

Executive Cotton Update

U.S. Macroeconomic Indicators &
the Cotton Supply Chain



October 2024

www.cottoninc.com

Macroeconomic Overview: The Federal Reserve lowered interest rates by half a percentage point last month. The decrease represented a policy reversal, ending the cycle of rate increases that began in March 2022. During that period, the Fed lifted rates from effectively zero to levels over five percent. This was the steepest set of rate increases since the 1980s.

The half-point reduction was at the more aggressive end of expectations. Nonetheless, the current rate maintained by the central bank is well above the levels before the pandemic and is also higher than the “neutral” rate. The neutral interest rate is a theoretical value representing the interest rate where inflation and growth are in balance and interest rates are neither stimulative nor restrictive. As a theoretical concept, its actual value cannot be truly known; it can only be estimated.

There is a range of estimates for the neutral rate, but because the Federal Reserve has been saying it will remain vigilant about inflation (and less concerned about the labor market), the Federal Funds Rate that the Fed controls remains higher than those estimates. With the policy rate above the neutral rate, an interpretation of the recent decrease should be that the central bank is pushing less hard on the brakes. This is different than stepping on the economic accelerator, like the Fed did after that financial crisis and after the COVID pandemic.

In China, the government recently announced policy changes that can be considered a push on the accelerator. It lowered interest rates and reduced restrictions on bank lending to help address deflation and sluggish demand. Policies were also adjusted to decrease payments on existing mortgages and to cut the required downpayments for home purchases. These changes may help address some of the challenges in the Chinese housing sector, where an estimated 70% of Chinese household wealth is concentrated. There are questions about the appetite for credit in China and, therefore, the effectiveness of monetary policy. For this reason, Chinese officials have suggested they may also pursue fiscal stimulus to leverage government spending to support economic growth. Details regarding a comprehensive spending package have yet to be released.

Both the U.S. and China are major consumer markets for cotton products, and policy revisions in each country can be considered supportive of demand growth. In addition, Europe appears to be moving beyond the recessionary conditions that existed last year.

Employment: The U.S. economy is estimated to have added +254,000 new jobs in September. This was the largest monthly increase since March and was well above the average over the last six months (+176,000). Revisions to existing figures for previous months were positive, with the estimate for July increasing +55,000 to +144,000 and the estimate for August increasing +17,000 to +159,000.

The unemployment rate decreased slightly, from 4.2% to 4.1%. In July, the unemployment rate set its recent high of 4.3%. The decreases since July suggest that the gentle upward trend that has been in place since early 2023 (the unemployment rate reached levels as low as 3.4% around in the first half of 2023). If sustained, the current pause in the upward trend in unemployment can give the Federal Reserve more room to maintain higher rates to combat inflation if necessary.

The year-over-year change in wage growth has also taken a pause from its recent trend. In March 2022, the rate of wage growth reached a peak of 5.9% year-over-year. Since then, it has been moving lower. In July 2024, it was 3.4%. More recently, in August and September, however, the rate of year-over-year growth has increased (3.9% in July and 4.0% in September).

Consumer Confidence & Spending: The Conference Board’s Index of Consumer Confidence decreased -6.9 points in September to 98.7. This is close to the readings in April and June and remains within the range experienced since August 2021, when values have held been between 95 and 115.

Overall consumer spending increased +0.2% month-over-month in August. Year-over-year, overall spending was +2.9% higher. Consumer spending on apparel was down -0.8% month-over-month in August. Year-over-year, spending on garments was +1.8% higher. The pullback in apparel spending in August followed some strength in June, when spending was +4.2% higher. In May and July, clothing spending was +2.7% and +2.8% higher year-over-year, nearly matching the values for overall spending growth in those months.

Consumer Prices & Import Data: The CPI for garments increased +0.6% month-over-month and year-over-year in September. The current price level is near the highest since COVID (value in April was marginally higher) and is +6.4% higher than the average in 2019.

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
October 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	3.0%	3.1%	2.4%	1.6%	3.2%	1.6%	3.0%	% Chg. Quarter/Quarter	Department of Commerce

Macroeconomic Series with Latest Data for September

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	July	August	September		
ISM Index of Manufacturing Activity	52.4	48.0	47.9	47.1	46.8	47.2	47.2	Index, values over 50 indicate expansion	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	55.6	51.8	51.6	52.6	51.4	51.5	54.9	Index, values over 50 indicate expansion	Institute for Supply Management
Consumer Confidence	106.4	102.5	100.5	102.1	101.9	105.6	98.7	Index, 1985=100	The Conference Board
Change in Non-Farm Payrolls	129.1	203.2	166.5	185.7	144	159	254	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	4.9%	3.9%	4.1%	4.2%	4.3%	4.2%	4.1%	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%	5.1%	Interest rate	Federal Reserve
10-year Treasury Bill	2.6%	4.2%	4.2%	3.9%	4.3%	3.9%	3.7%	Interest rate	Federal Reserve

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		
Index of Leading Economic Indicators	109.5	101.9	100.8	100.3	100.4	100.4	100.2	Index, 2016=100	The Conference Board
Housing Starts	1.5	1.4	1.3	1.3	1.3	1.2	1.4	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.1	4.0	4.0	3.9	3.9	4.0	3.9	Annual pace, millions of units	National Association of Realtors

Industrial & Textile Data

Industrial & Textile 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		
US Industrial Production	100.5	102.7	102.8	102.9	102.4	103.1	103.1	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	133.9	151.6	153.6	155.0	153.6	155.7	155.7	Index, December 2003=100	Bureau of Labor Statistics

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		
Bale Equivalence of US Cotton Yarn & Fabric Exports	3.2	#N/A	#N/A	#N/A	2.0	#N/A	#N/A	million 480lb bales	USDA ERS

Industrial & Textile Series with Latest Data for August

US Textile Mill Inventory/Shipments Ratio	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	June	July	August		
	1.57	1.69	1.68	1.68	1.68	1.66	1.69	Ratio	Department of Commerce

Retail Data

Retail 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		
US Real Consumer Spending									
All Goods and Services	3.0%	2.6%	2.8%	2.8%	2.9%	2.8%	2.9%	% Chg. Year/Year	Department of Commerce
Clothing	5.6%	2.1%	2.6%	2.9%	4.2%	2.8%	1.8%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	4.2%	3.2%	3.1%	2.8%	3.0%	2.9%	2.5%	% Chg Year/Year	Bureau of Labor Statistics
Clothing	1.0%	1.0%	0.6%	0.5%	0.8%	0.0%	0.6%	% Chg. Year/Year	Bureau of Labor Statistics

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		
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	2.0	Value of inventory over value of sales	Department of Commerce

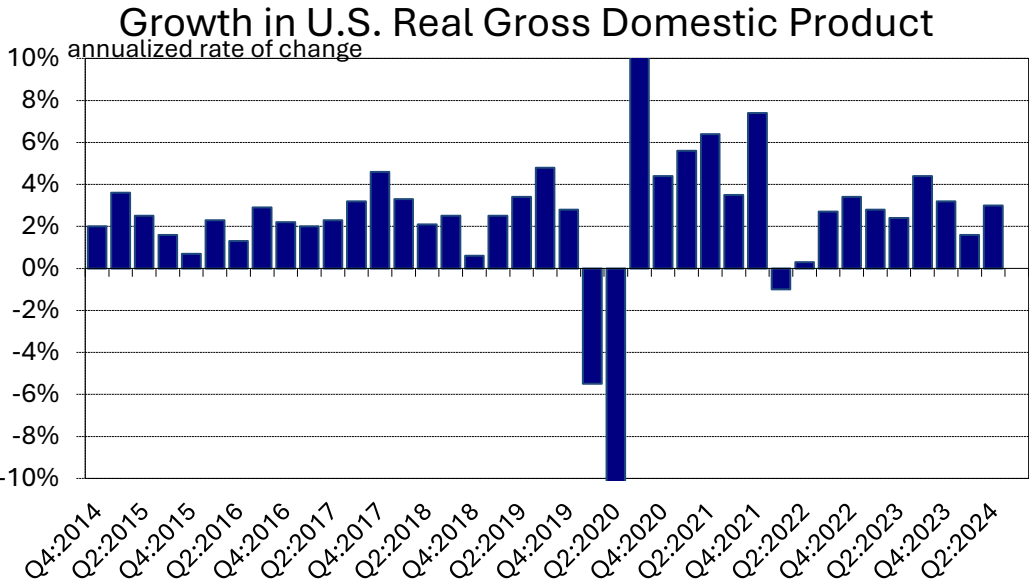
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Daily Cotton Price and Currency Data
October 2024

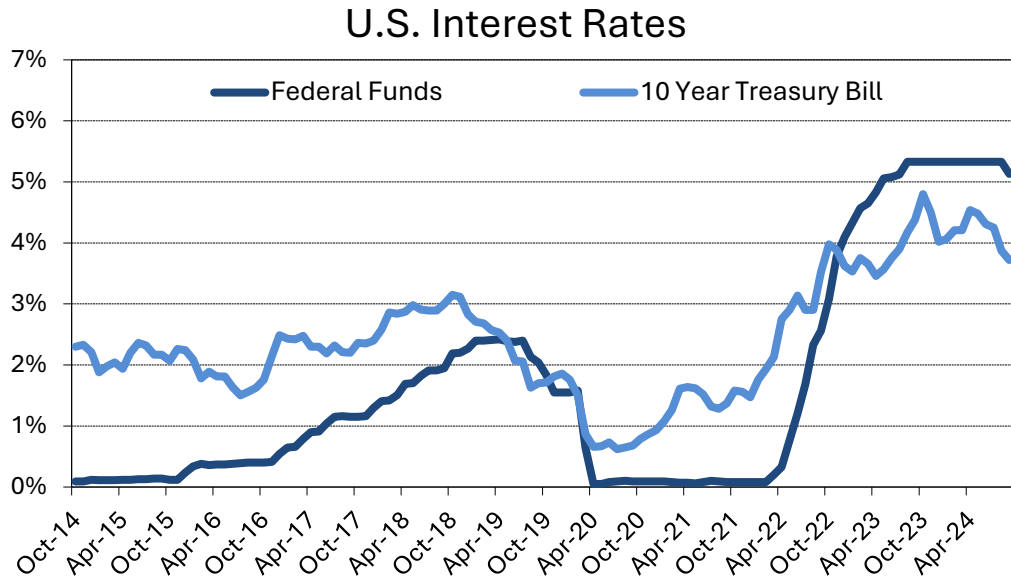


Daily Cotton Price Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	June	July	August		
NY Nearby	85.6	80.0	76.4	70.0	71.9	69.4	68.1	cents/pound	ICE
A Index	96.1	89.9	86.1	81.7	83.2	81.3	79.9	cents/pound	Cotlook

Daily Currency Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	July	August	September		
Dollar Trade Weighted Exchange Index	118.7	120.6	122.9	123.4	123.7	123.7	122.7	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.86	6.93	7.20	7.17	7.27	7.16	7.09	Chinese Renminbi/US dollar	Reuters
Indian Rupee	77.90	80.80	83.60	83.80	83.50	83.96	83.95	Indian Rupee/US dollar	Reuters
Japanese Yen	125.60	137.65	152.40	150.06	160.63	147.25	142.31	Japanese Yen/US dollar	Reuters
Pakistani Rupee	210.61	244.55	278.37	278.58	278.55	278.63	278.55	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	5.12	5.16	5.35	5.56	5.48	5.61	5.59	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.32	1.33	1.37	1.36	1.36	1.37	1.35	Canadian dollar/US dollar	Reuters
Mexican Peso	19.56	18.84	18.13	19.04	17.98	19.14	20.01	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.78	0.80	0.78	0.78	0.78	0.79	0.76	British Pound/US dollar	Reuters
Euro	0.90	0.93	0.92	0.91	0.92	0.92	0.90	Euro/US dollar	Reuters
Swiss Franc	0.92	0.92	0.89	0.87	0.90	0.86	0.84	Swiss Franc/US dollar	Reuters
Turkish Lira	16.31	22.32	32.80	33.41	32.71	33.48	34.03	Turkish Lira/US dollar	Reuters



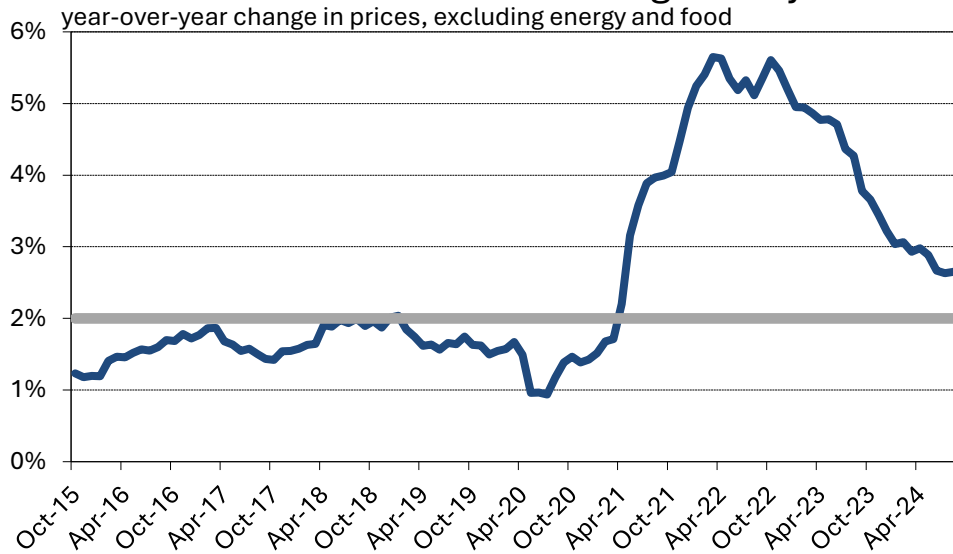
Source: Department of Commerce
 Note: Chart truncated around COVID shutdowns to highlight normal change.



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



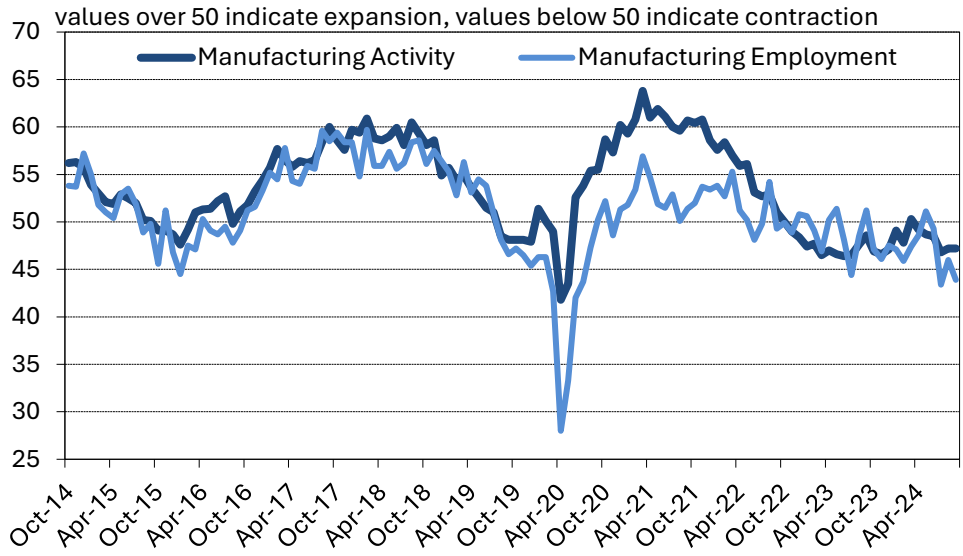
Source: Bureau of Labor Statistics

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.

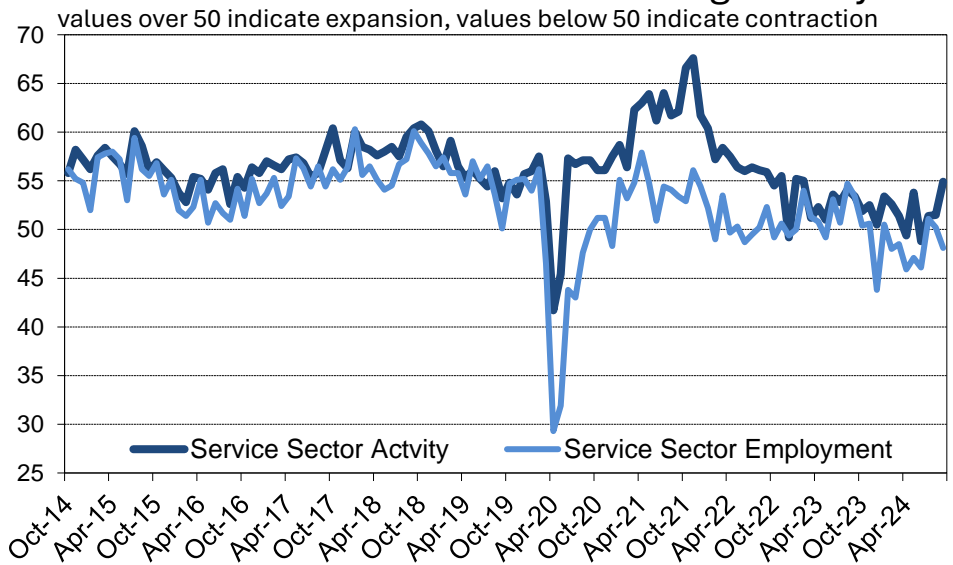
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ISM Index of Manufacturing Activity



Source: Institute for Supply Chain Management

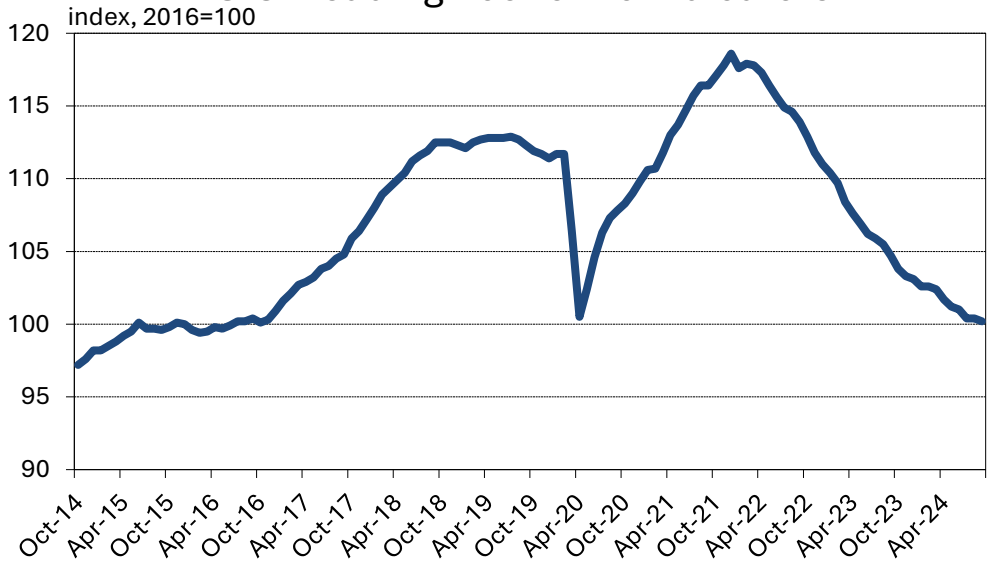
ISM Index of Non-Manufacturing Activity



Source: Institute for Supply Chain Management

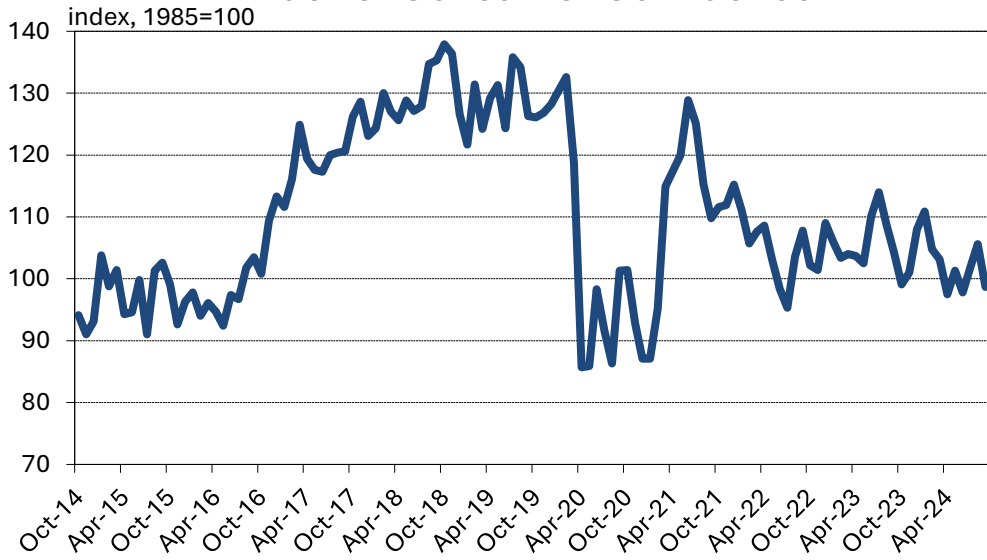
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U.S. Leading Economic Indicators



Source: The Conference Board

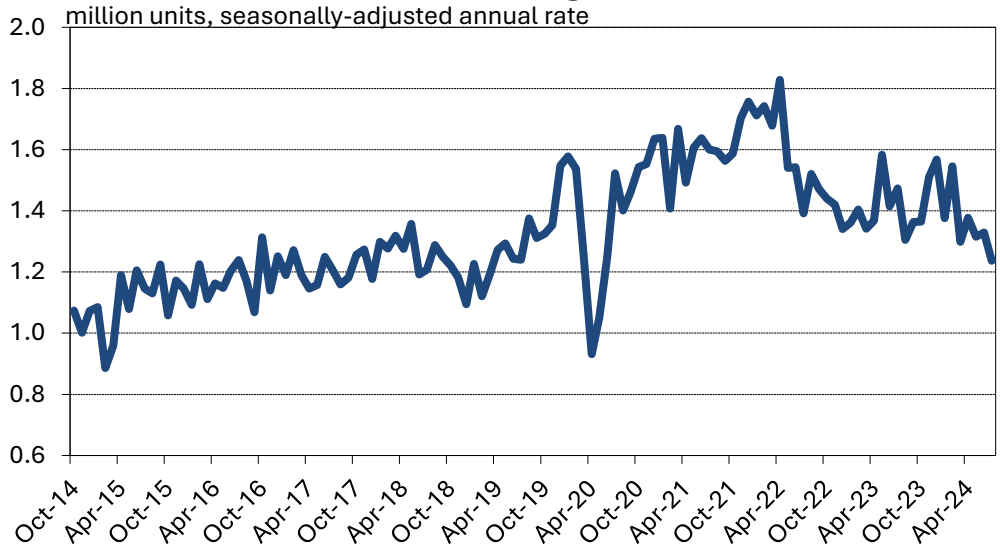
Index of Consumer Confidence



Source: The Conference Board

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U.S. Housing Starts



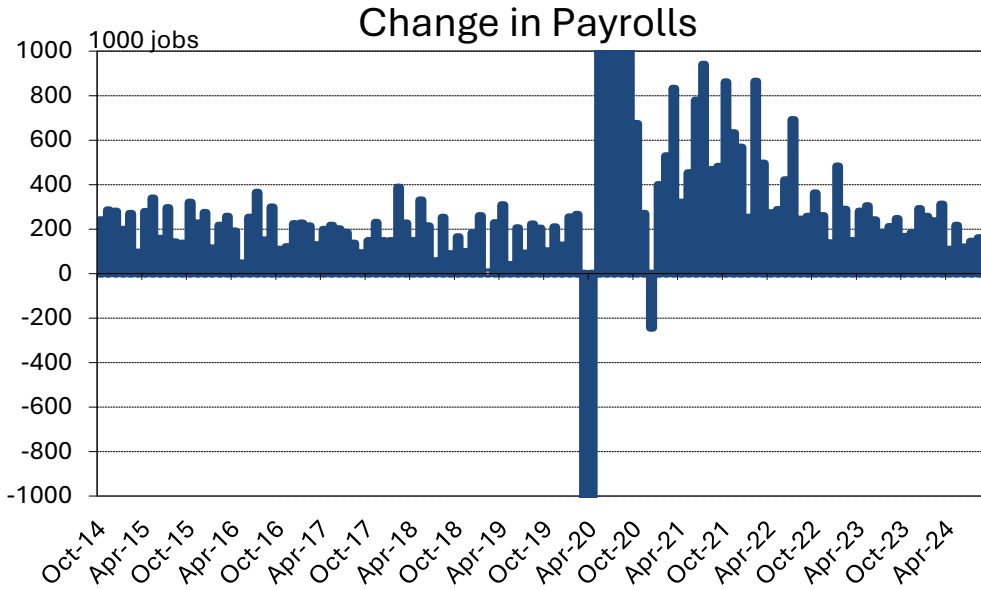
Source: Department of Commerce

U.S. Existing Home Sales



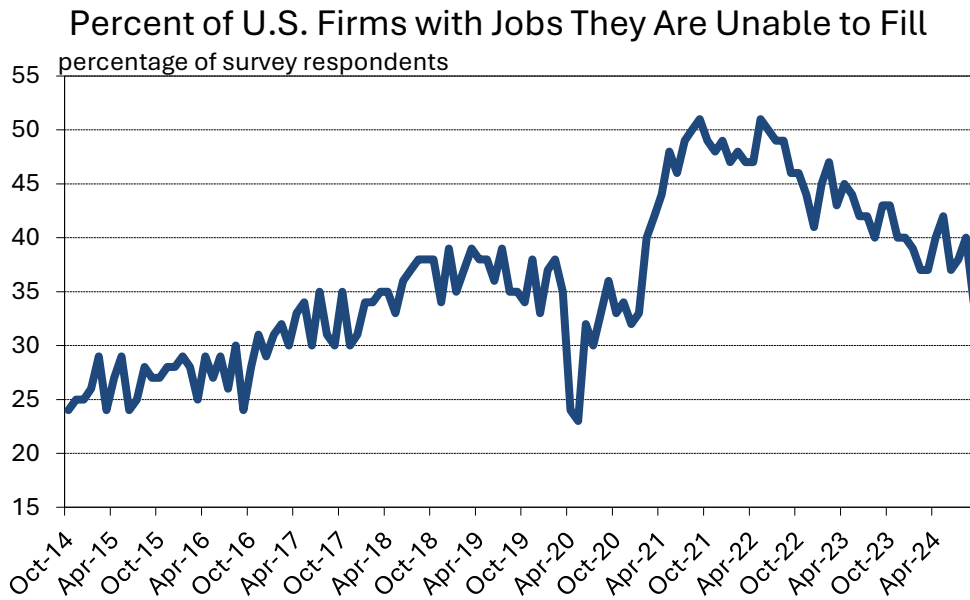
Source: Department of Commerce

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Source: Bureau of Labor Statistics

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

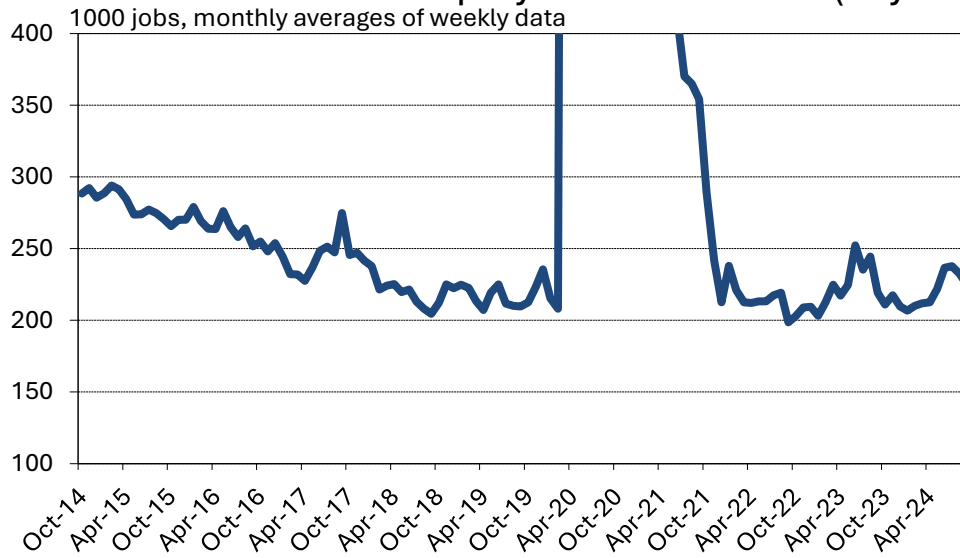


Source: National Federation of Independent Business

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

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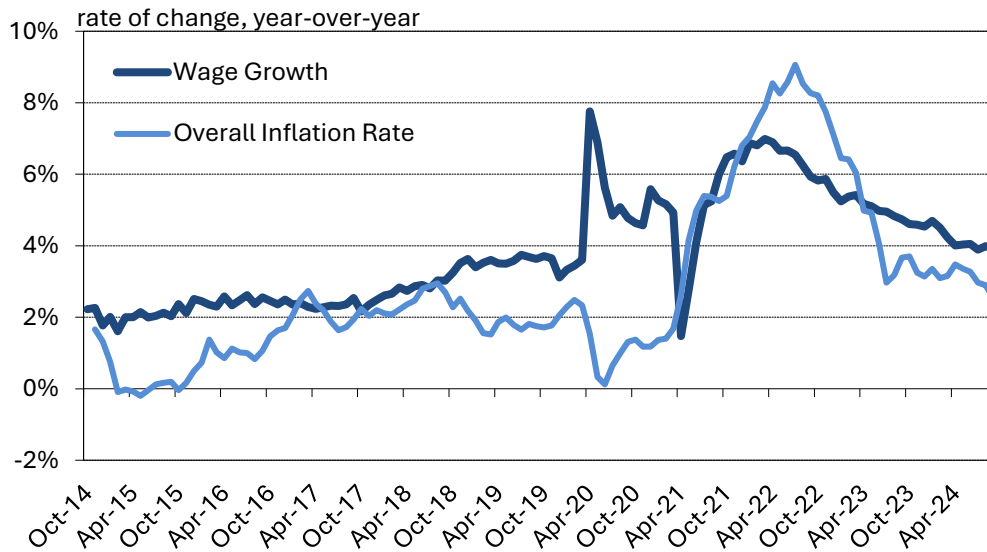
Initial Claims for Unemployment Insurance (Layoffs)



Source: Department of Labor

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

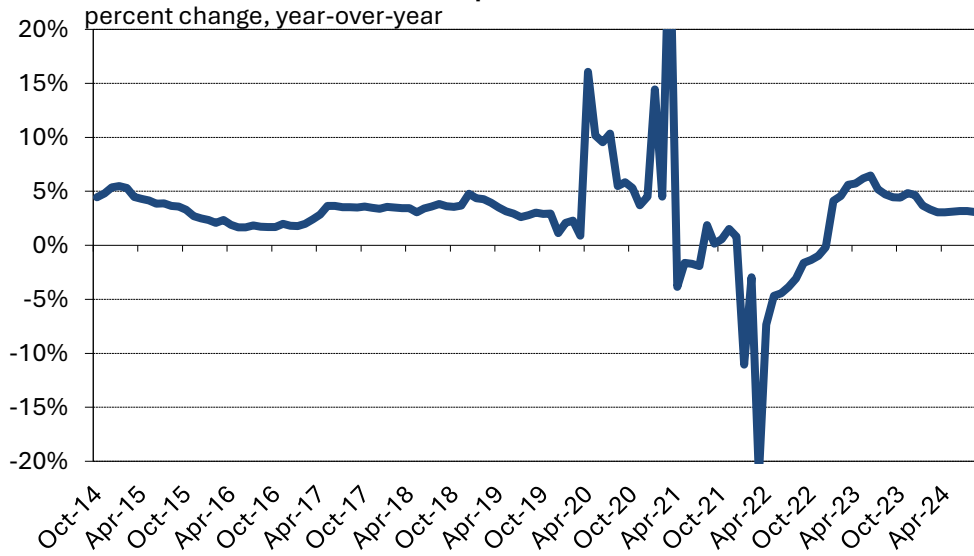
U.S. Wage Growth and Inflation (CPI for All Items)



Source: Bureau of Labor Statistics

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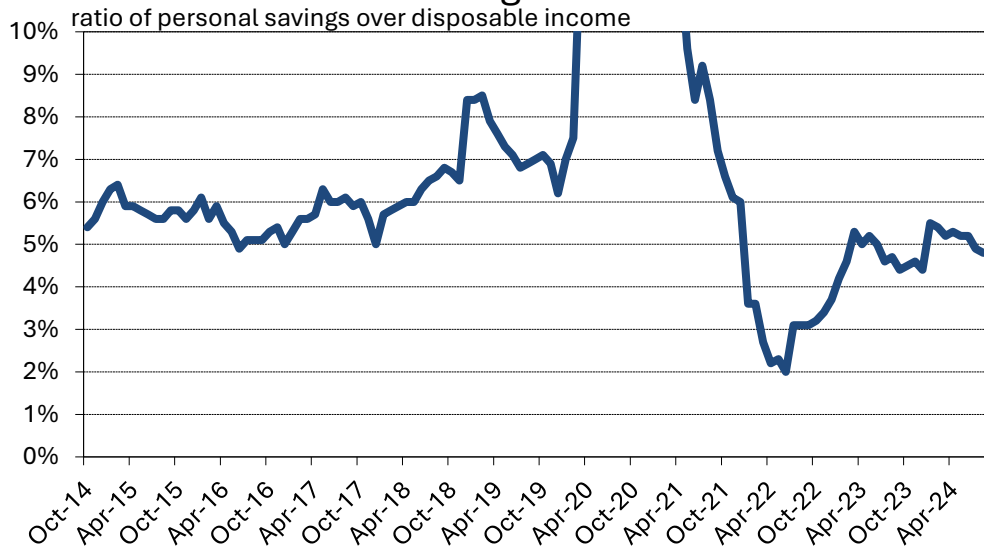
Growth in Real Disposable Personal Income



Source: Bureau of Economic Analysis

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

Savings Rate

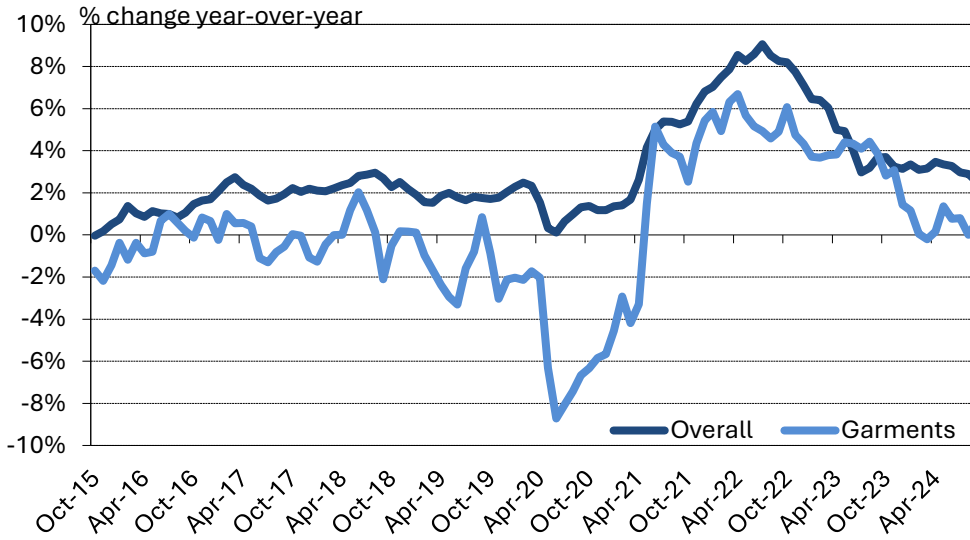


Source: Bureau of Labor Statistics

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

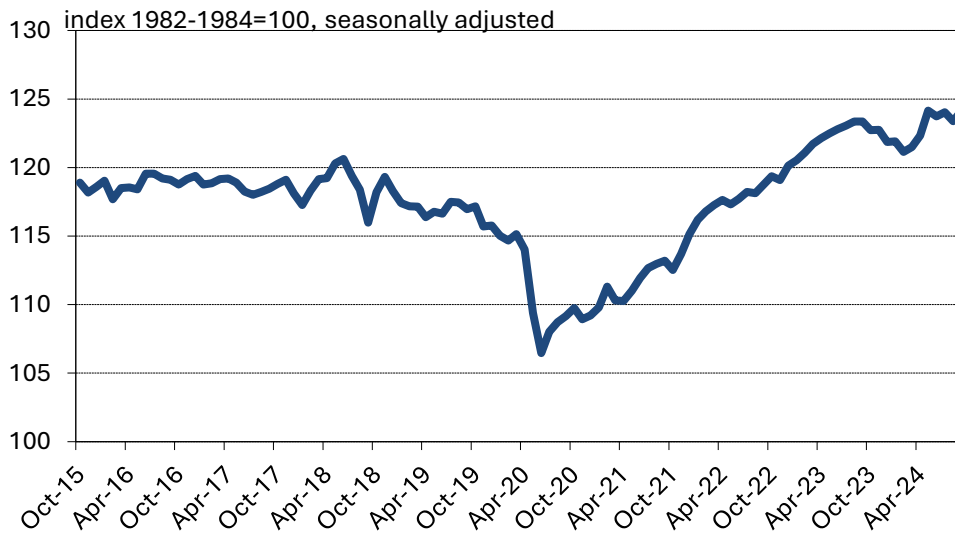
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Change in Consumer Prices - Overall & Garments



Source: Bureau of Labor Statistics

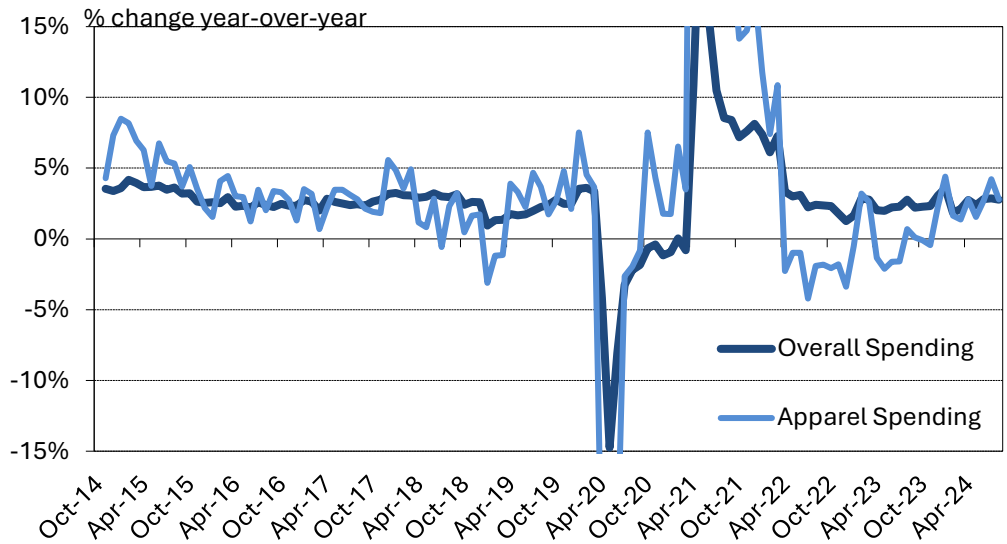
U.S. Consumer Price Index for Garments



Source: Bureau of Labor Statistics

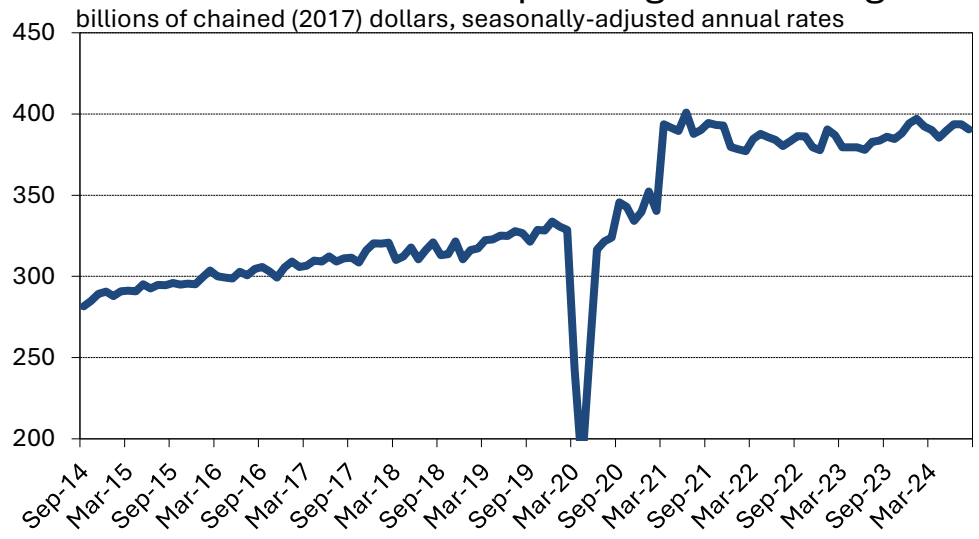
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Real Consumer Spending Growth - Overall & Apparel



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

U.S. Real Consumer Spending on Clothing

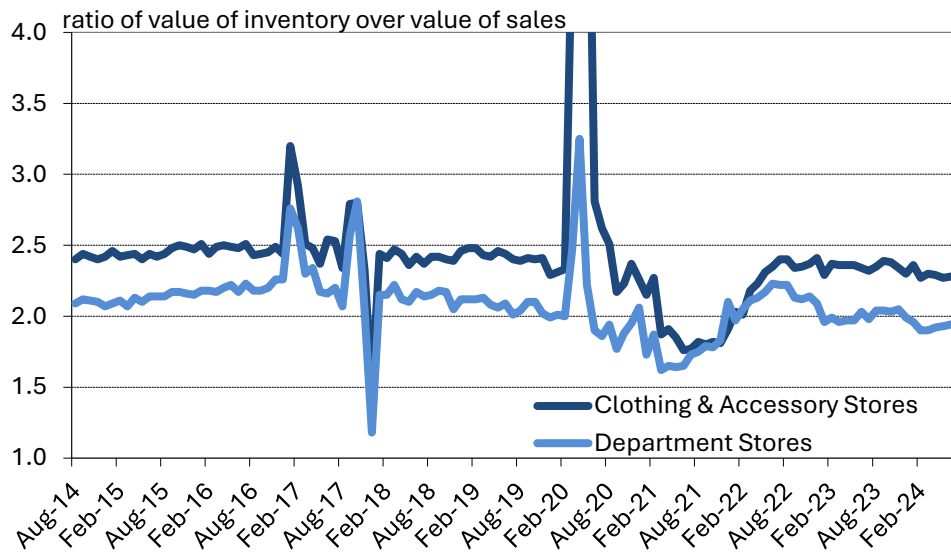


Source: Bureau of Economic Analysis

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

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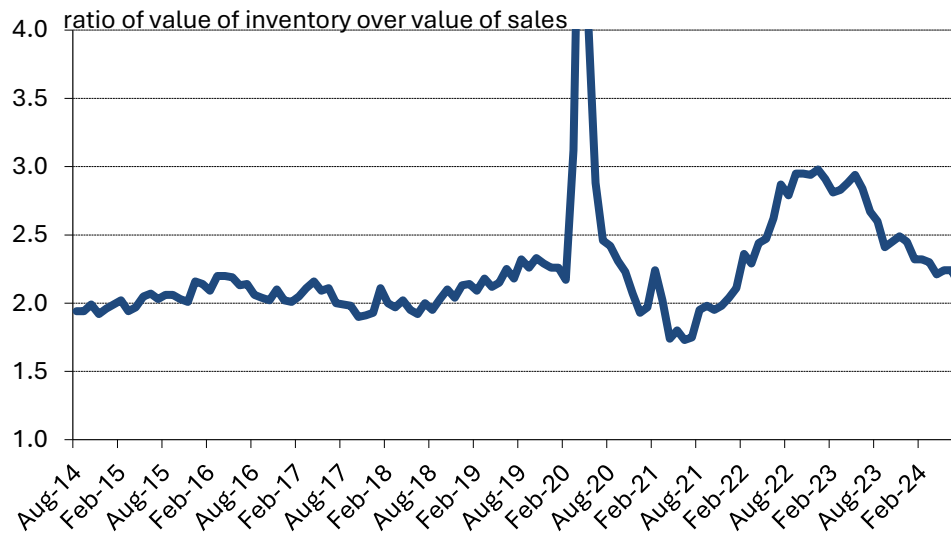
U.S. Retail Inventory to Sales Ratios



Source: Department of Commerce

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

U.S. Clothing Wholesaler Inventory/Sales Ratio

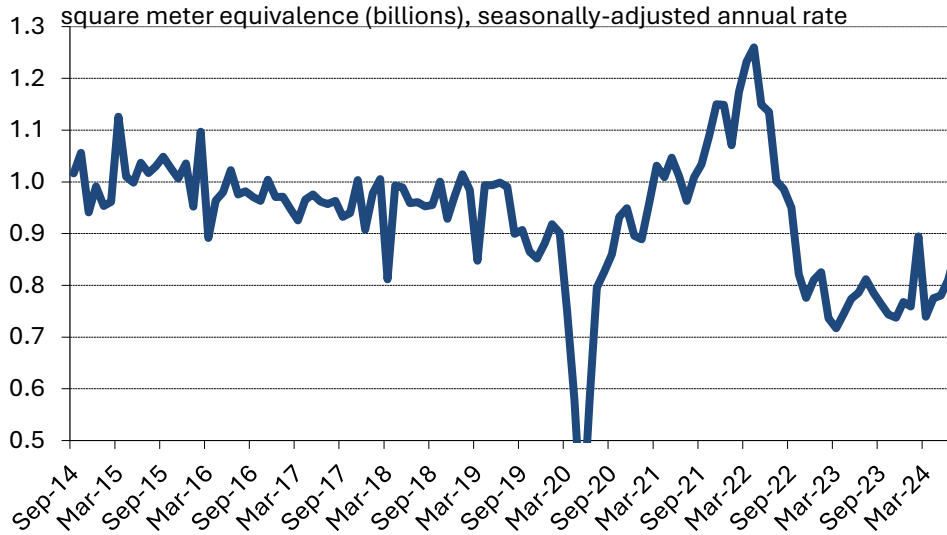


Source: Department of Commerce

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

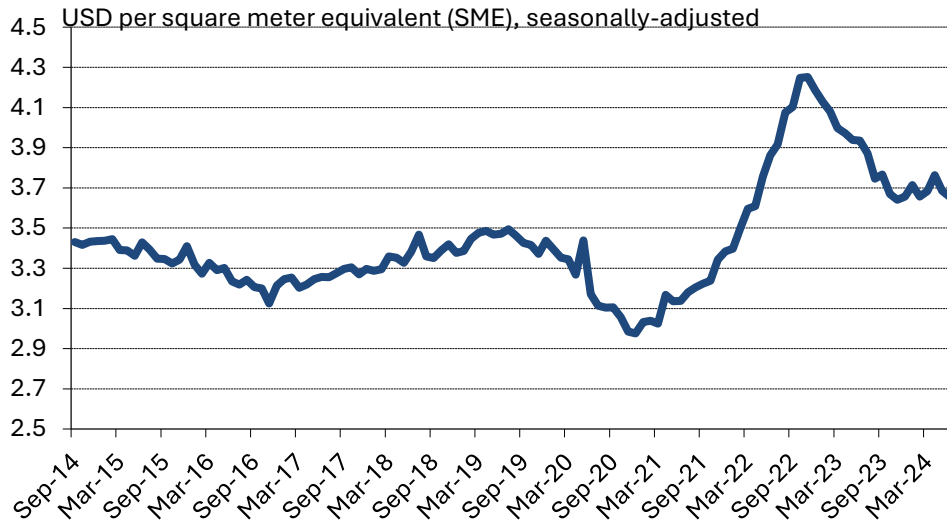
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U.S. Cotton-Dominant Apparel Import Volume



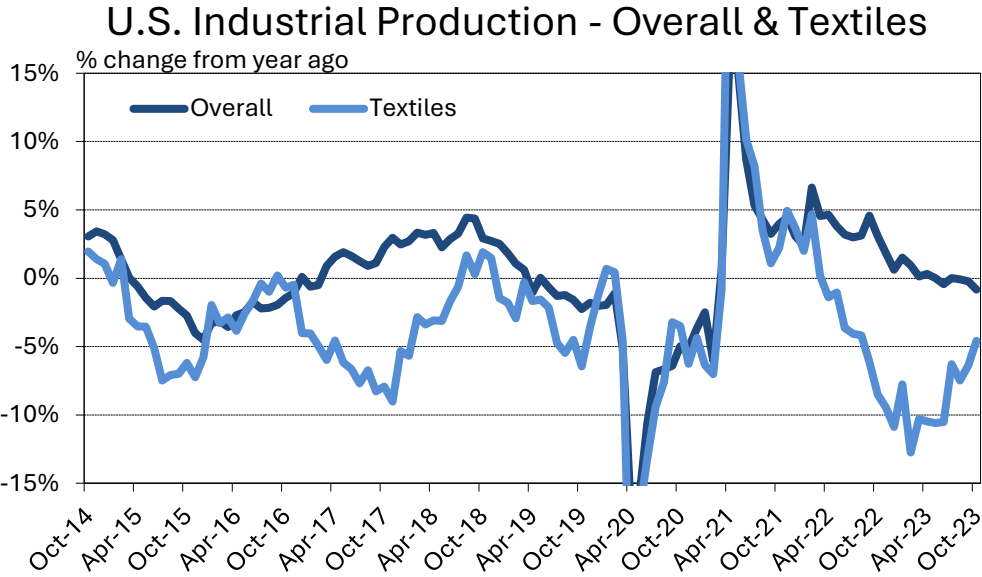
Source: OTEXA, seasonal-adjustment by Cotton Incorporated

Average Cost of Cotton-Dominant Apparel Imports

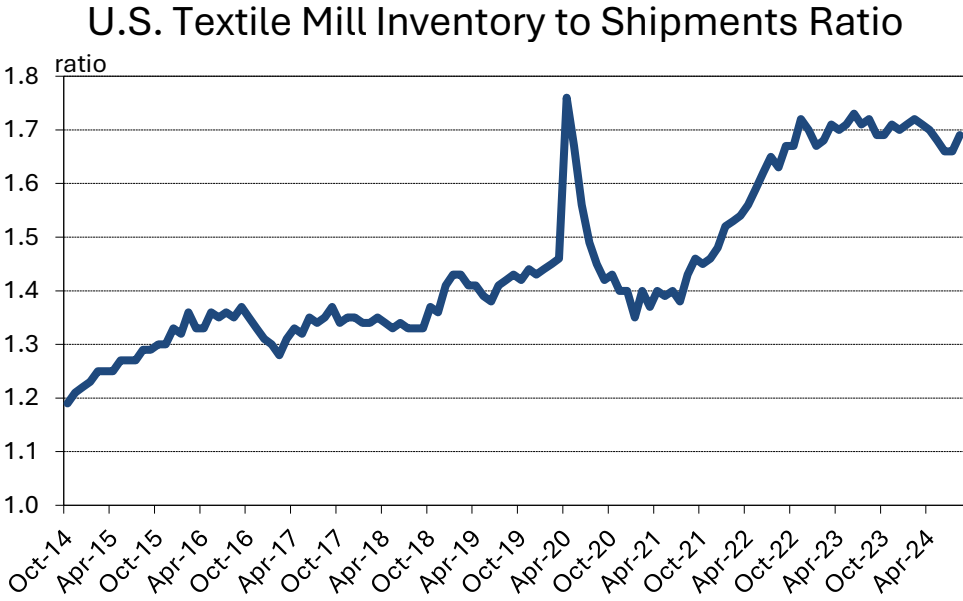


Source: OTEXA, seasonal-adjustment by Cotton Incorporated

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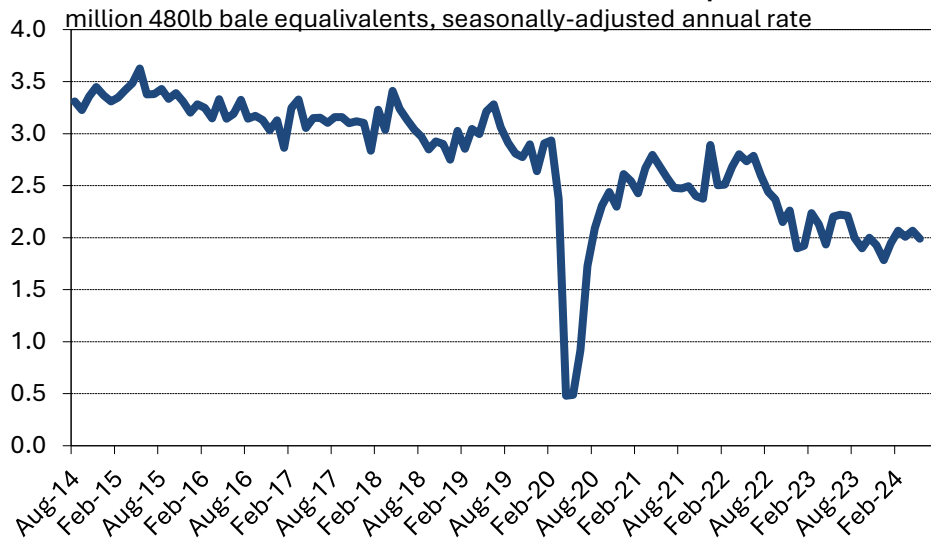
Source: Department of Commerce
 Note: Chart truncated around COVID shutdowns to highlight normal change.



Source: Federal Reserve

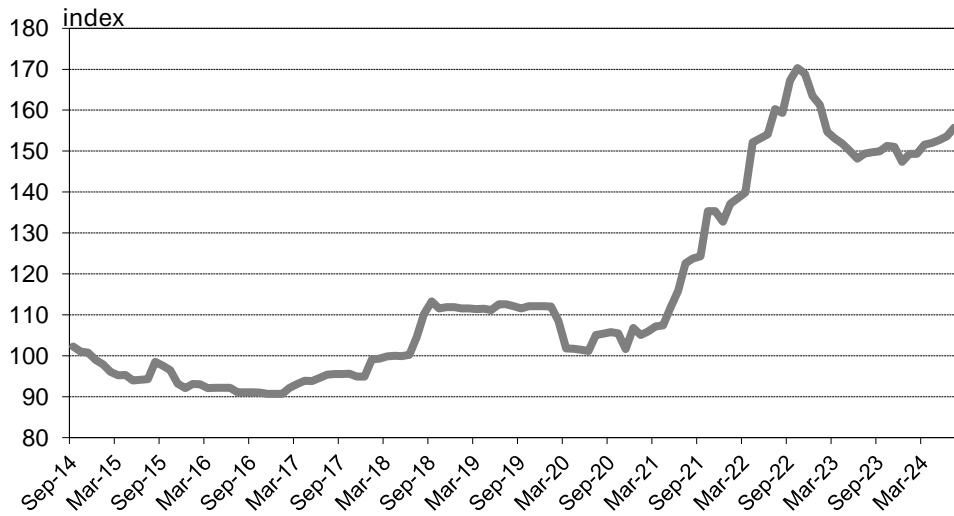
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US Cotton Yarn & Fabric Exports



Source: USDA

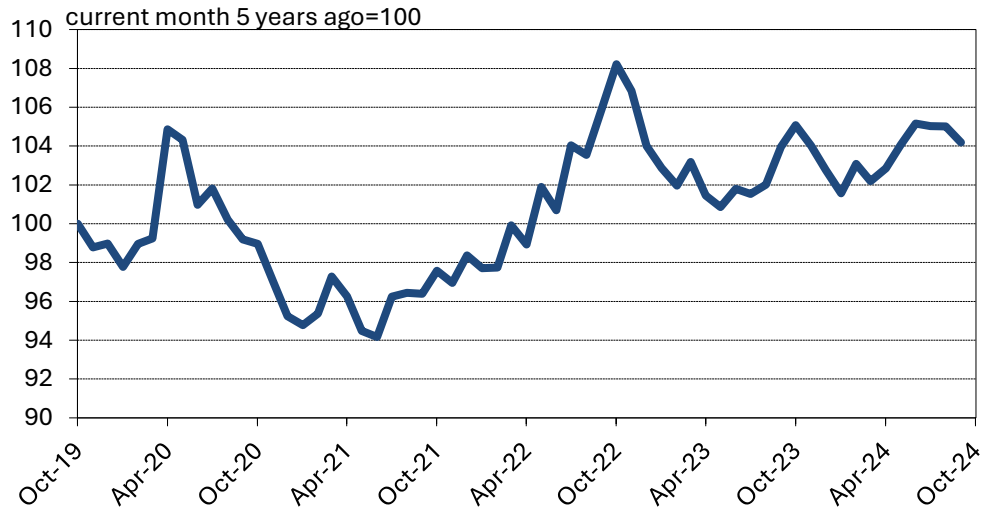
Polyester Fiber Producer's Price Index



Source: Bureau of Labor Statistics

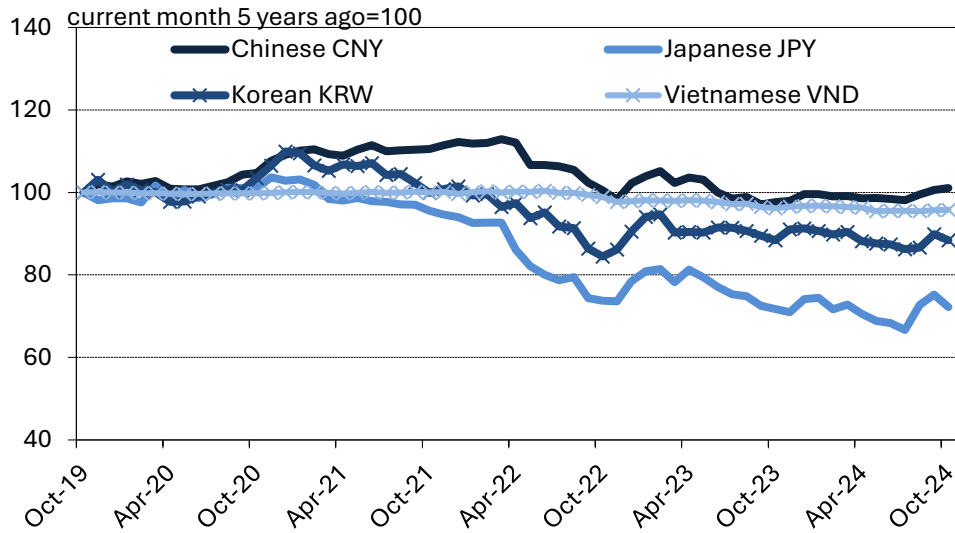
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Trade Weighted Exchange Index for U.S. Dollar



Source: Federal Reserve

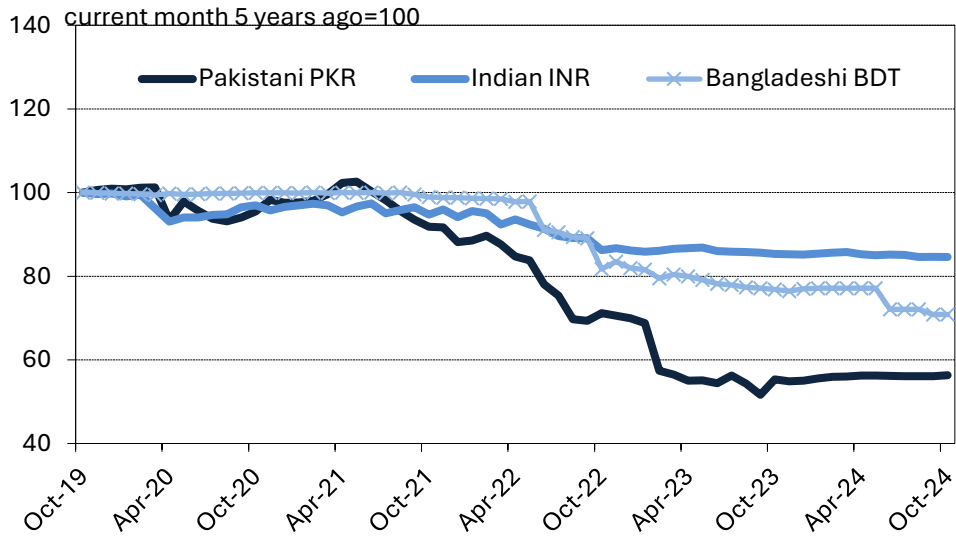
East Asian Currencies versus the U.S. Dollar



Source: Reuters

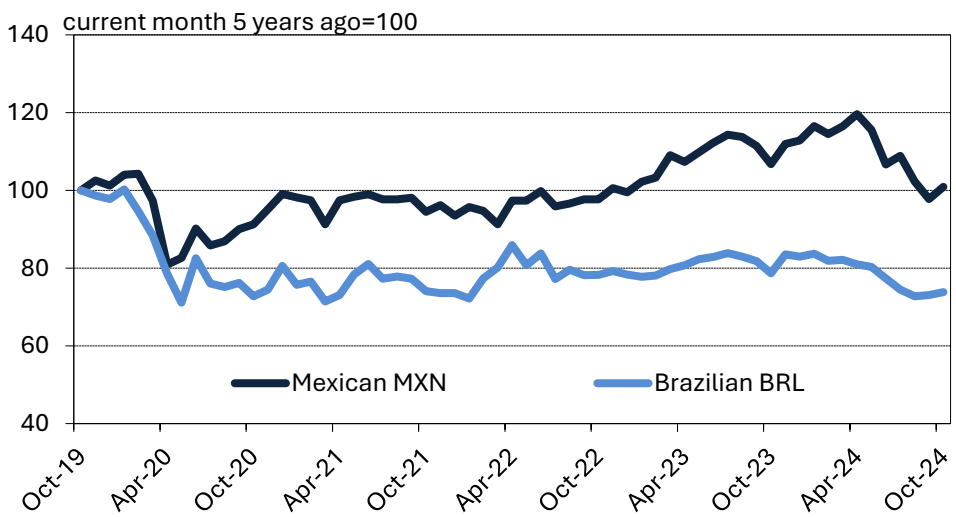
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South Asian Currencies versus the U.S. Dollar



Source: Reuters

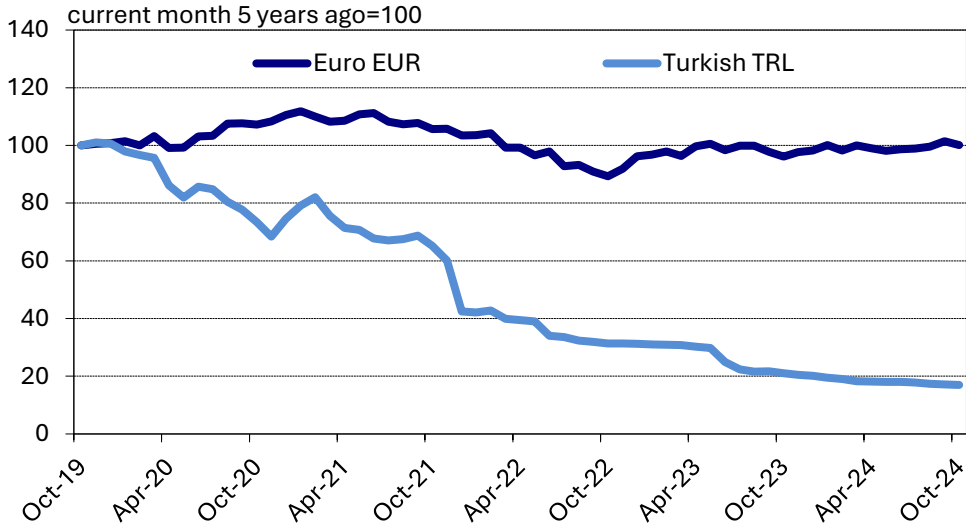
North & South American Currencies vs.U.S. Dollar



Source: Reuters

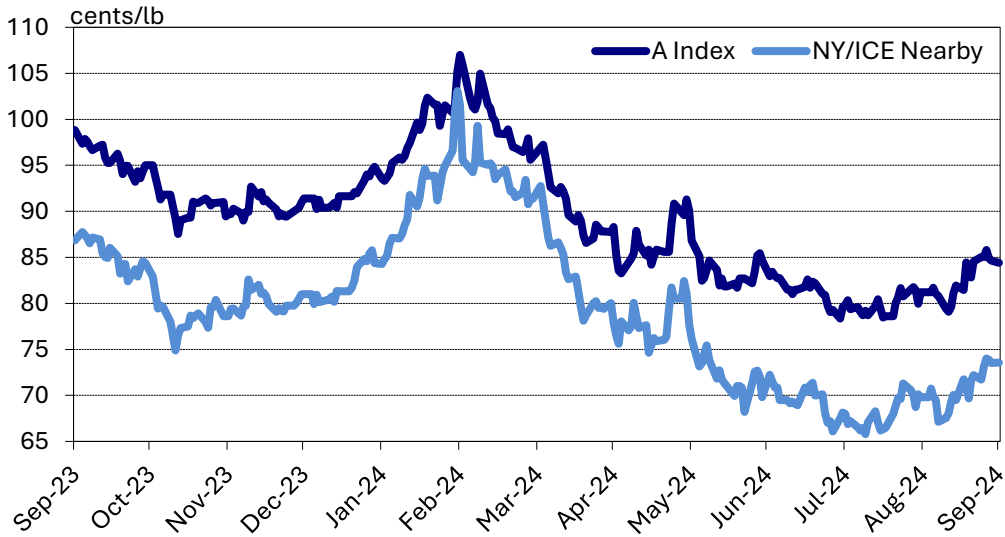
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European Currencies vs. U.S. Dollar



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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