

Executive Cotton Update

U.S. Macroeconomic Indicators &
the Cotton Supply Chain



September 2024

www.cottoninc.com

Macroeconomic Overview: The Federal Reserve appears poised to decrease interest rates after its meeting September 17-18th. While a cut is widely anticipated, it remains unknown how aggressive the rate decrease will be. A gradual approach would suggest a quarter percentage point reduction. A stronger move could involve a decline of half a percentage point.

There have been alternating views on the outlook for Fed interest rate policy for some time. About a year ago, it was generally accepted that a series of rate cuts would have already been implemented by now. However, inflation bounced higher around the start of the 2024 calendar year, and the projected timing for rate decreases was pushed back.

More recently, inflation resumed its downward trend. The latest reading for the “core” measure targeted by the Fed is 2.5% (July). This is a full percentage point lower than it was in March 2024 and about a third of the post-COVID peak of 7.1% (June 2022). The Federal Reserve’s official target for inflation is two percent. The latest reading is not far away from that level, and the trend suggests that price increases could continue to slow.

In addition to price stability, a second element of the Fed’s mandate is to promote the “maximum sustainable level” of employment. While the unemployment rate remains low by historical standards, it has been ticking higher since the second half of 2023 (currently 4.2%, was near 3.5% around the middle of 2023).

The combination of slowing inflation and a weakening labor market has likely given the Federal Reserve the reasons it needed to lessen the brakes on the economy and lower interest rates. Nonetheless, interest rates are not expected to ease from their current restrictive levels all the way down to levels that could be considered stimulative.

It would take an extended series of decreases for rates to approach the rate of inflation. If interest rates are higher than inflation, some incentive for saving at the expense of spending remains, which implies continued (if weakening) headwinds for consumer demand.

The U.S. consumer has proven surprisingly resilient since the pandemic, and the latest readings continue to be strong. Concern has been growing because of some of the slowing in the labor market and because savings accumulated from stimulus may be drawing down. But, in the past three months of data (May-Jul), the year-over-year rate of growth averaged 2.8%. During the same period one year ago, the rate averaged 2.1%. During the same period two years ago, the rate averaged 2.0%.

Employment: The U.S. economy is estimated to have added +142,000 new jobs in August. Revisions to previous months were negative. The figure for June was lowered -61,000 positions to +118,000. The figure for July was lowered -25,000 to +89,000. The current twelve-month average is +197,000.

The unemployment rate decreased from 4.3% to 4.2% in August. In the first half of 2023, the unemployment rate reached its post-pandemic nadir at exceptionally low levels near 3.5%. Since the first half of 2023, two million additional people joined the labor force, which contributed to the rise in the rate.

Wage growth increased in August from 3.6% to 3.8%. The month-over-month gain contrasts with the downward trend that has been in place since March 2022 (when the post-COVID and post-stimulus rate of wage growth peaked at +5.9%). Despite the slower rate of income growth, increases in wage rates have exceeded the inflation rate since May 2023.

Consumer Confidence & Spending: The Conference Board’s Index of Consumer Confidence increased +1.4 points to 103.3. This is the highest reading since March, but it remains just a few points higher than the recent low near 98 (April and June). Since August 2021, values have been between 95 and 115.

Overall consumer spending increased +0.4% month-over-month and +2.7% year-over-year in July. Spending growth accelerated over the past few months, with these recent values higher than rates posted in recent years. Apparel spending also shifted higher recently, the average year-over-year growth between May and July was 3.5%. Last year, it averaged 2.1% and it was 2.0% in 2022.

Consumer Prices & Import Data: The CPI for garments decreased month-over-month in July (-0.5%). Year-over-year, average retail prices were flat (+0.01%). Average import costs for cotton-dominant apparel in July, represented by the value per square meter equivalent, increased +1.2% month-over-month (seasonally-adjusted). Year-over-year, average import costs for cotton-dominant garments were down -7.3%. Relative to the post-COVID peak, sourcing costs were -13.0% lower.

U.S. Macroeconomic & Cotton Supply Chain Charts

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

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U.S. Macroeconomic Indicators & Cotton Prices
September 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%	3.0%	% 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	52.4	48.1	48.5	47.5	48.5	46.8	47.2	Index, values over 50 indicate expansion	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	55.6	51.7	51.1	50.6	48.8	51.4	51.5	Index, values over 50 indicate expansion	Institute for Supply Management
Consumer Confidence	106.9	102.8	100.8	101.0	97.8	101.9	103.3	Index, 1985=100	The Conference Board
Change in Non-Farm Payrolls	127.1	196.5	163.8	116.3	118	89	142	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	4.9%	3.9%	4.1%	4.2%	4.1%	4.3%	4.2%	People looking for jobs/people wanting jobs	Bureau of Labor Statistics
US Interest Rates									
Federal Funds	2.3%	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%	4.1%	4.3%	4.3%	3.9%	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	109.7	102.3	101.3	100.8	101.0	101.0	100.4	Index, 2016=100	The Conference Board
Housing Starts	1.5	1.4	1.4	1.3	1.3	1.3	1.2	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.1	4.0	4.1	4.0	4.1	3.9	4.0	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	102.9	103.2	103.0	102.4	102.9	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	133.2	151.1	152.5	154.0	152.7	153.6	155.7	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	#N/A	#N/A	#N/A	2.1	2.0	#N/A	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	1.56	1.69	1.68	1.66	1.66	1.66	1.65	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	2.7%	2.5%	2.6%	2.8%	2.8%	2.8%	2.7%	% Chg. Year/Year	Department of Commerce
Clothing	5.9%	1.6%	2.7%	3.5%	2.9%	4.5%	3.0%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	4.1%	3.3%	3.2%	3.0%	3.3%	3.0%	2.9%	% Chg. Year/Year	Bureau of Labor Statistics
Clothing	1.0%	1.3%	0.5%	0.5%	0.8%	0.8%	0.0%	% 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	2.3	2.3	2.3	2.3	Value of inventory over value of sales	Department of Commerce
Department Stores	2.0	2.0	1.9	1.9	1.9	1.9	1.9	Value of inventory over value of sales	Department of Commerce

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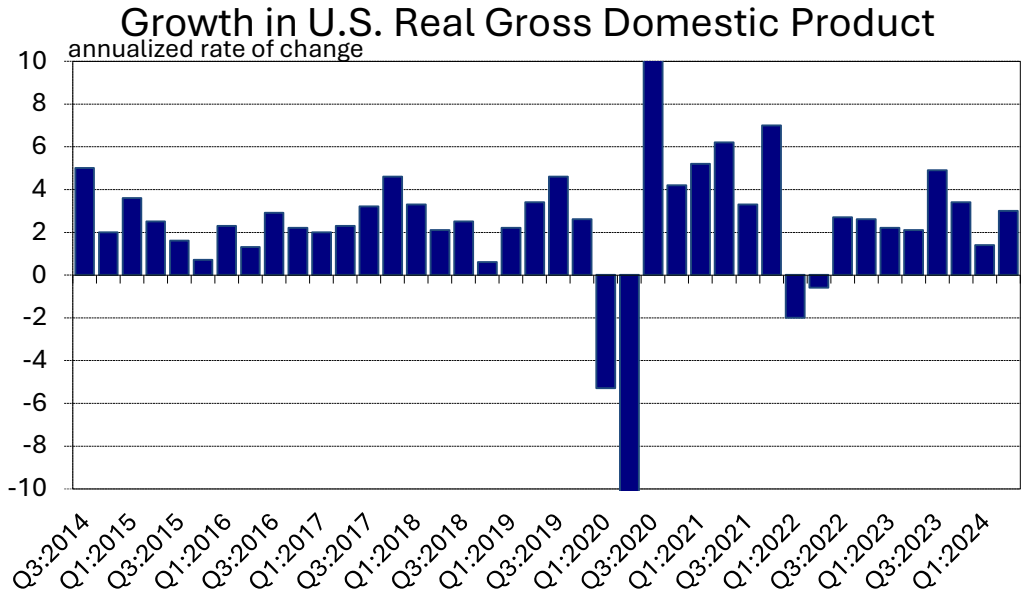
Daily Cotton Price and Currency Data

September 2024



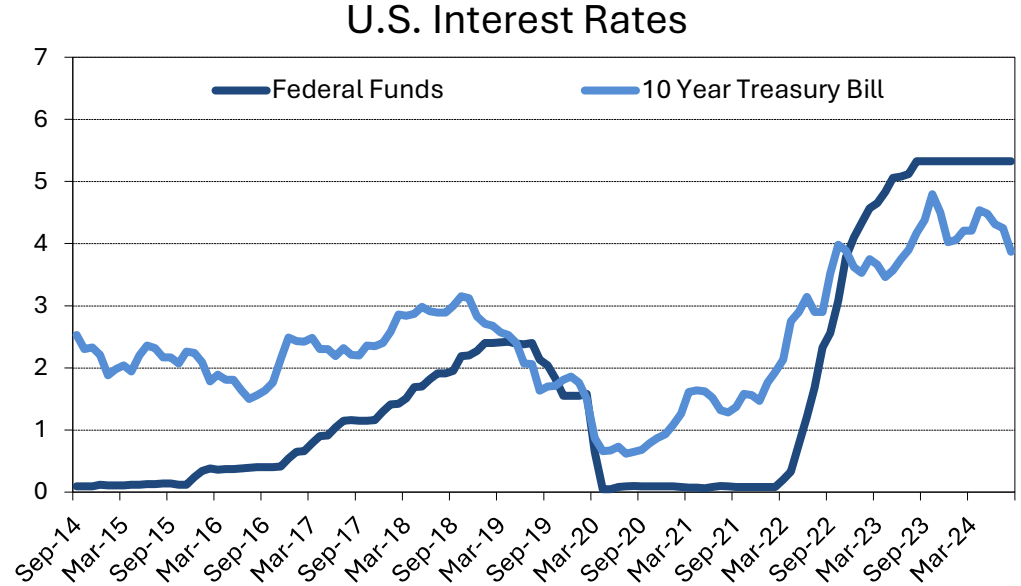
Daily Cotton Price Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	May	June	July		
NY Nearby	85.3	81.8	80.6	72.5	77.9	71.9	69.4	cents/pound	ICE
A Index	95.9	91.5	89.4	83.2	86.5	83.2	81.3	cents/pound	Cotlook

Daily Currency Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	June	July	August		
Dollar Trade Weighted Exchange Index	118.6	120.4	122.5	123.5	122.7	123.8	123.9	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.86	6.91	7.22	7.22	7.25	7.27	7.15	Chinese Renminbi/US dollar	Reuters
Indian Rupee	77.65	80.49	83.43	83.64	83.48	83.49	83.96	Indian Rupee/US dollar	Reuters
Japanese Yen	124.95	136.61	152.72	153.82	156.02	160.98	144.46	Japanese Yen/US dollar	Reuters
Pakistani Rupee	208.51	241.44	278.54	278.60	278.50	278.55	278.75	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	5.09	5.15	5.25	5.47	5.26	5.49	5.66	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.32	1.33	1.37	1.37	1.37	1.36	1.38	Canadian dollar/US dollar	Reuters
Mexican Peso	19.57	18.86	17.55	18.35	17.53	18.16	19.37	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.78	0.80	0.79	0.78	0.78	0.78	0.79	British Pound/US dollar	Reuters
Euro	0.90	0.93	0.92	0.92	0.92	0.92	0.91	Euro/US dollar	Reuters
Swiss Franc	0.93	0.92	0.89	0.88	0.89	0.90	0.85	Swiss Franc/US dollar	Reuters
Turkish Lira	15.77	21.51	32.42	32.84	32.26	32.66	33.61	Turkish Lira/US dollar	Reuters



Source: Department of Commerce

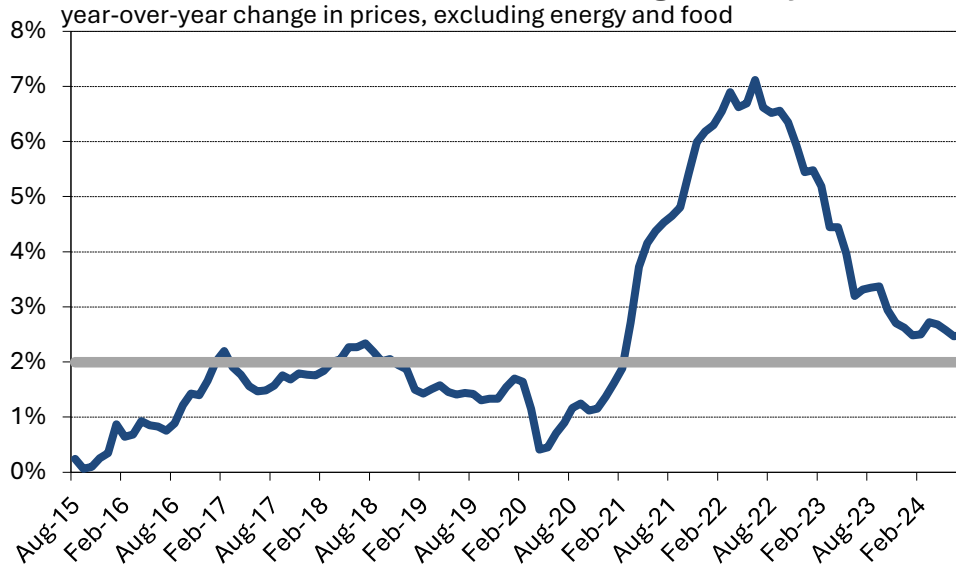
Note: Chart truncated around COVID shutdowns to highlight normal change.



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



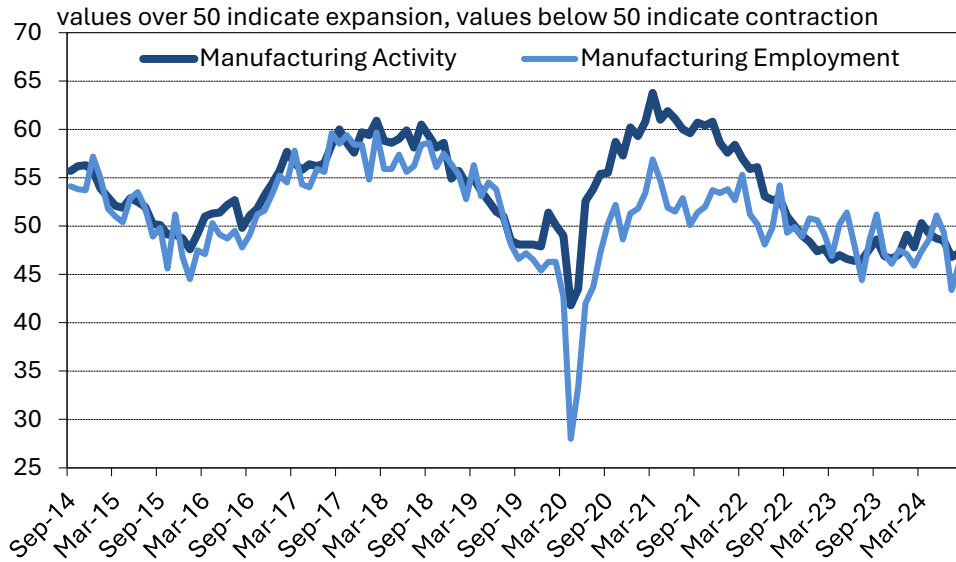
Source: Bureau of Labor Statistics

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.

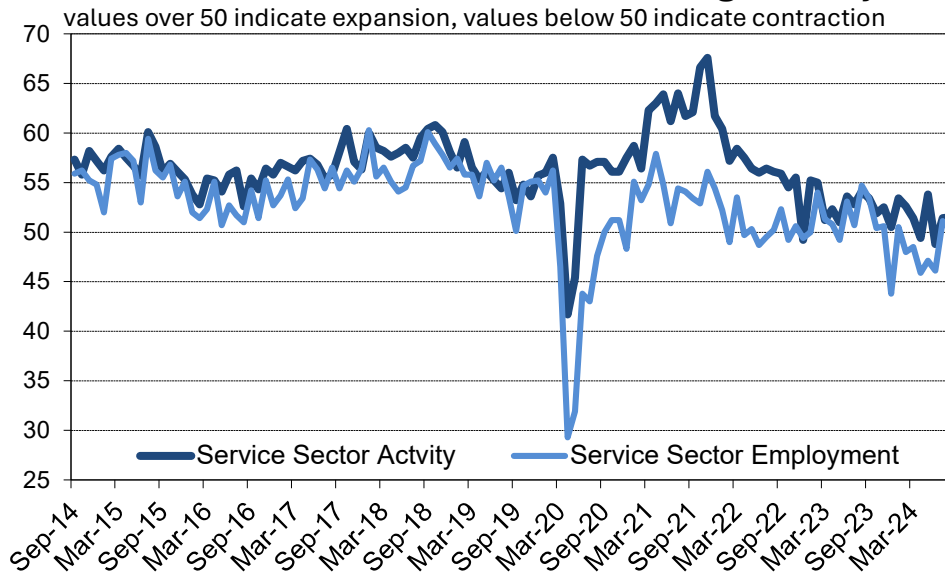
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ISM Index of Manufacturing Activity



Source: Institute for Supply Chain Management

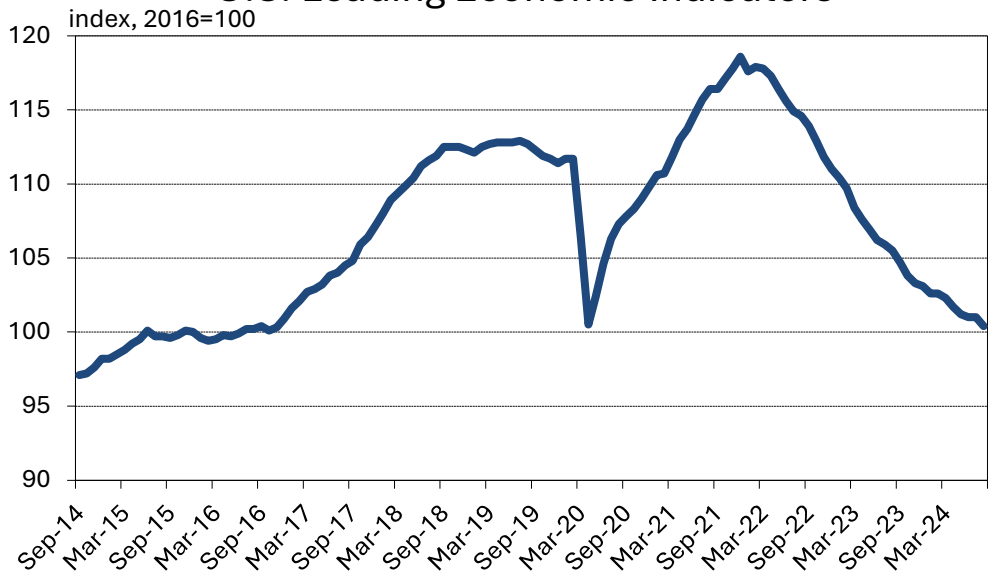
ISM Index of Non-Manufacturing Activity



Source: Institute for Supply Chain Management

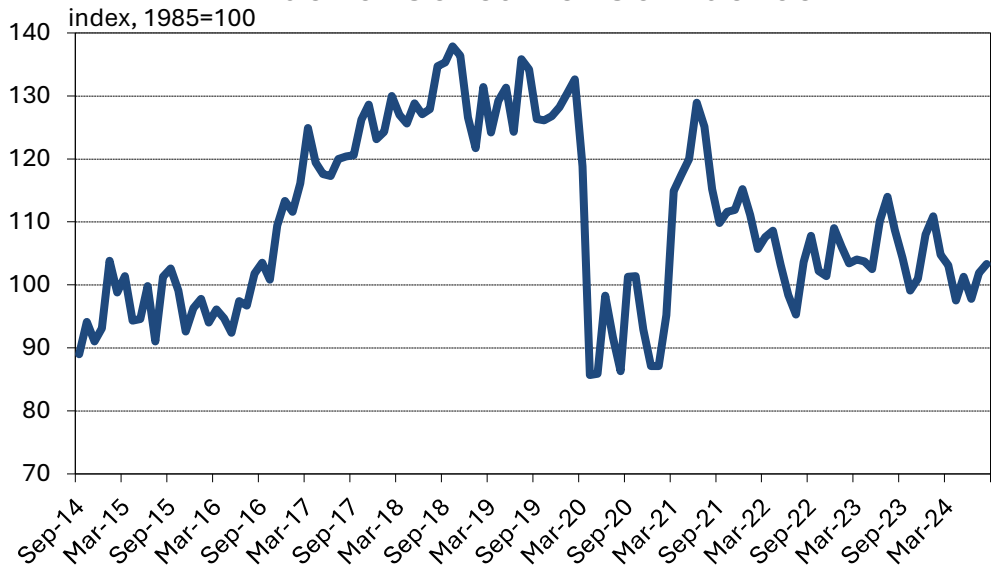
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U.S. Leading Economic Indicators



Source: The Conference Board

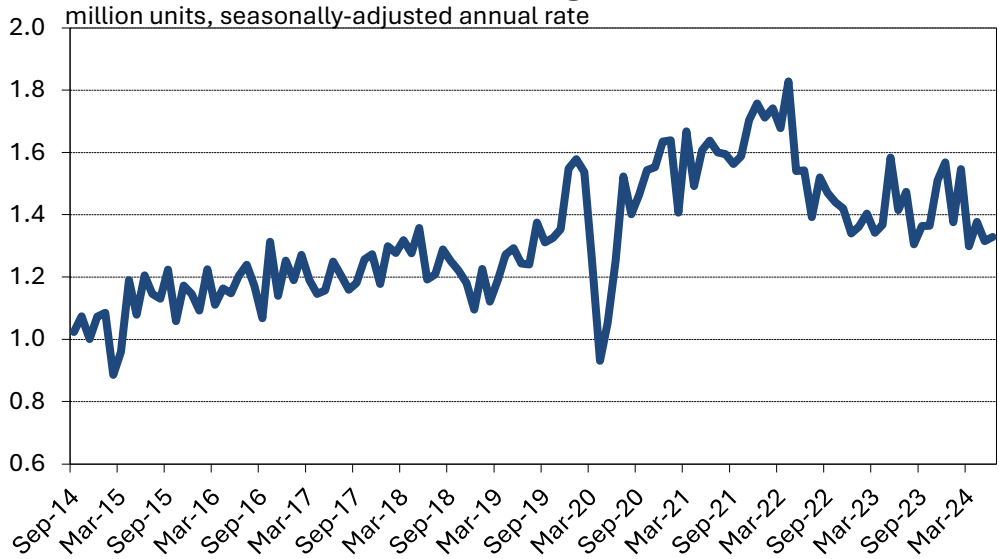
Index of Consumer Confidence



Source: The Conference Board

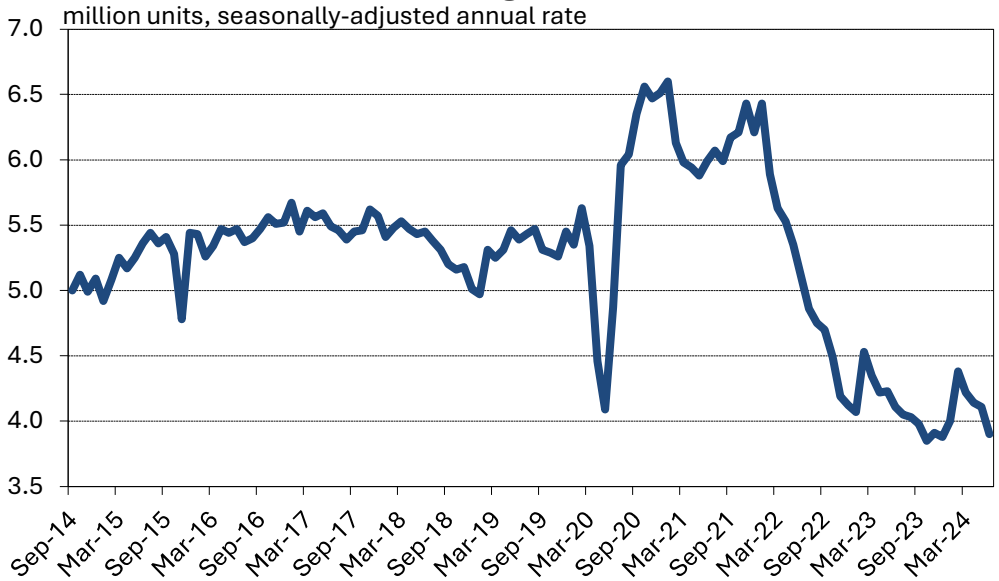
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U.S. Housing Starts



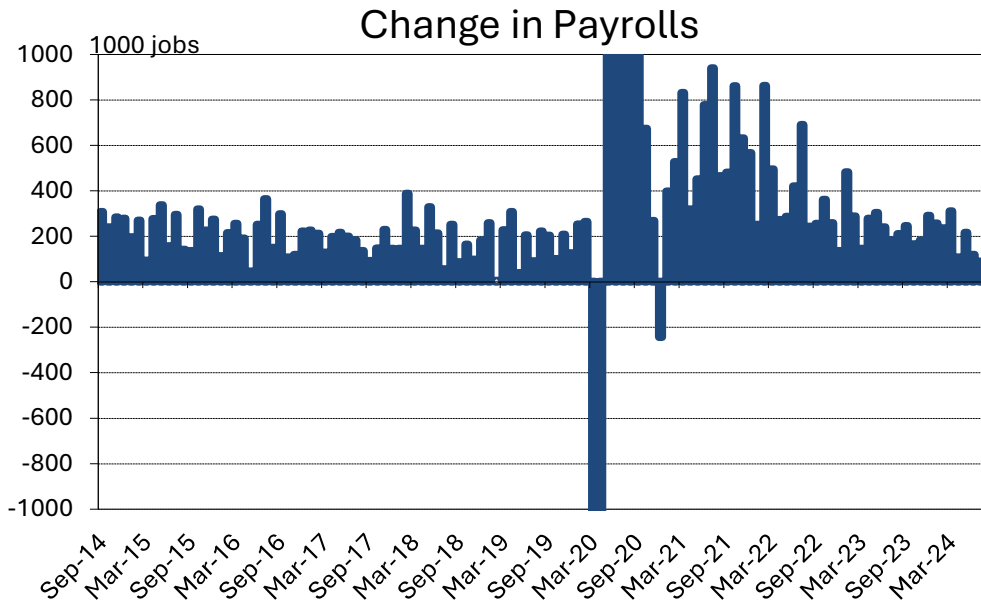
Source: Department of Commerce

U.S. Existing Home Sales



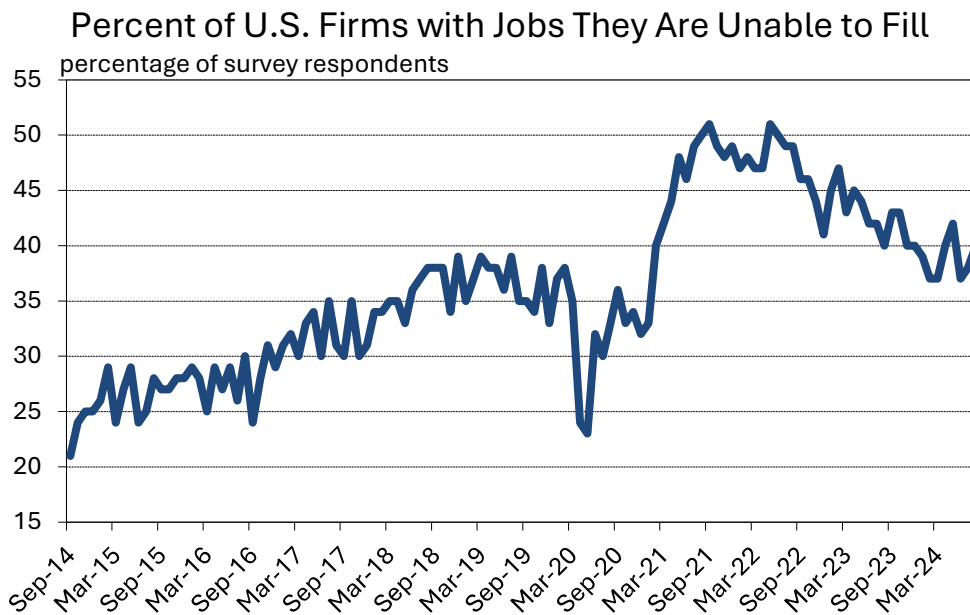
Source: Department of Commerce

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Source: Bureau of Labor Statistics

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

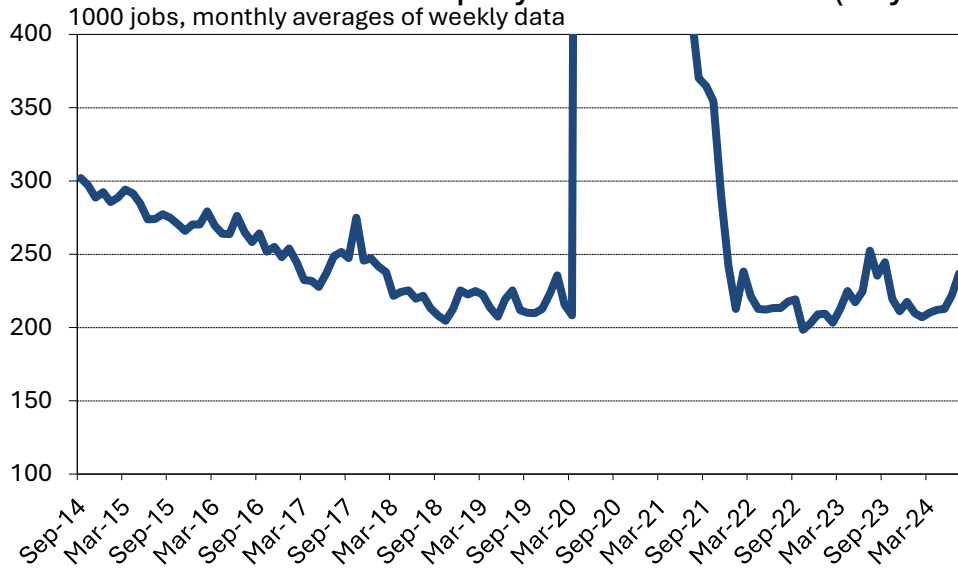


Source: National Federation of Independent Business

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

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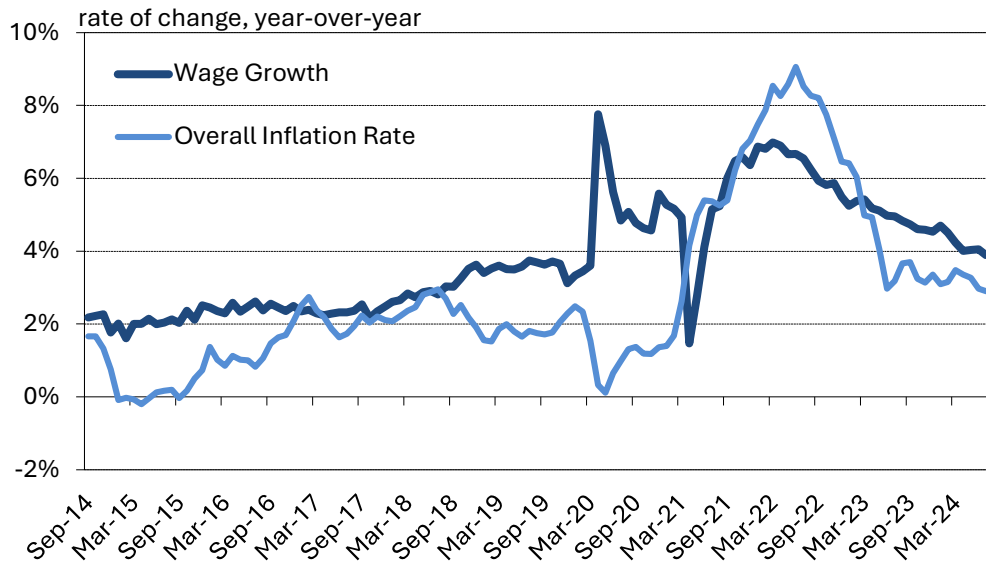
Initial Claims for Unemployment Insurance (Layoffs)



Source: Department of Labor

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

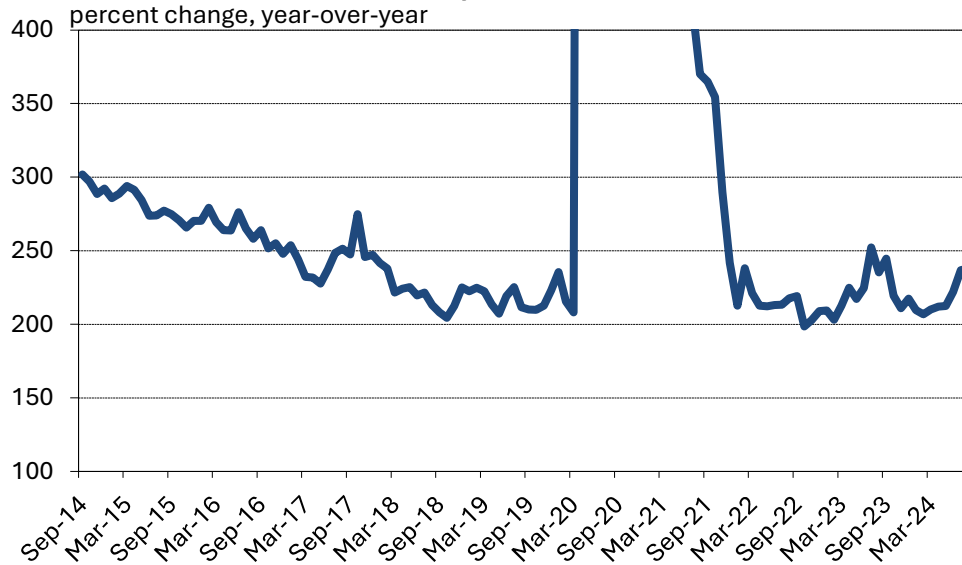
U.S. Wage Growth and Inflation (CPI for All Items)



Source: Bureau of Labor Statistics

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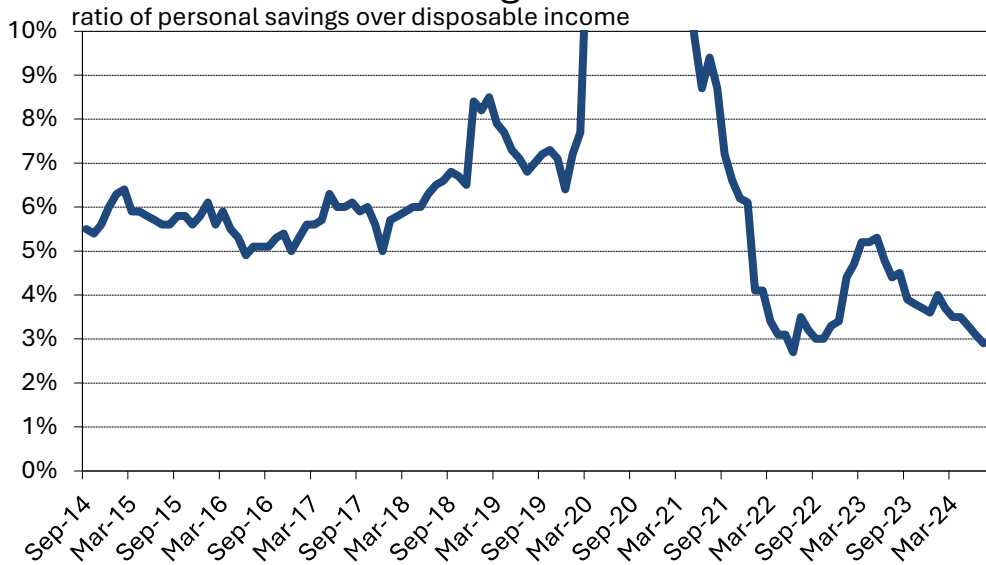
Growth in Real Disposable Personal Income



Source: Bureau of Economic Analysis

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

Savings Rate

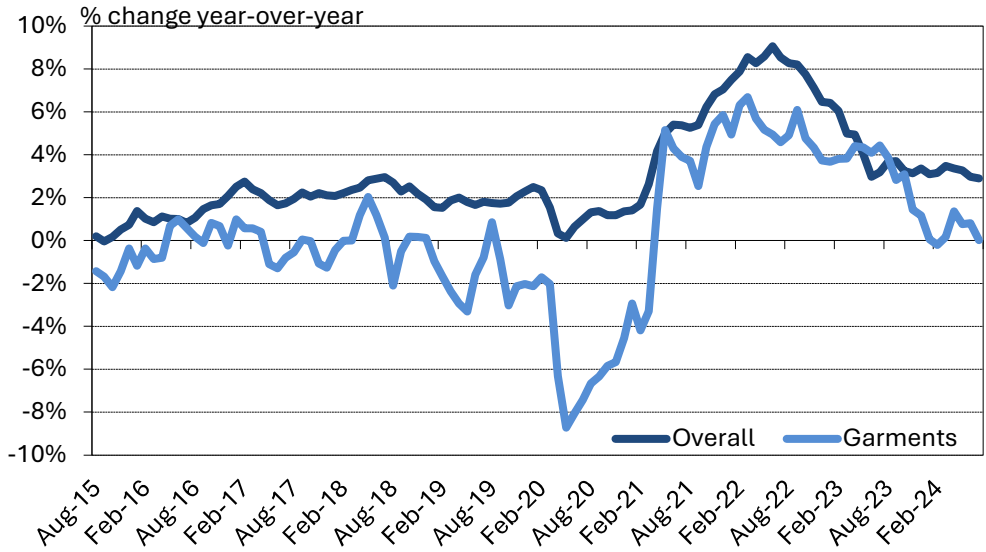


Source: Bureau of Labor Statistics

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

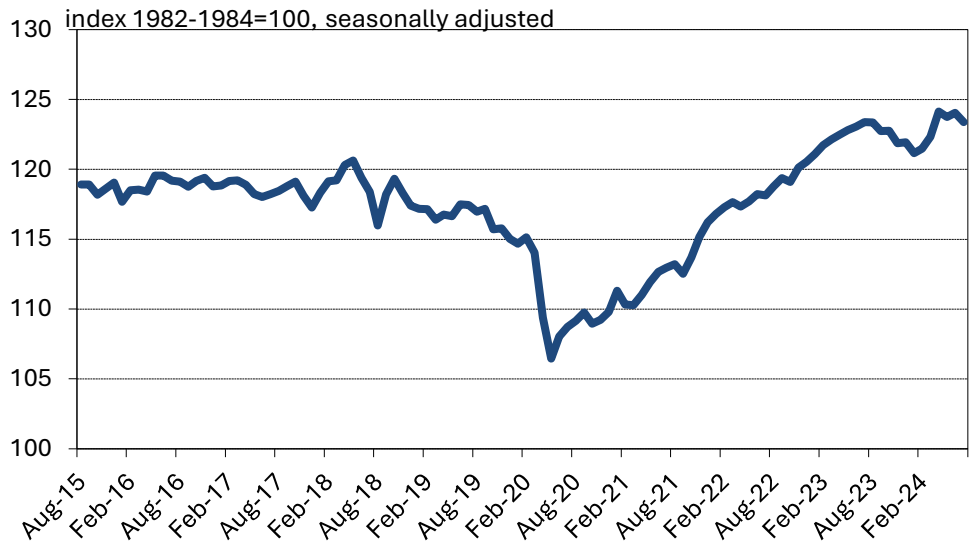
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Change in Consumer Prices - Overall & Garments



Source: Bureau of Labor Statistics

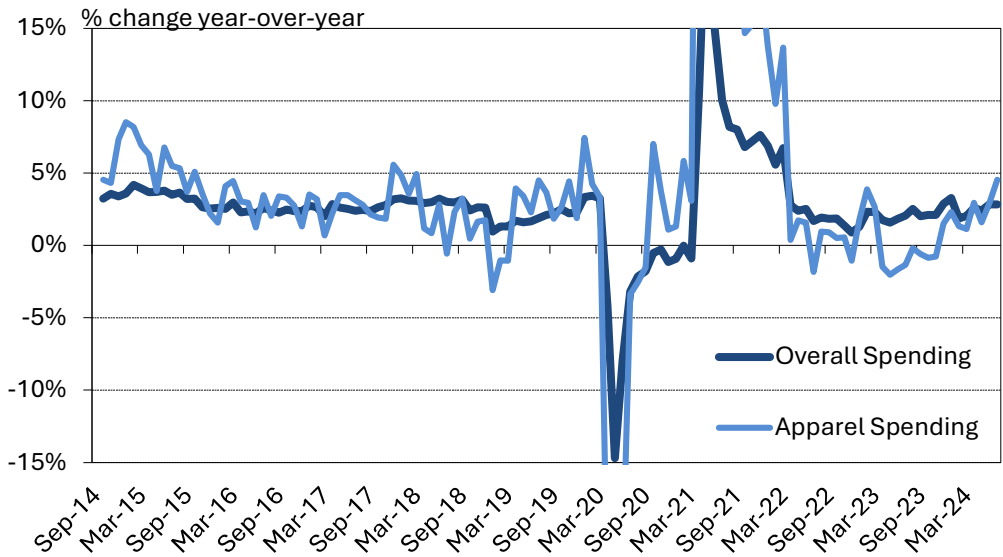
U.S. Consumer Price Index for Garments



Source: Bureau of Labor Statistics

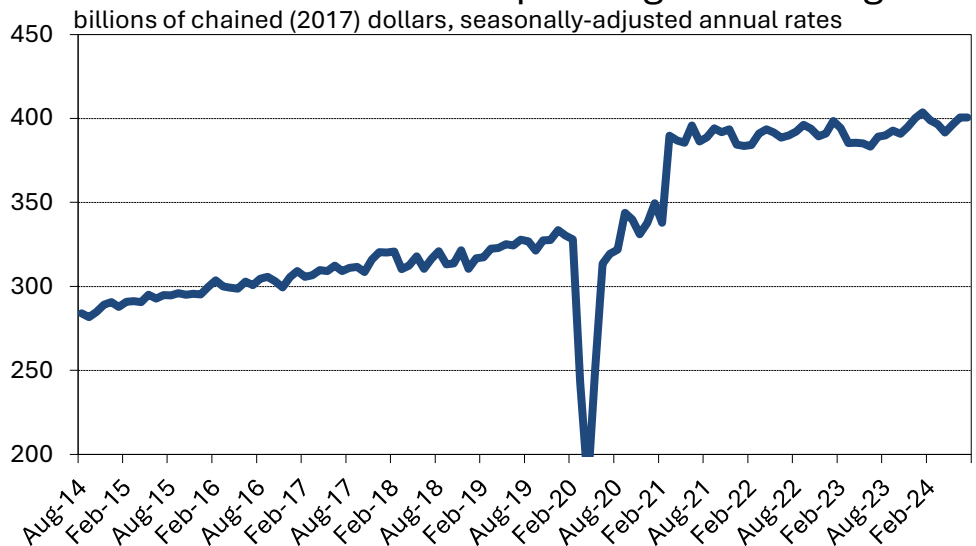
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Real Consumer Spending Growth - Overall & Apparel



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

U.S. Real Consumer Spending on Clothing

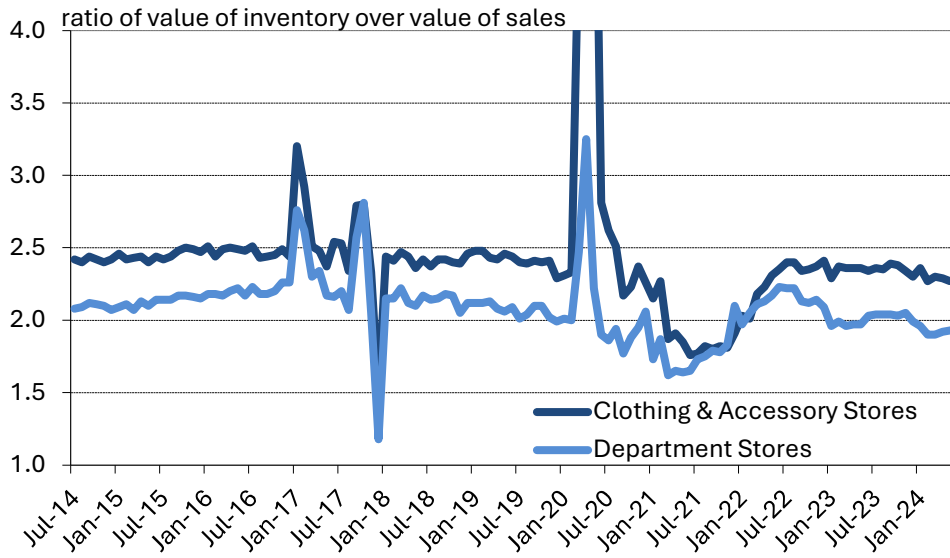


Source: Bureau of Economic Analysis

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

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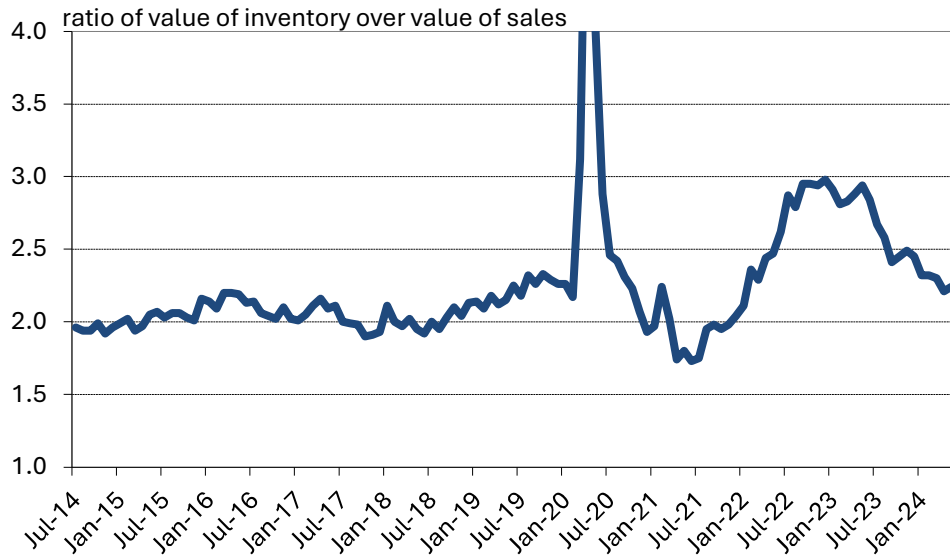
U.S. Retail Inventory to Sales Ratios



Source: Department of Commerce

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

U.S. Clothing Wholesaler Inventory/Sales Ratio

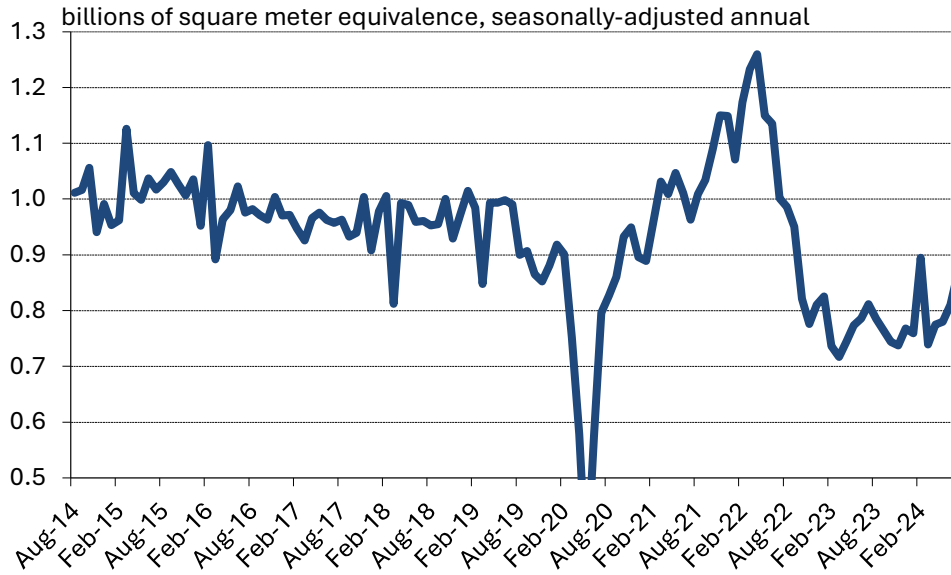


Source: Department of Commerce

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

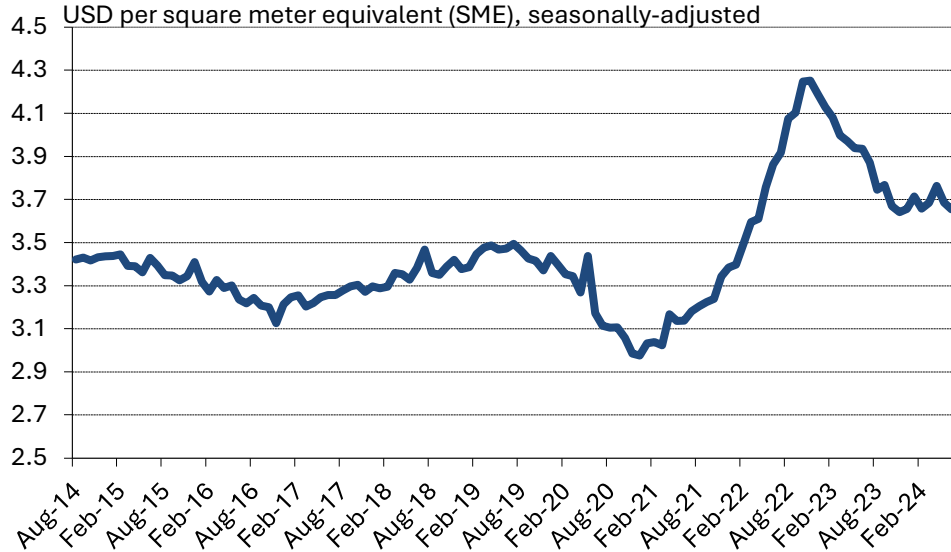
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U.S. Cotton-Dominant Apparel Import Volume



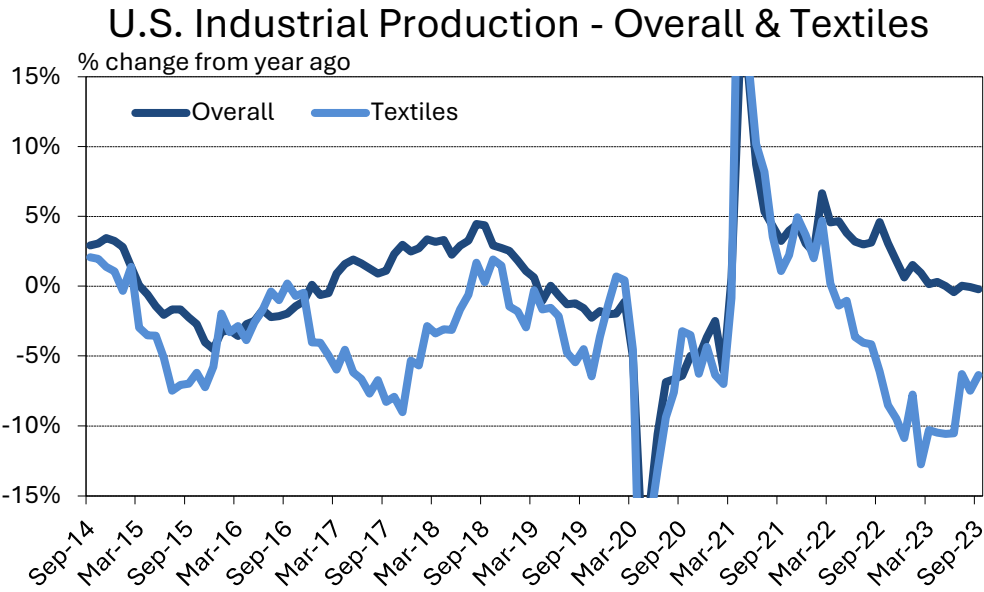
Source: OTEXA, seasonal-adjustment by Cotton Incorporated

Average Cost of Cotton-Dominant Apparel Imports



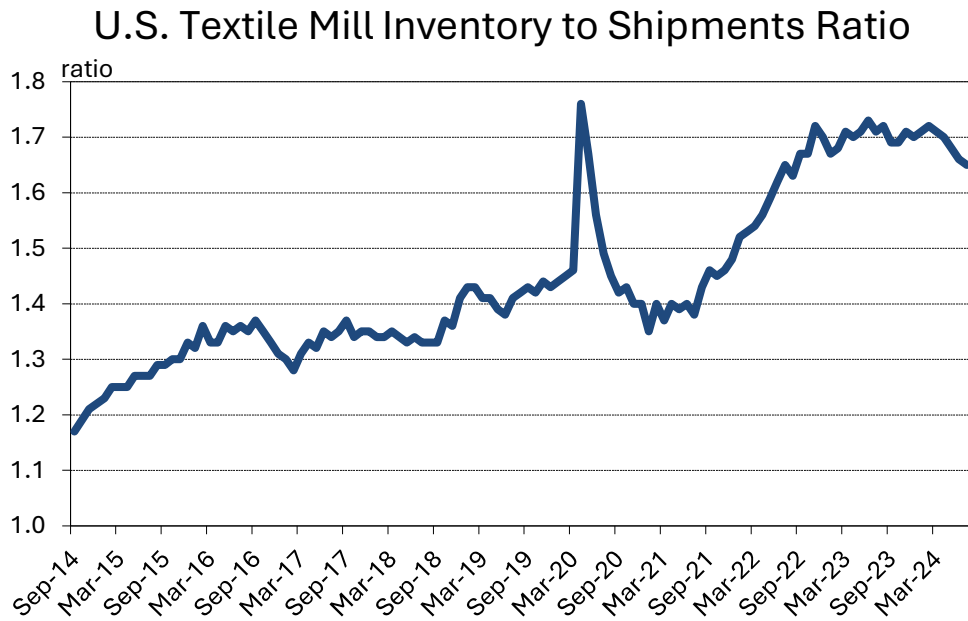
Source: OTEXA, seasonal-adjustment by Cotton Incorporated

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Source: Department of Commerce

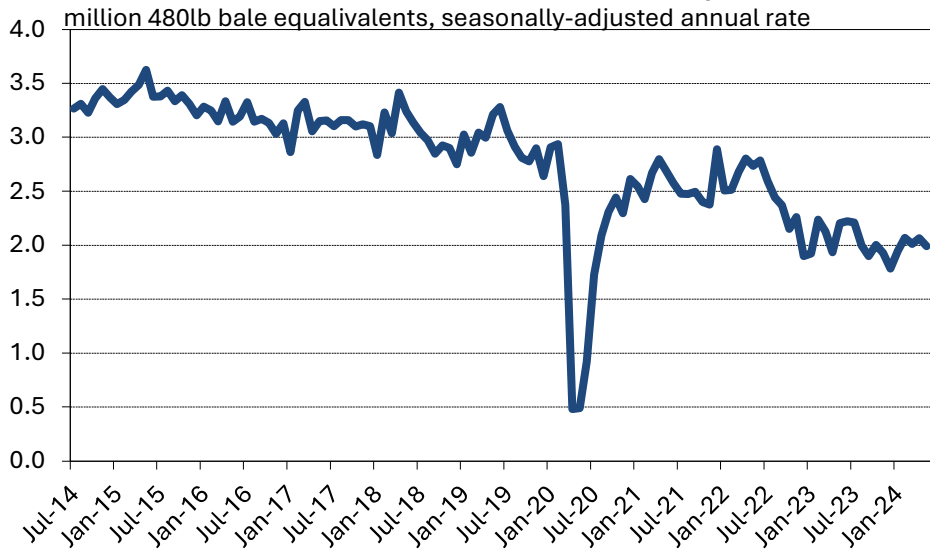
Note: Chart truncated around COVID shutdowns to highlight normal change.



Source: Federal Reserve

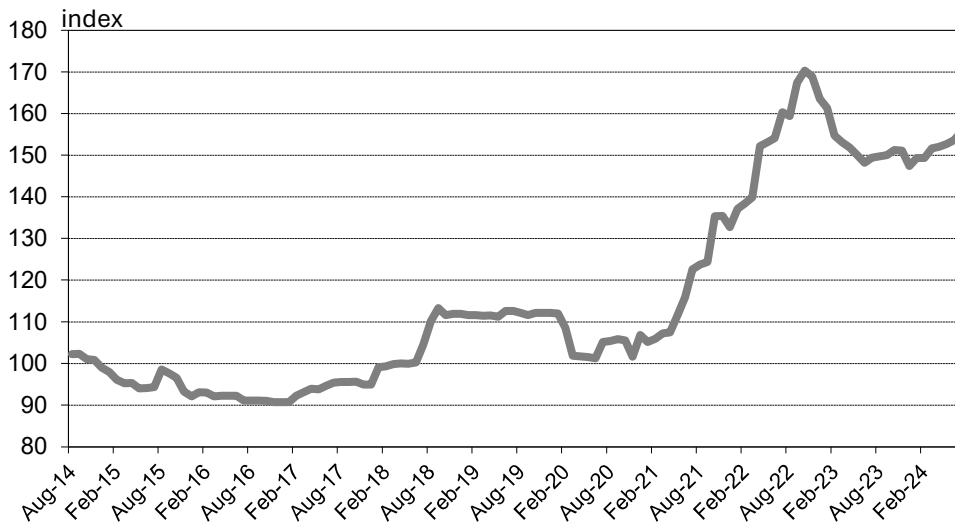
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US Cotton Yarn & Fabric Exports



Source: USDA

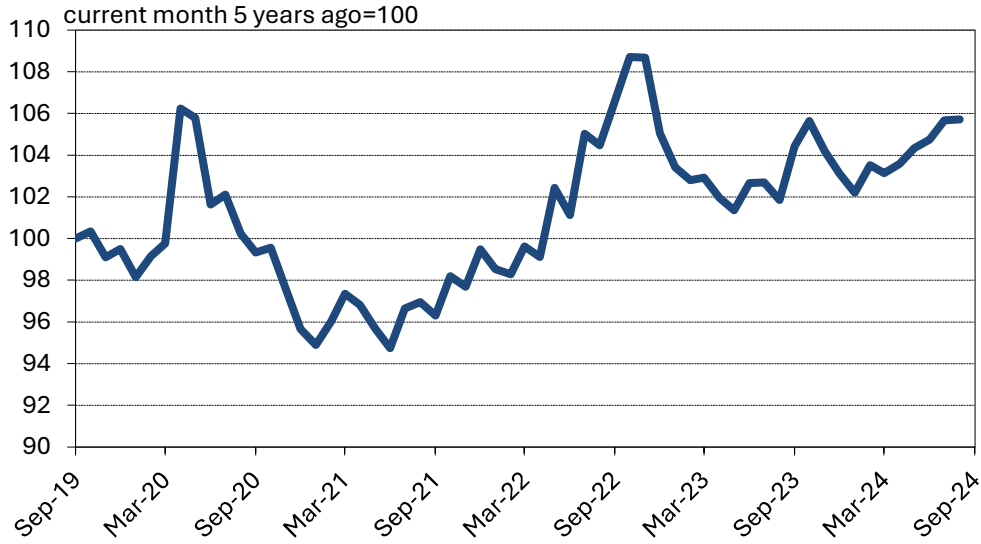
Polyester Fiber Producer's Price Index



Source: Bureau of Labor Statistics

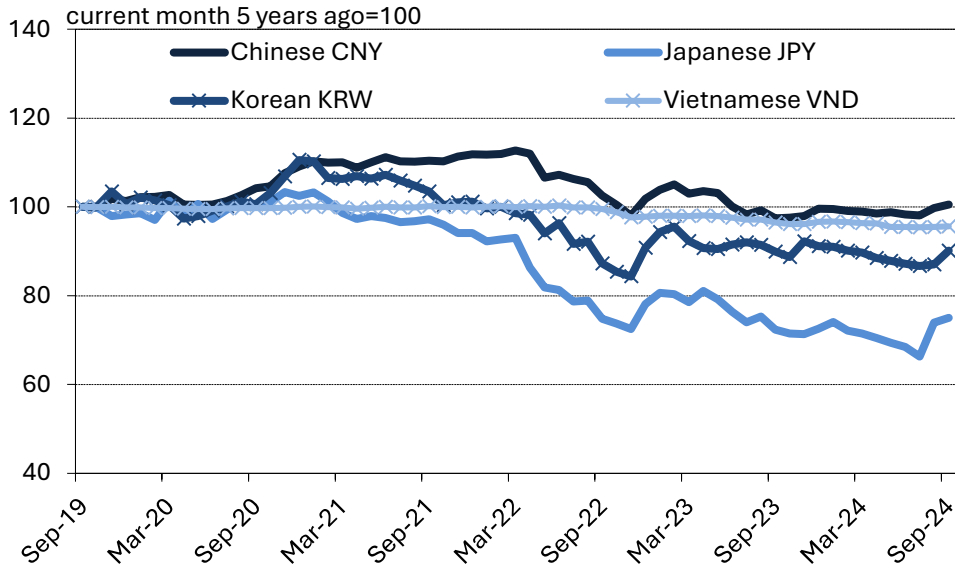
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Trade Weighted Exchange Index for U.S. Dollar



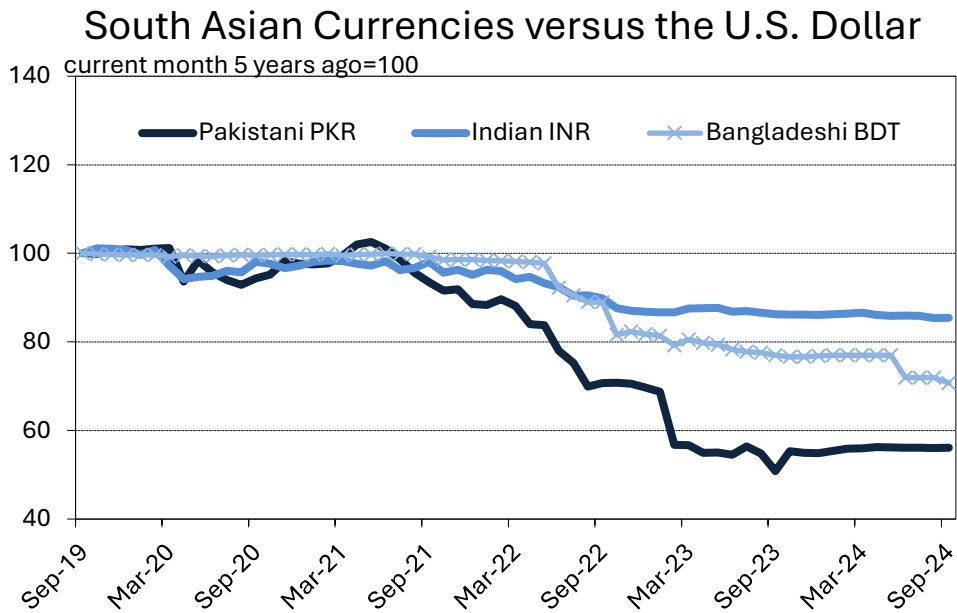
Source: Federal Reserve

East Asian Currencies versus the U.S. Dollar

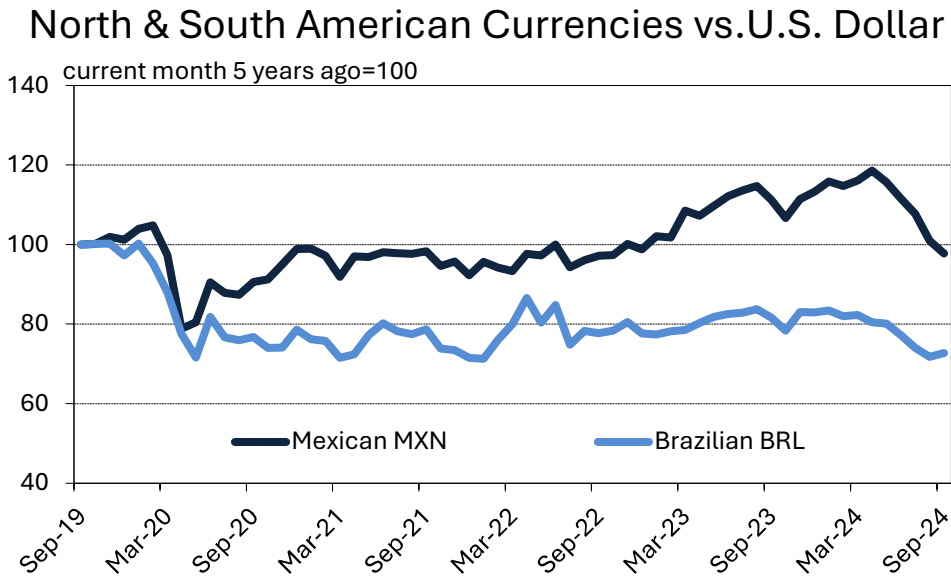


Source: Reuters

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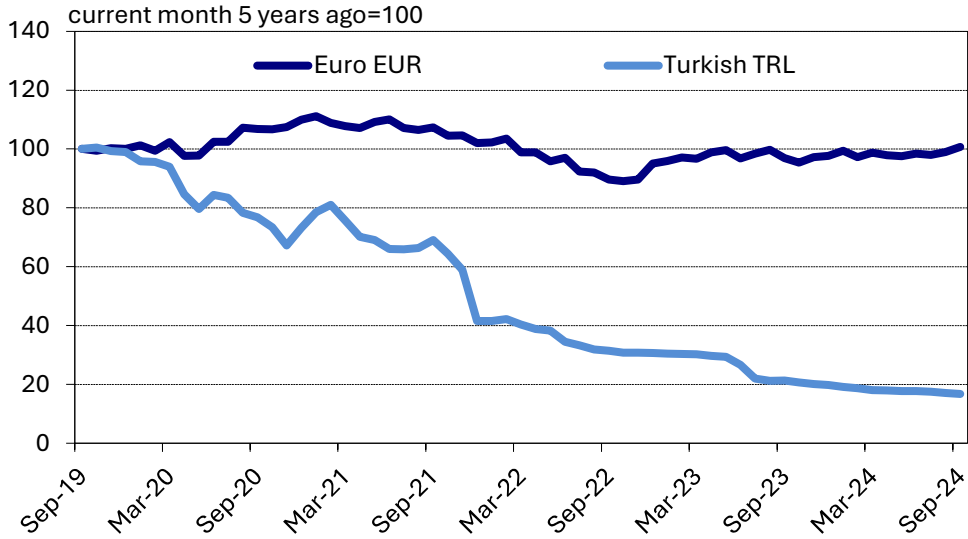
Source: Reuters



Source: Reuters

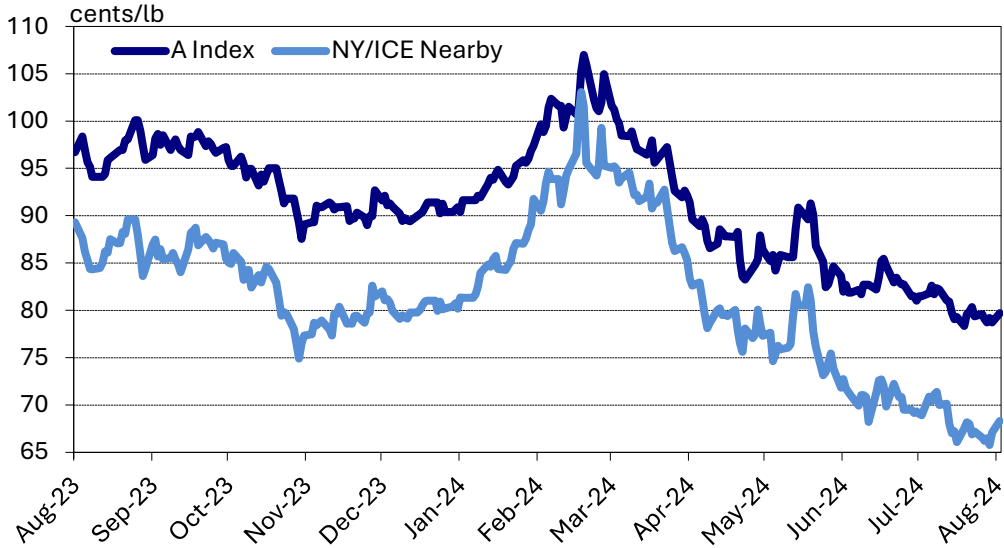
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European Currencies vs. U.S. Dollar



Source: Reuters

Year of Daily Cotton Prices



Sources: Cotlook, Reuters

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

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