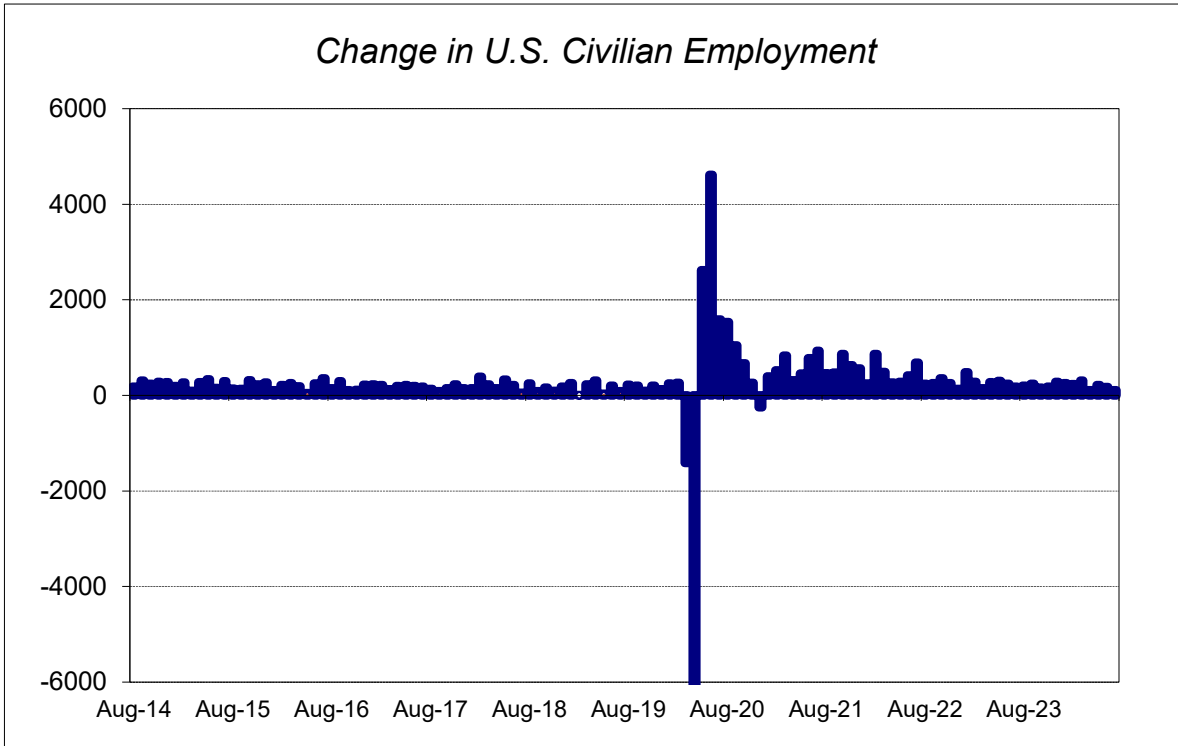
Source: The Conference Board



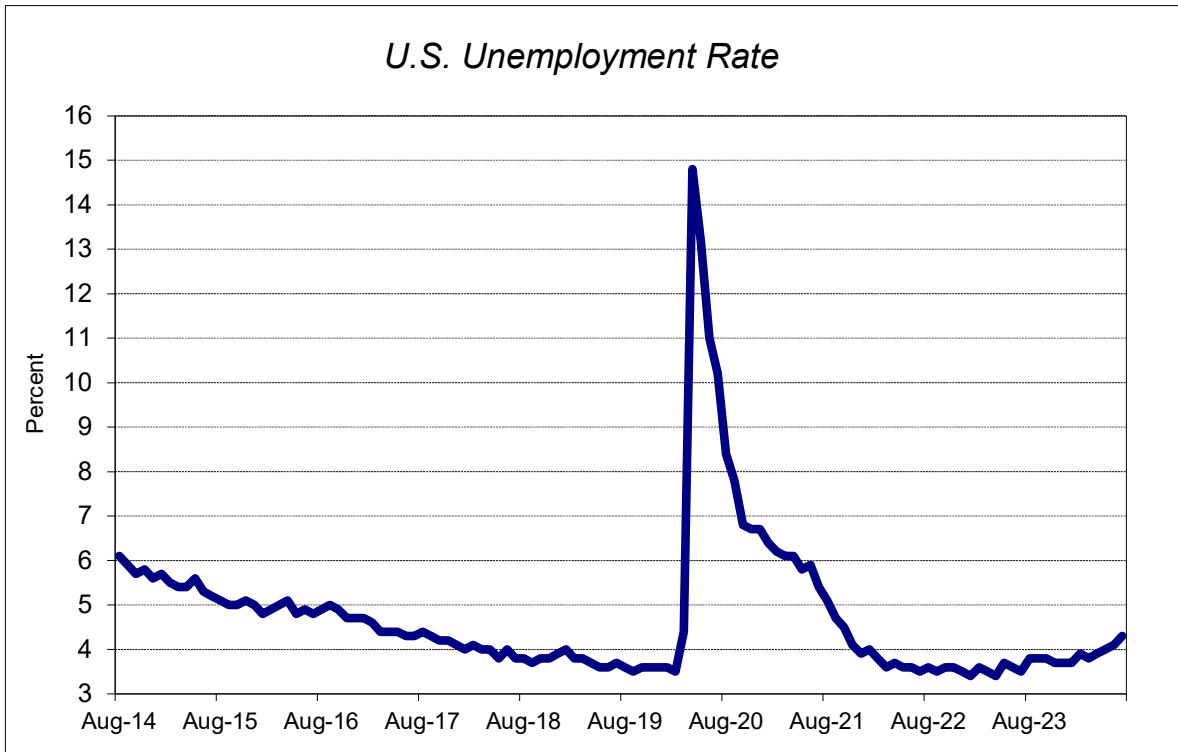
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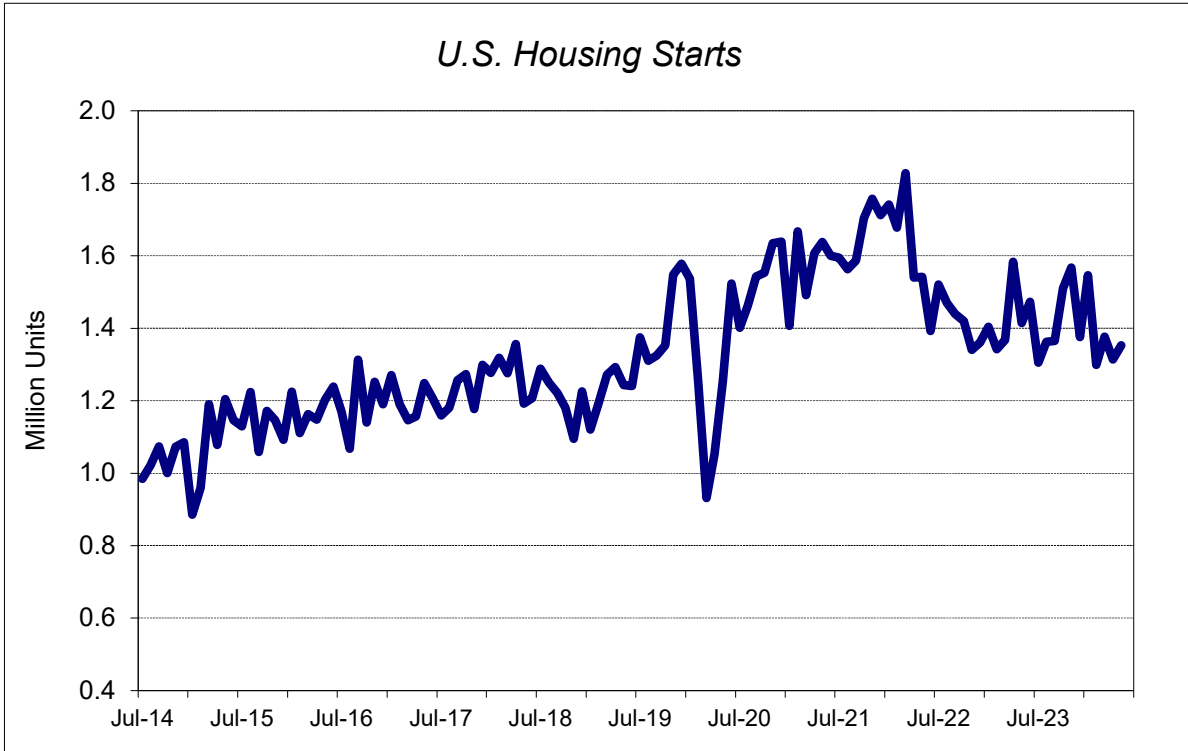
Source: Bureau of Labor Statistics



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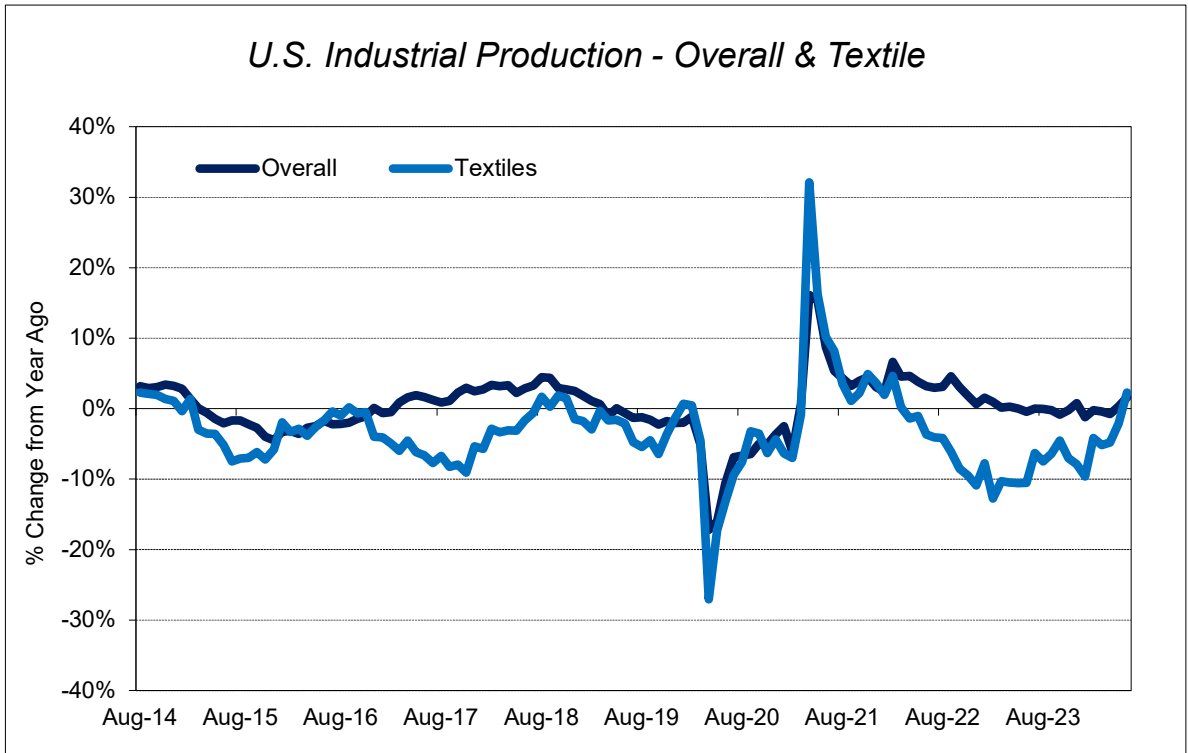
Seasonally Adjusted Annual Rate; Source: Department of Commerce



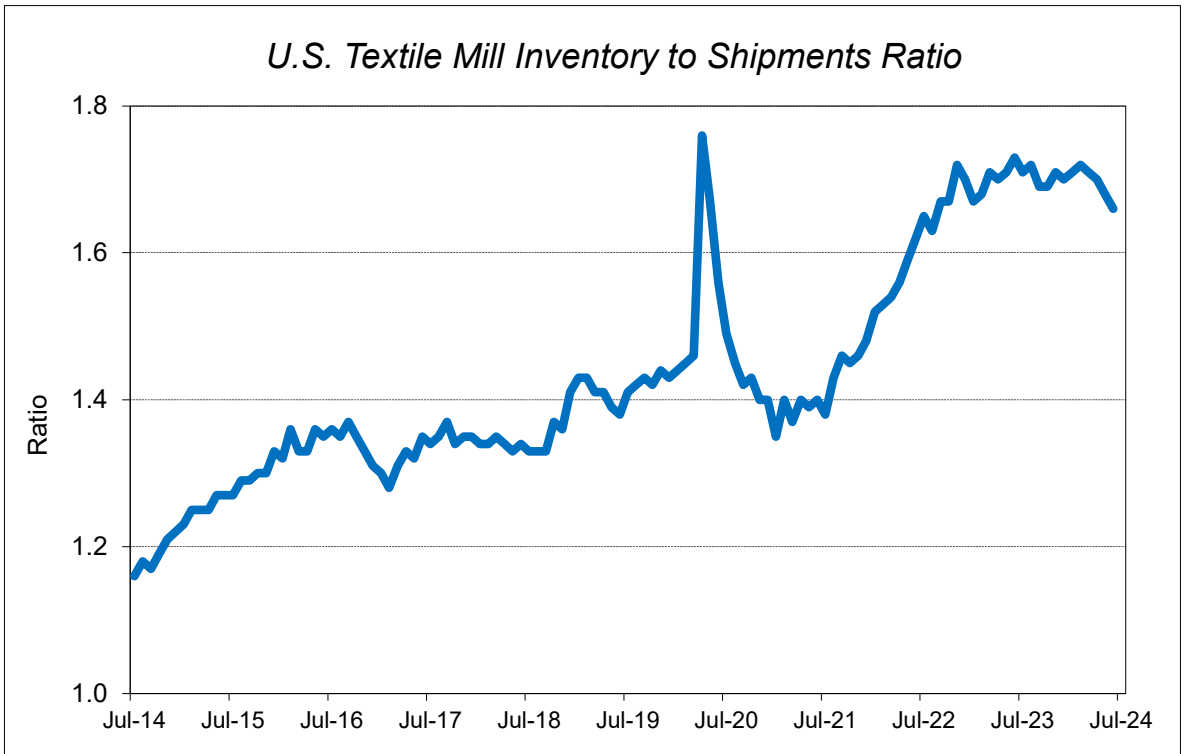
Seasonally Adjusted Annual Rate; Source: National Association of Realtors

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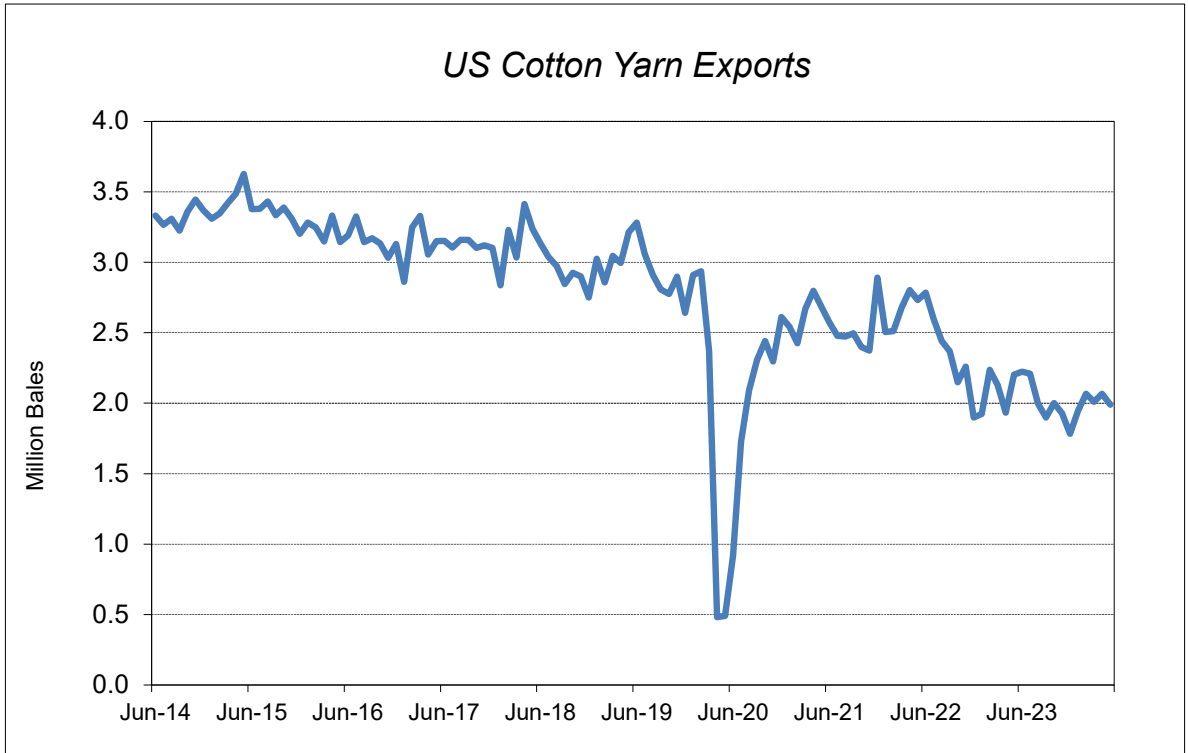
Source: Federal Reserve. Historical data revised to 1997 baseline.



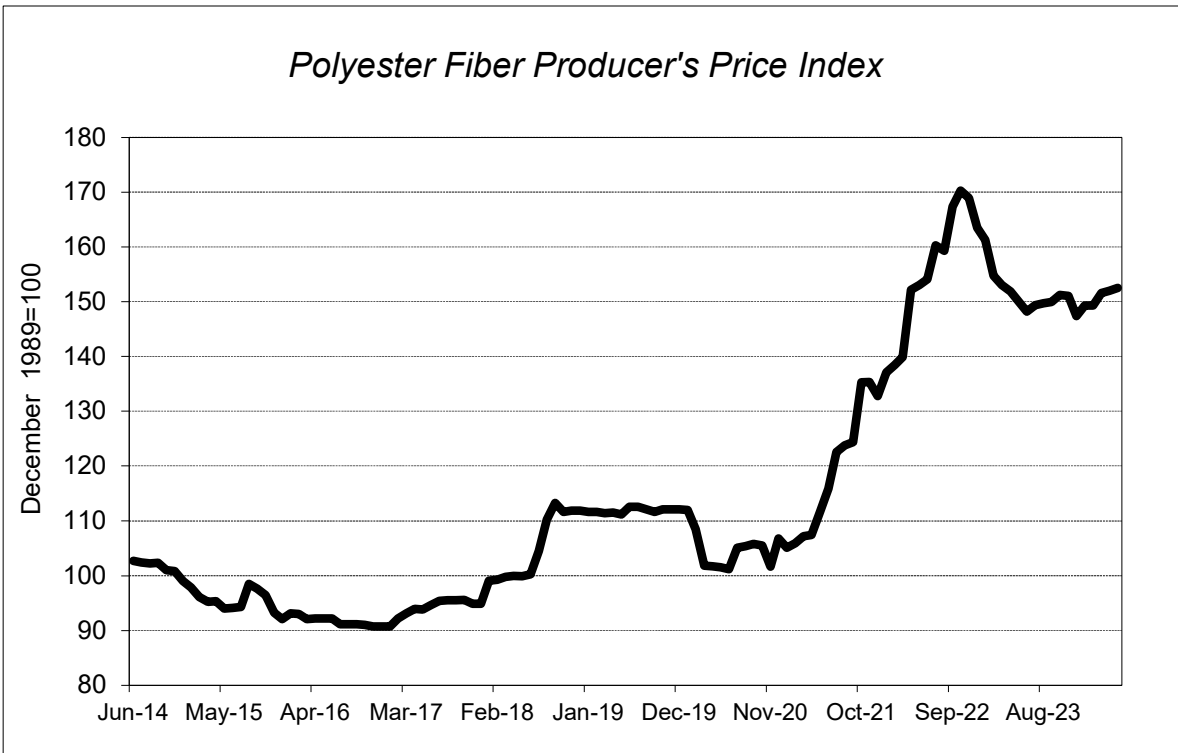
Seasonally Adjusted; Source: Department of Commerce

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Seasonally Adjusted Annual Rate
 Source: USDA ERS

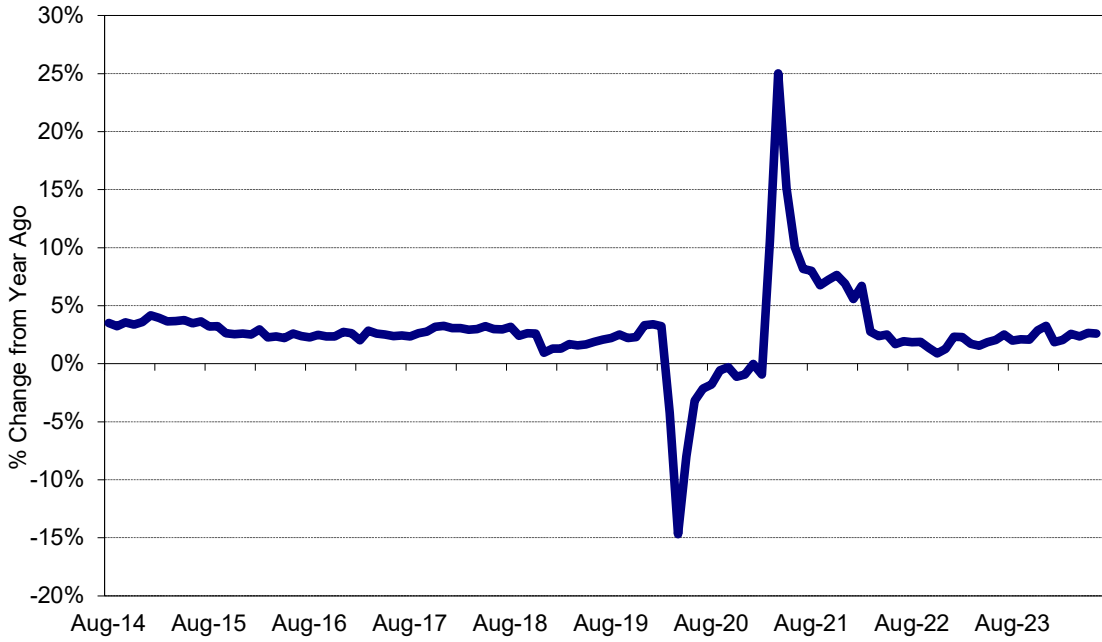


Source: Bureau of Labor Statistics

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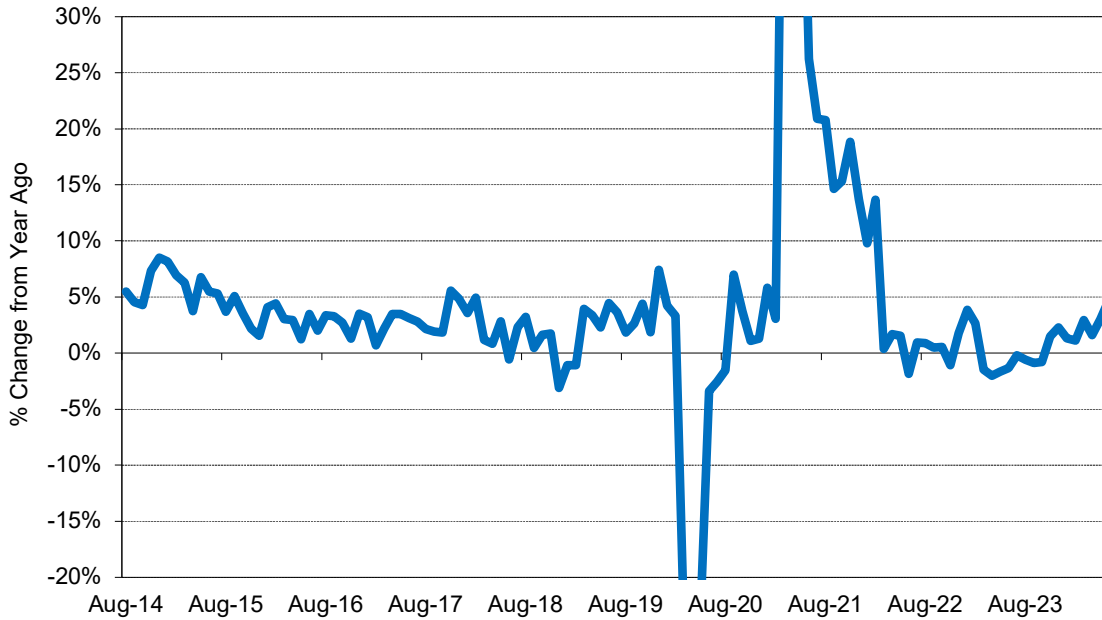


U.S. Real Consumer Spending - All Goods & Services



*Based on chained 2005\$.

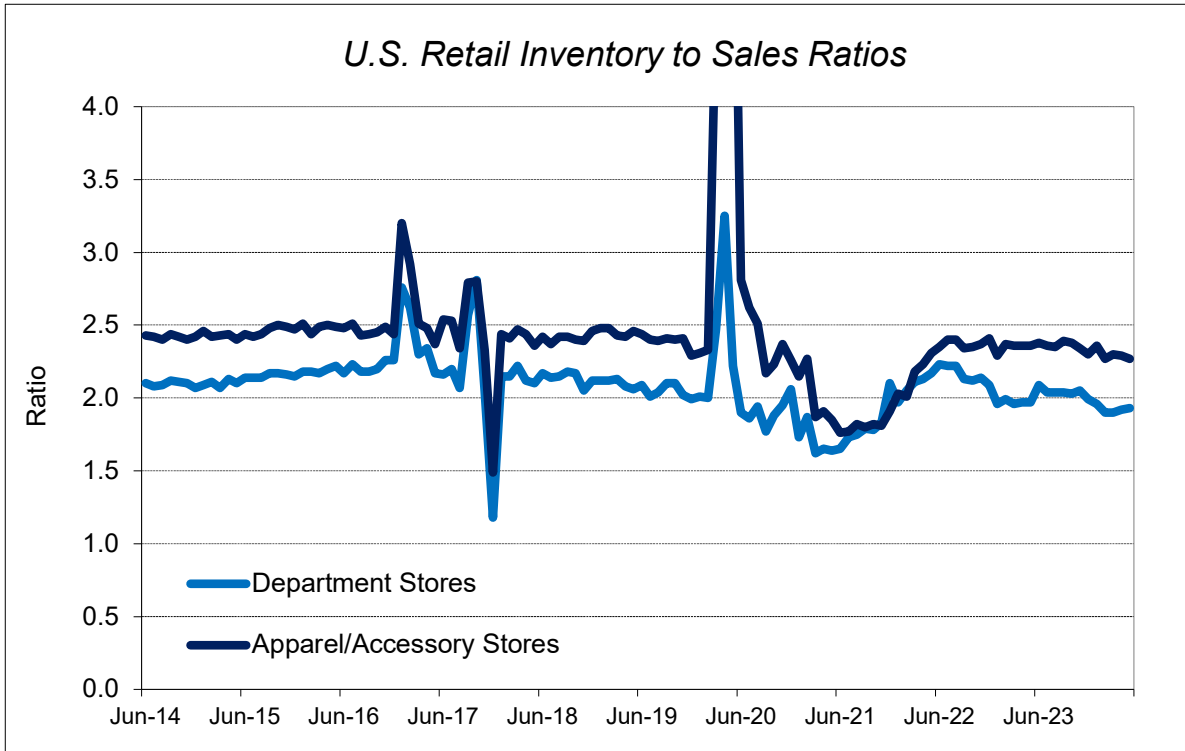
U.S. Real Consumer Spending on Clothing



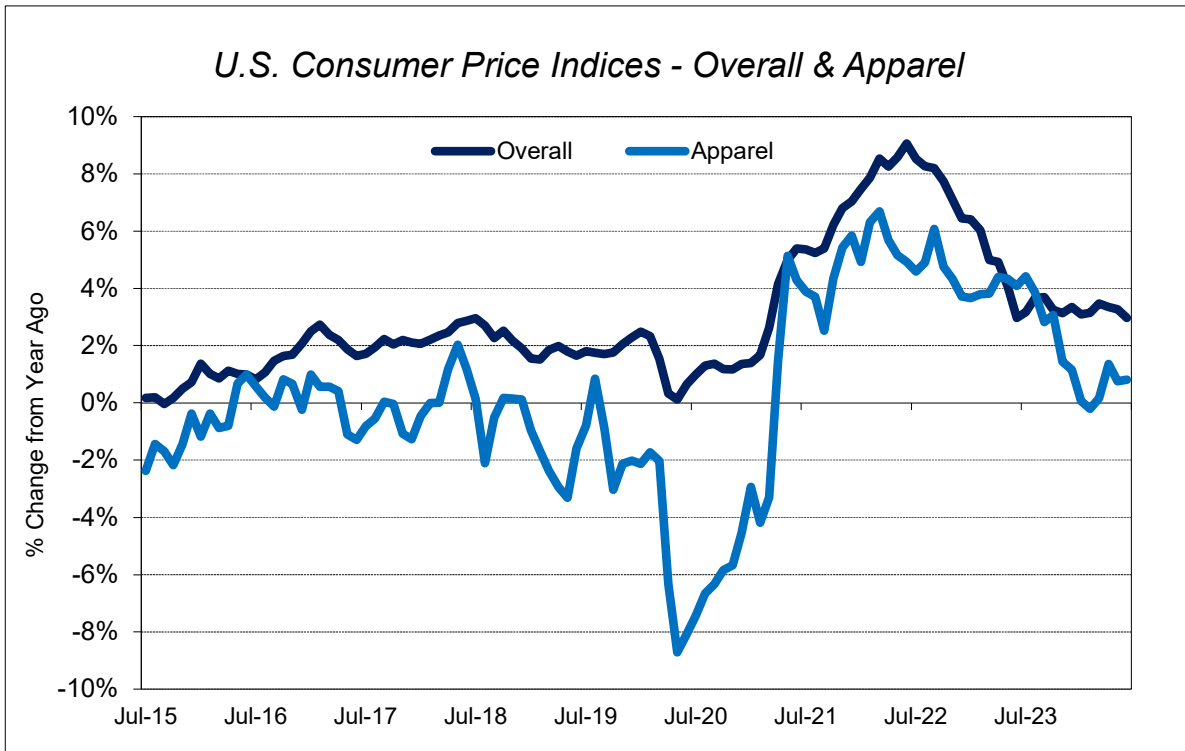
*Based on chained 2005\$.

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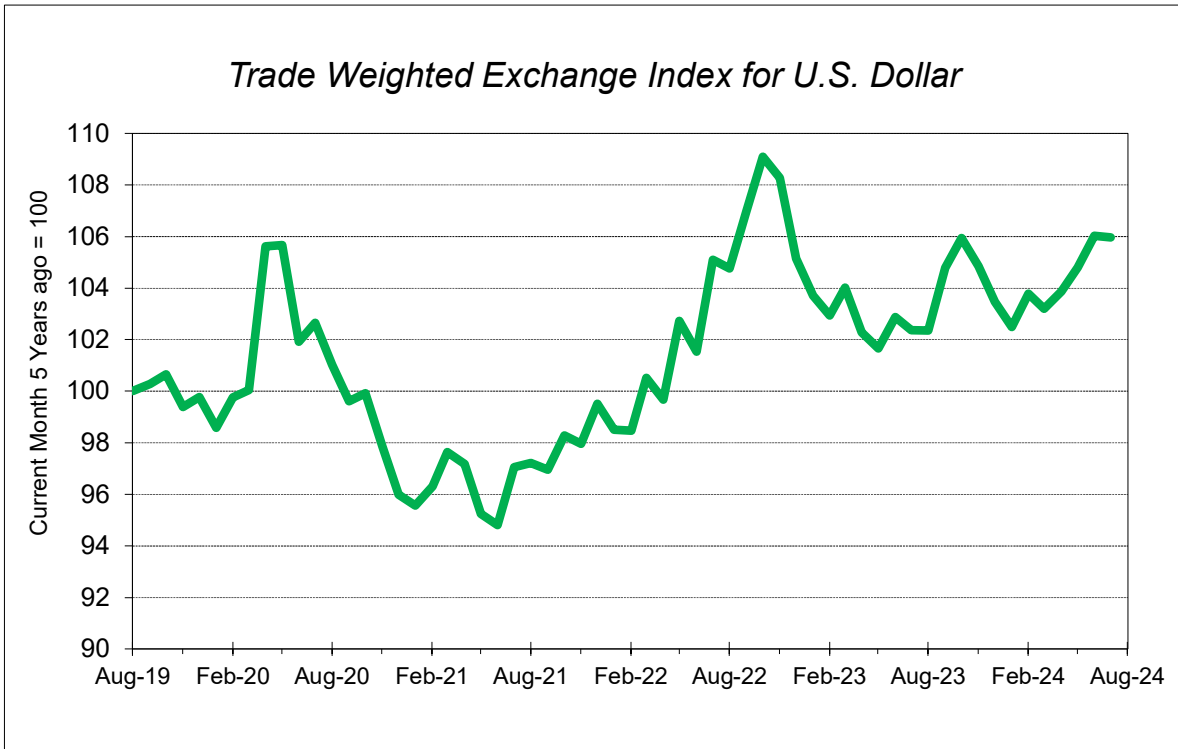
Source: Department of Commerce



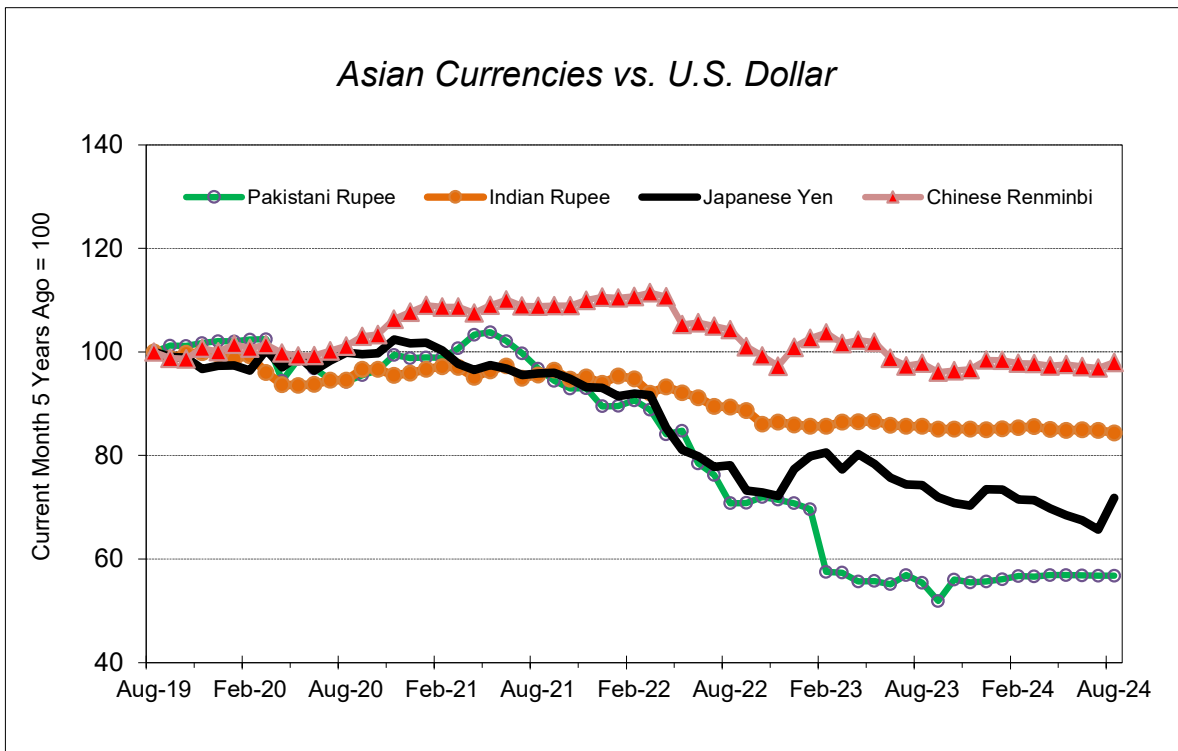
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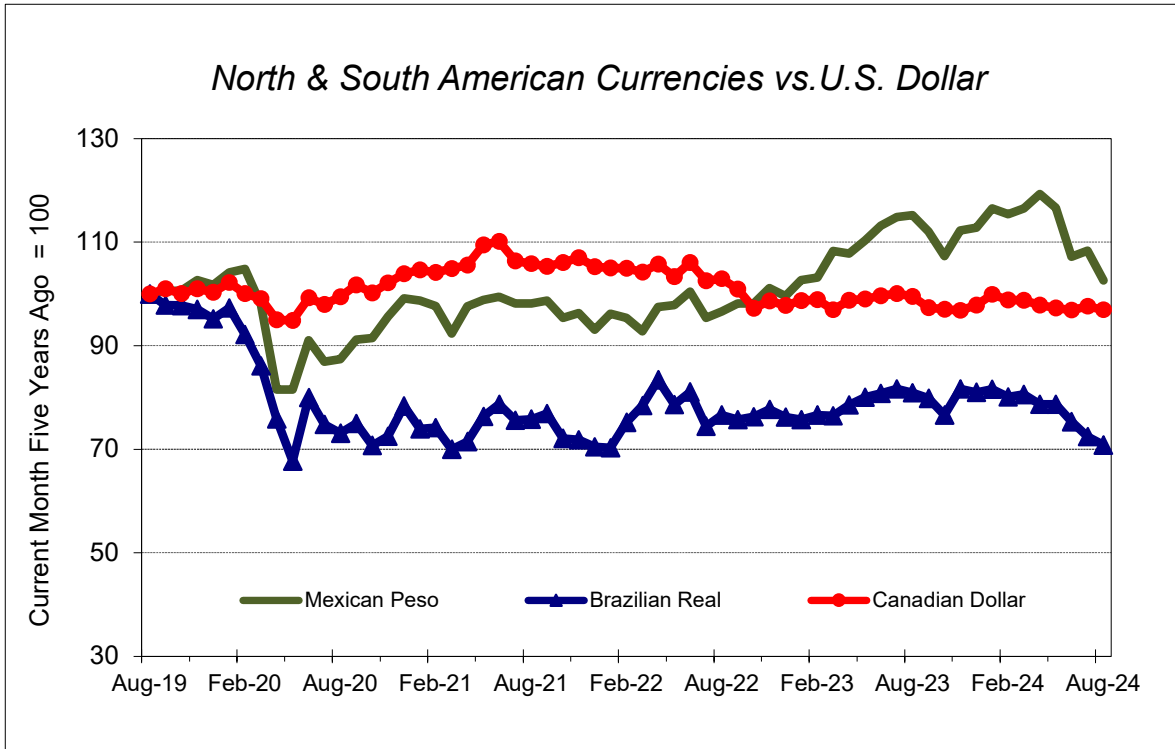
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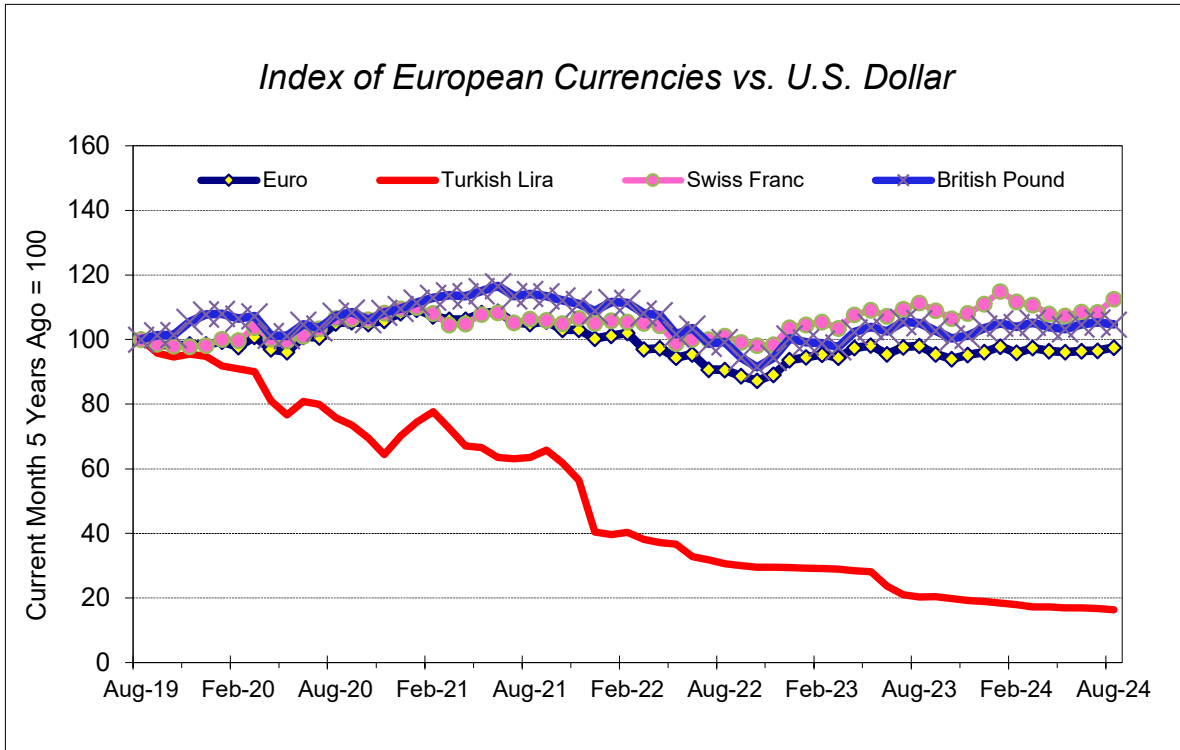
Source: Reuters

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Source: Reuters



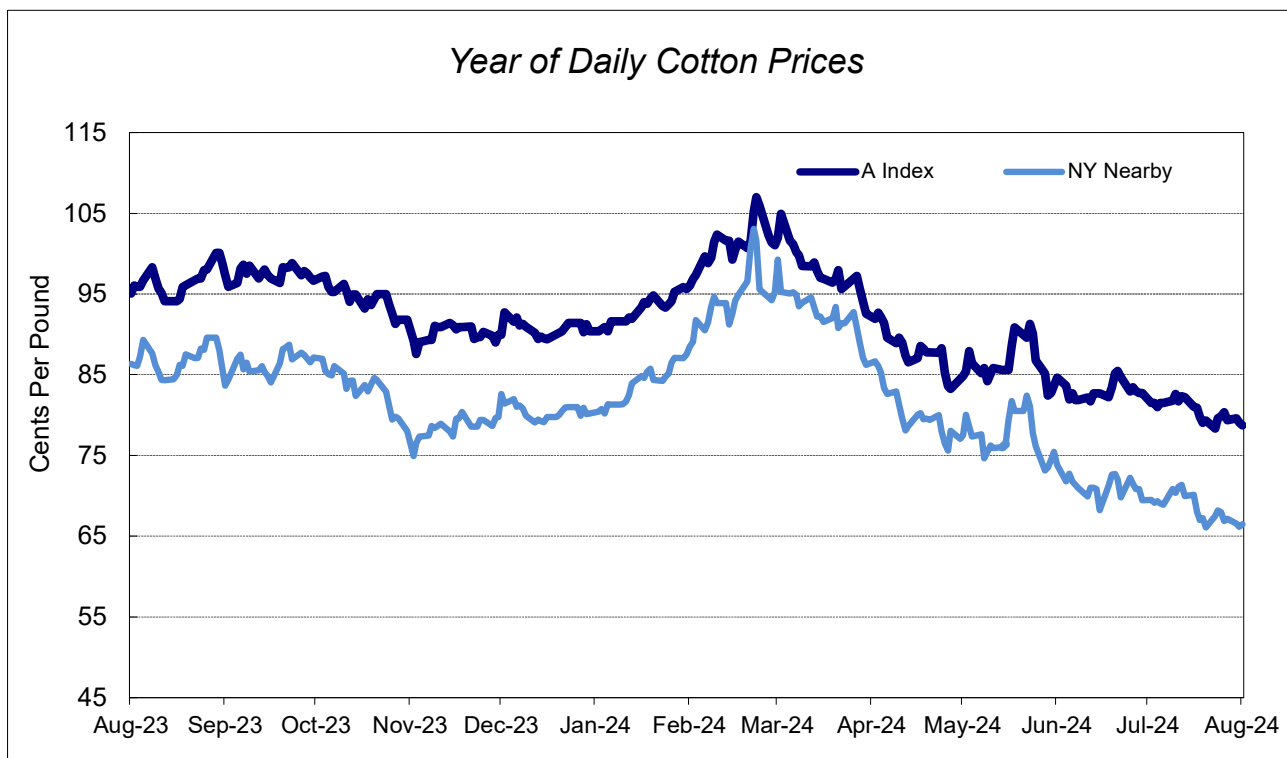
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U.S. Balance Sheet

million 480 lb. bales	2020/21	2021/22	2022/23	2023/24	2024/25	2024/25
					June	July
Beginning Stocks	7.3	3.2	4.1	4.3	2.9	3.1
Production	14.6	17.5	14.5	12.1	16.0	17.0
Imports	0.0	0.0	0.0	0.0	0.0	0.0
Supply	21.9	20.7	18.5	16.3	18.9	20.1
Mill-Use	2.4	2.6	2.1	1.9	1.9	1.9
Exports	16.4	14.5	12.8	11.6	13.0	13.0
Demand	18.8	17.0	14.8	13.5	14.9	14.9
Ending Stocks	3.2	4.1	4.3	3.1	4.1	5.3
Stocks/Use Ratio	16.8%	23.8%	28.7%	22.7%	27.5%	35.6%



Sources: ICE Futures U.S. & Cotton Outlook

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