

Executive Cotton Update

U.S. Macroeconomic Indicators &
the Cotton Supply Chain



December 2024

www.cottoninc.com

Macroeconomic Overview: The days around Thanksgiving are traditionally rank among the busiest of the year for U.S. retailers. This year, Thanksgiving (celebrated on the fourth Thursday of November) was later than usual, which means there are fewer days for shopping between Thanksgiving and Christmas (five fewer days between the holidays this year than there were last year). With less time between the holidays, retailers have been trying to pull spending forward, with many stores putting Christmas-related goods on display ahead of Thanksgiving.

In its forecast for the holiday season, the National Retail Federation (NRF) suggested that consumers will increase spending 2.5% to 3.5% in 2024. This is slower than the strong rates of growth in recent years (+12.4% in 2021, +4.7% in 2022, +3.9% in 2023). However, it aligns with the NRF's expectation that annual spending will be +2.5% to +3.5% higher throughout the entire 2024 calendar year. A primary factor supporting growth in consumer spending has been the health of the labor market. Unemployment remains at historically low levels while wage growth has been outpacing inflation since the second quarter of 2023.

Even though wages have been growing faster than inflation, consumers still face the challenge of higher price levels. Inflation refers to the year-over-year change in prices, and lower inflation implies a slower rate of increase. Although the rate of price increases has slowed, it should be remembered that slower increases are not the same thing as price decreases. The implication is that consumers are still facing prices that continue to rise on top of the accumulated increases that have occurred since the pandemic. Higher wages may be helping consumer budgets, but they are having to be balanced against persistently higher prices.

Much is not known about the details of policy changes that might come when the new administration takes office in January. The potential for tariff increases may create motivation for retailers and brands to pull orders ahead to try to beat the higher costs that could be imposed by higher tariffs. Over the longer term, higher sourcing costs resulting from any increases in duty rates may generate additional caution around order placement.

Employment: Last month, payroll figures came in well-below expectations. That release was affected by strikes and Hurricane Helene, and the initial estimate for job gains in October suggested only +12,000 positions were added. This month's report described a rebound in November, with +227,000 jobs created. Revisions to previous months lifted estimates for both September (increased 32,000 to +255,000) and October (increased 24,000 to +36,000).

The unemployment rate increased marginally, from 4.1% to 4.2%. Current levels of unemployment are higher than the recent lows set in the second half of 2022 and in early 2023, when the rate hovered around 3.5%. However, recent values near four percent remain low by historical standards.

Wages increased +3.9% year-over-year in October. The rate of wage gains has been near four percent since the first quarter of this year. While the rate of change in income has slowed relative to the post-stimulus high of +7.0%, it remains higher than any value recorded between the financial crisis and the outbreak of COVID-19. Since the second quarter of 2023, wage growth has been stronger than inflation. The difference between wages and the overall CPI averaged more than one percentage point in 2024.

Consumer Confidence & Spending: The Conference Board's Index of Consumer Confidence increased 2.1 points to 111.7 in November. This is the highest value since July 2023, but remains within the range between 95 and 115 that has generally contained the index since the middle of 2021.

Overall consumer spending increased +0.1% month-over-month in October. Year-over-year, overall consumer spending was +3.0%. This was the strongest rate of annual growth since December 2023 and suggest that holiday spending has gotten off to a solid start.

Consumer spending on apparel was +1.2% higher month-over-month. Year-over-year, apparel spending was +2.4% higher, which is the strongest rate of growth since the exceptional +4.2% year-over-year growth was recorded in June.

Consumer Prices & Import Data: The CPI for garments decreased -2.0% month-over-month in November. This was the largest decrease in retail clothing prices since the pandemic, and it marks a reversal to the upward trend in retail prices that had been in place since the drop in prices that followed the initial spread of COVID. Despite the decrease in November, retail apparel prices remain higher than they have been since the early 2000s.

After surging higher in the stimulated period after COVID, average import prices for cotton-dominant apparel have been trending lower. Following the peak in November 2022, import prices decreased sharply. More recently (since late 2023), average costs have continued to decrease, but at a significantly slower rate. Apparel import volumes have been rising. In October, the weight volume of clothing imports was the highest amount since September 2022 and was about ten percent higher than the average rate in 2019.

U.S. Macroeconomic & Cotton Supply Chain Charts

Macroeconomic Indicators		Spending & Sourcing		Textiles	Currencies & Cotton	
GDP Growth	Consumer Conf.	Consumer Prices	Apparel Imports	Weighted Index	Europe	
Interest Rates	Housing	Consumer Spending	U.S. Textile Production	Asia	Fiber Prices	
ISM Indices	Employment	Inventory/Sales	U.S. Textile Exports	The Americas		
Leading Indicators	Income & Savings		Polyester PPI			

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U.S. Macroeconomic Indicators & Cotton Prices
December 2024



Macroeconomic Data Quarterly Data

	Recent Averages				Values in Recent Quarters			Unit	Source
	5-year	1-year	6-month	3-month	Q1 : 2024	Q2 : 2024	Q3 : 2024		
Growth in US Real GDP	3.0%	2.8%	2.3%	3.0%	1.6%	3.0%	2.8%	% Chg. Quarter/Quarter	Department of Commerce

Macroeconomic Series with Latest Data for November

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	September	October	November		
ISM Index of Manufacturing Activity	52.4	48.1	47.4	47.4	47.2	46.5	48.4	Index, values over 50 indicate expansion	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	55.6	52.2	52.5	54.3	54.9	56.0	52.1	Index, values over 50 indicate expansion	Institute for Supply Management
Consumer Confidence	105.9	104.3	104.3	106.8	99.2	109.6	111.7	Index, 1985=100	The Conference Board
Change in Non-Farm Payrolls	127.0	189.5	143.0	172.7	255	36	227	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	4.9%	4.0%	4.2%	4.1%	4.1%	4.1%	4.2%	People looking for jobs/people wanting jobs	Bureau of Labor Statistics
US Interest Rates									
Federal Funds	2.4%	5.2%	5.1%	4.9%	5.1%	4.8%	4.6%	Interest rate	Federal Reserve
10-year Treasury Bill	2.6%	4.2%	4.1%	4.1%	3.7%	4.1%	4.4%	Interest rate	Federal Reserve

Macroeconomic Series with Latest Data for October

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	August	September	October		
Index of Leading Economic Indicators	109.0	101.2	100.2	99.8	99.9	99.9	99.5	Index, 2016=100	The Conference Board
Housing Starts	1.5	1.4	1.3	1.3	1.4	1.4	1.3	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.0	4.0	3.9	3.9	3.9	3.8	4.0	Annual pace, millions of units	National Association of Realtors

Industrial & Textile Data

Industrial & Textile Series with Latest Data for October

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	August	September	October		
US Industrial Production	100.5	102.6	102.8	102.6	103.1	103.3	102.3	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	135.4	152.5	154.9	155.6	156.5	155.7	154.7	Index, December 2003=100	Bureau of Labor Statistics

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		
Bale Equivalence of US Cotton Yarn & Fabric Exports	3.2	1.9	1.9	1.9	1.9	1.8	1.9	million 480lb bales	USDA ERS

Industrial & Textile Series with Latest Data for October

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	August	September	October		
US Textile Mill Inventory/Shipments Ratio	1.58	1.69	1.68	1.70	1.70	1.70	1.69	Ratio	Department of Commerce

Retail Data

Retail Series with Latest Data for October

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	August	September	October		
US Real Consumer Spending									
All Goods and Services	3.0%	2.8%	2.9%	3.0%	2.9%	3.1%	3.0%	% Chg. Year/Year	Department of Commerce
Clothing	5.5%	2.4%	2.4%	1.5%	1.3%	0.8%	2.4%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	4.2%	3.0%	2.8%	2.5%	2.5%	2.4%	2.6%	% Chg Year/Year	Bureau of Labor Statistics
Clothing	1.1%	0.7%	0.8%	1.0%	0.6%	2.3%	0.2%	% Chg. Year/Year	Bureau of Labor Statistics

Retail 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		
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	2.0	2.0	2.0	2.0	2.0	Value of inventory over value of sales	Department of Commerce

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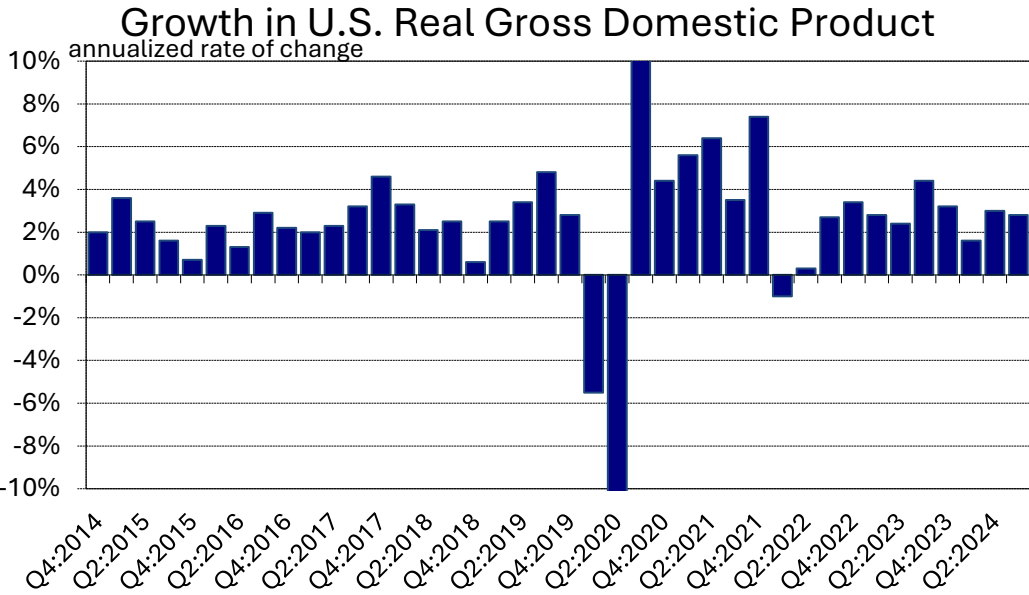
Daily Cotton Price and Currency Data

December 2024



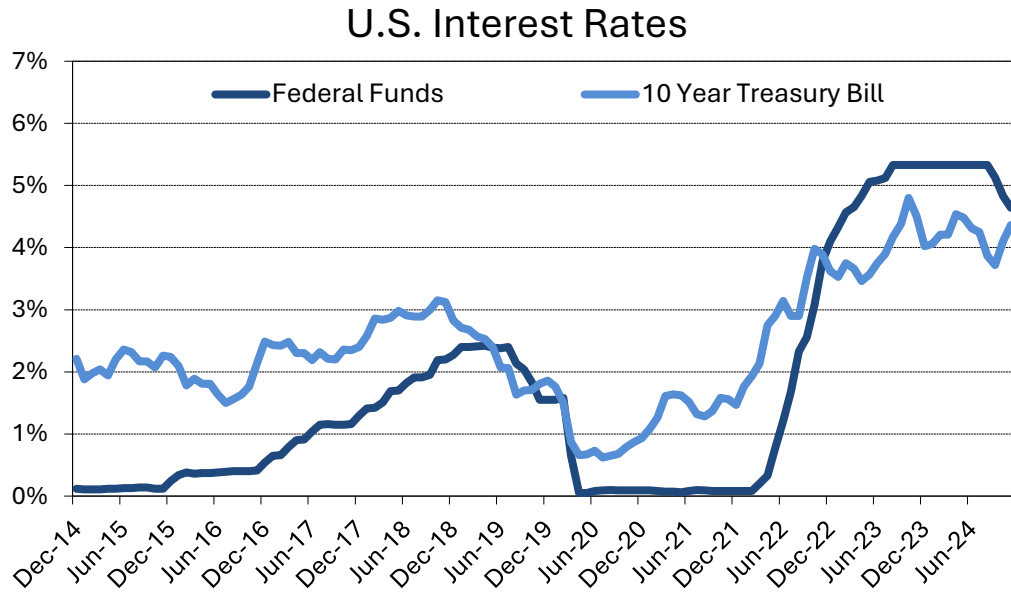
Daily Cotton Price Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	September	October	November		
NY Nearby	85.9	77.6	70.4	71.0	70.8	71.7	70.2	cents/pound	ICE
A Index	96.7	87.8	82.1	83.0	82.6	83.6	82.3	cents/pound	Cotlook

Daily Currency Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	September	October	November		
Dollar Trade Weighted Exchange Index	118.9	121.2	123.6	123.7	122.7	122.5	125.9	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.86	6.97	7.15	7.09	7.09	7.02	7.16	Chinese Renminbi/US dollar	Reuters
Indian Rupee	78.30	81.32	83.85	84.07	83.95	83.97	84.28	Indian Rupee/US dollar	Reuters
Japanese Yen	126.99	139.69	151.10	148.39	142.31	148.51	154.34	Japanese Yen/US dollar	Reuters
Pakistani Rupee	214.61	250.51	278.34	278.08	278.55	277.88	277.83	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	5.17	5.17	5.53	5.59	5.59	5.46	5.72	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.32	1.34	1.37	1.37	1.35	1.36	1.39	Canadian dollar/US dollar	Reuters
Mexican Peso	19.59	18.81	19.07	19.79	20.01	19.14	20.22	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.78	0.80	0.77	0.77	0.76	0.76	0.78	British Pound/US dollar	Reuters
Euro	0.90	0.93	0.92	0.91	0.90	0.91	0.93	Euro/US dollar	Reuters
Swiss Franc	0.92	0.91	0.87	0.86	0.84	0.86	0.88	Swiss Franc/US dollar	Reuters
Turkish Lira	17.19	23.61	33.50	34.17	34.03	34.25	34.23	Turkish Lira/US dollar	Reuters



Source: Department of Commerce

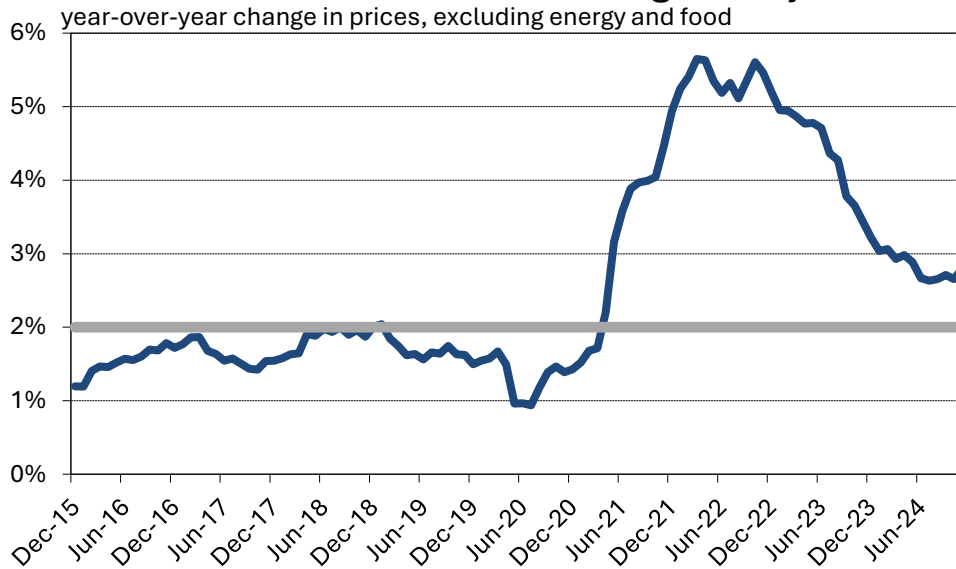
Note: Chart truncated around COVID shutdowns to highlight normal change.



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



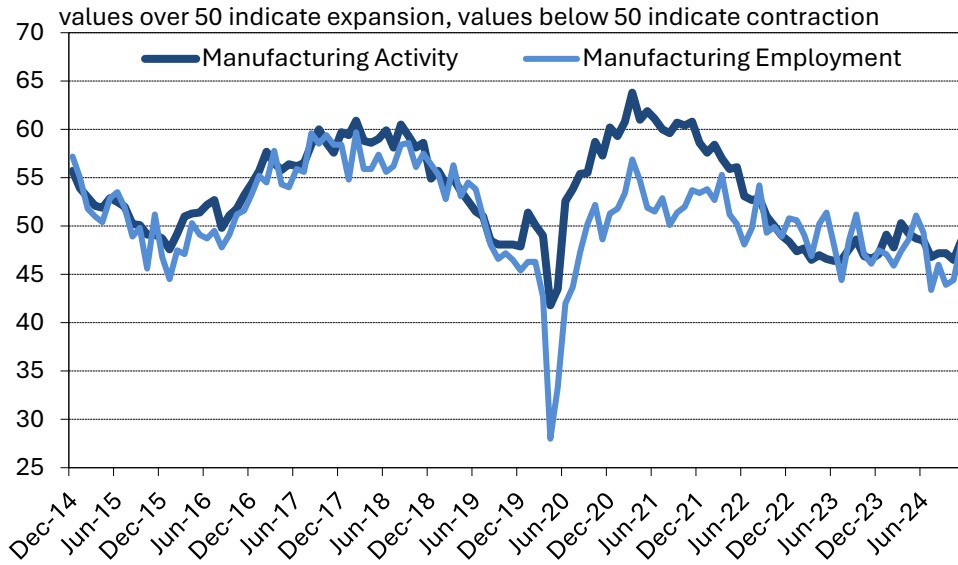
Source: Bureau of Labor Statistics

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.

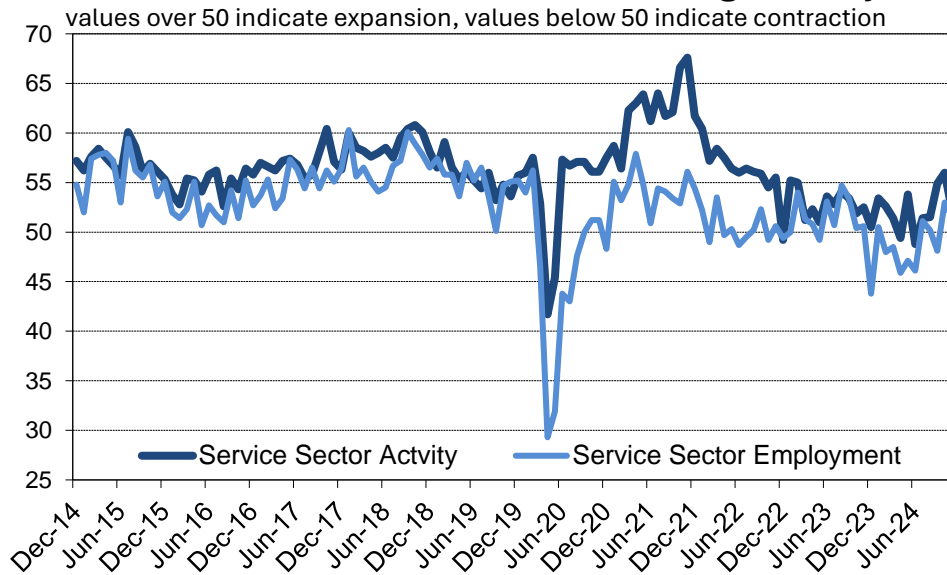
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ISM Index of Manufacturing Activity



Source: Institute for Supply Chain Management

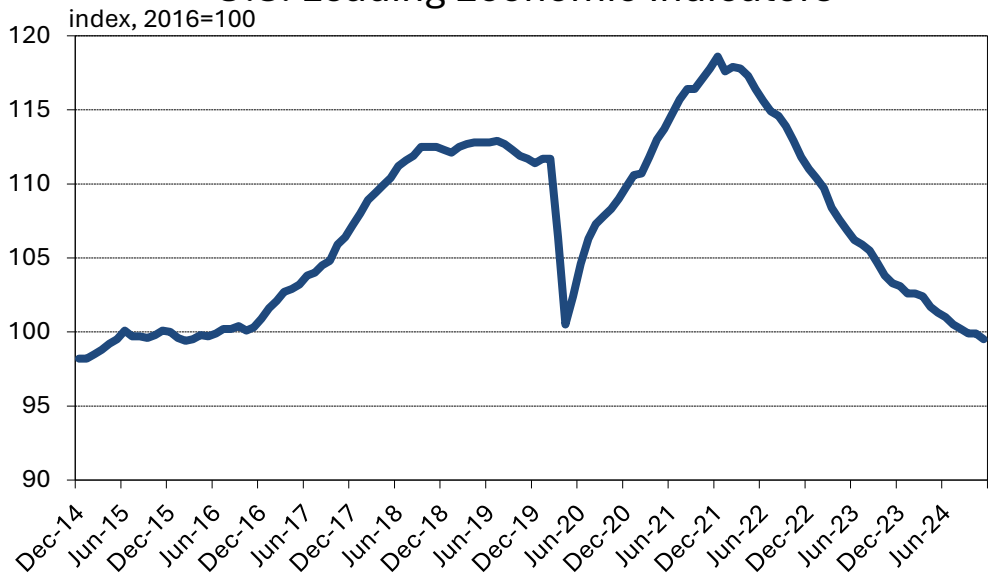
ISM Index of Non-Manufacturing Activity



Source: Institute for Supply Chain Management

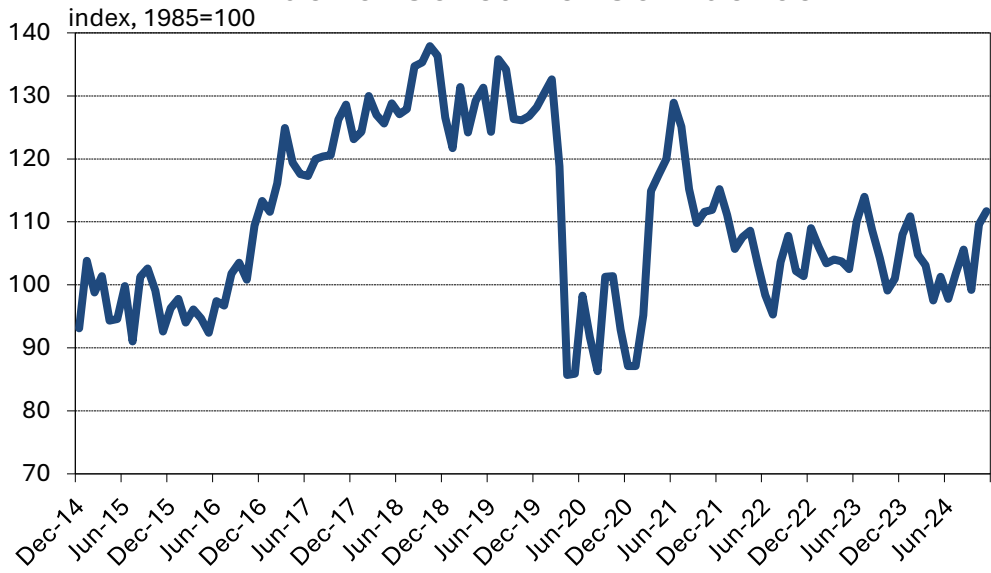
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U.S. Leading Economic Indicators



Source: The Conference Board

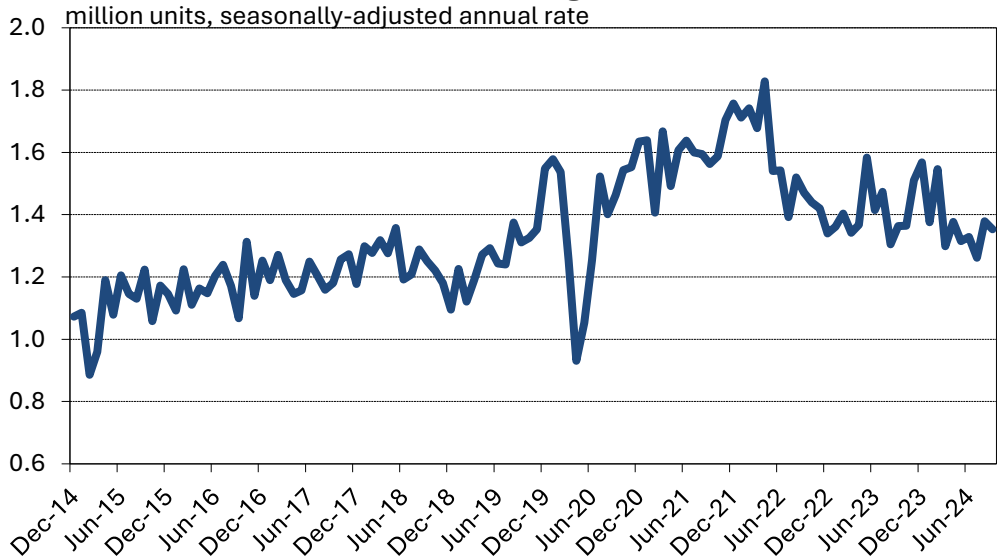
Index of Consumer Confidence



Source: The Conference Board

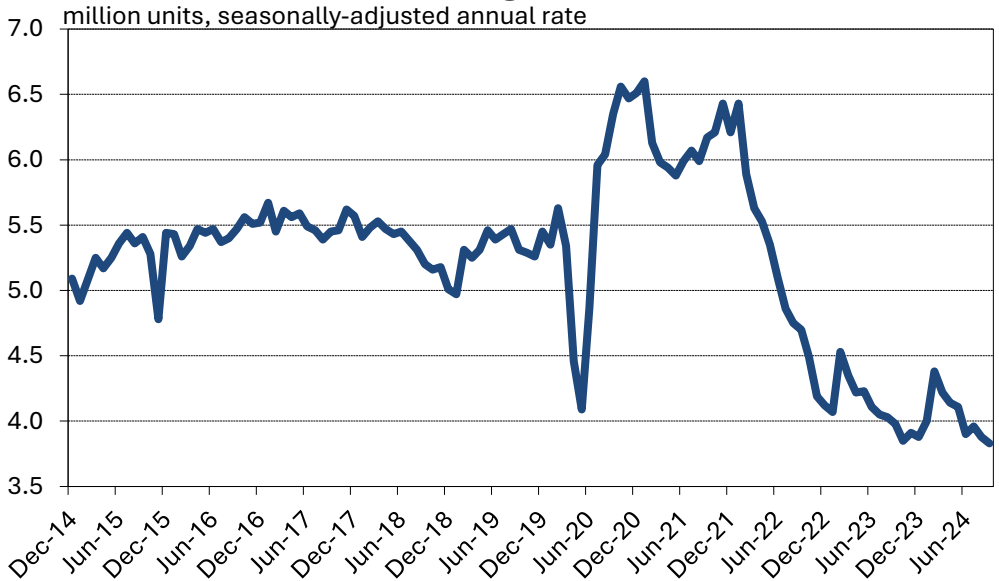
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U.S. Housing Starts



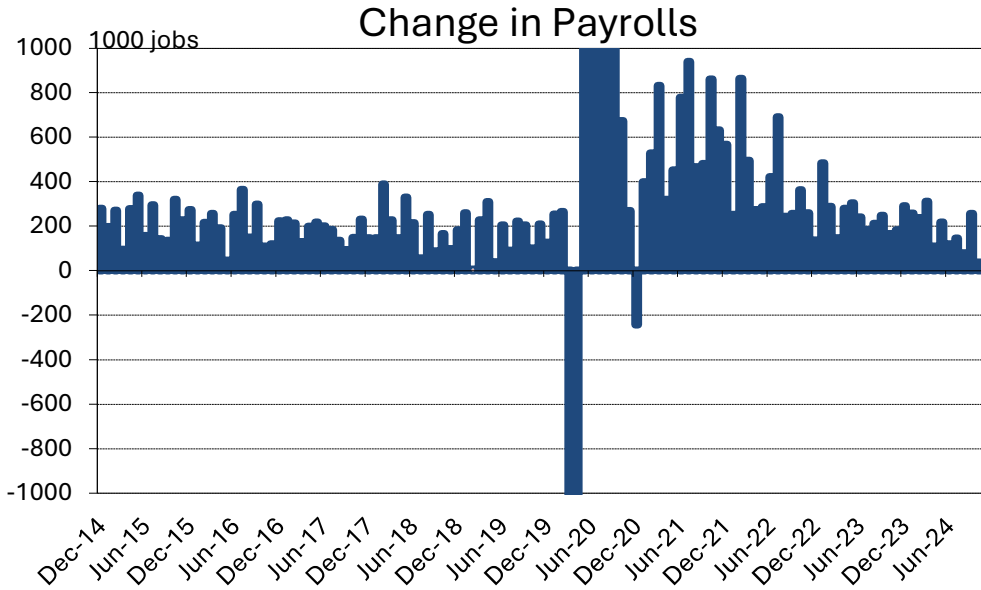
Source: Department of Commerce

U.S. Existing Home Sales



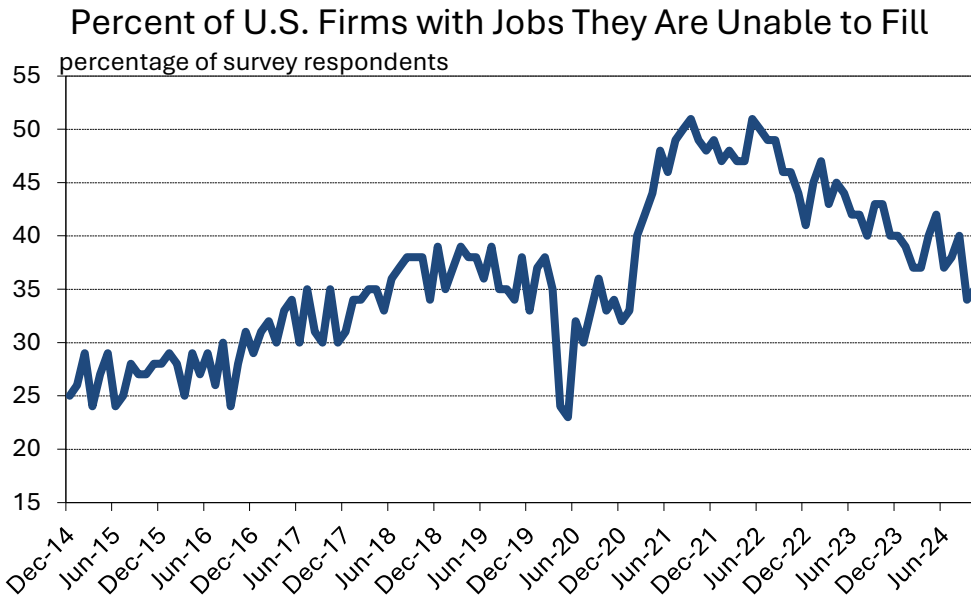
Source: Department of Commerce

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Source: Bureau of Labor Statistics

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

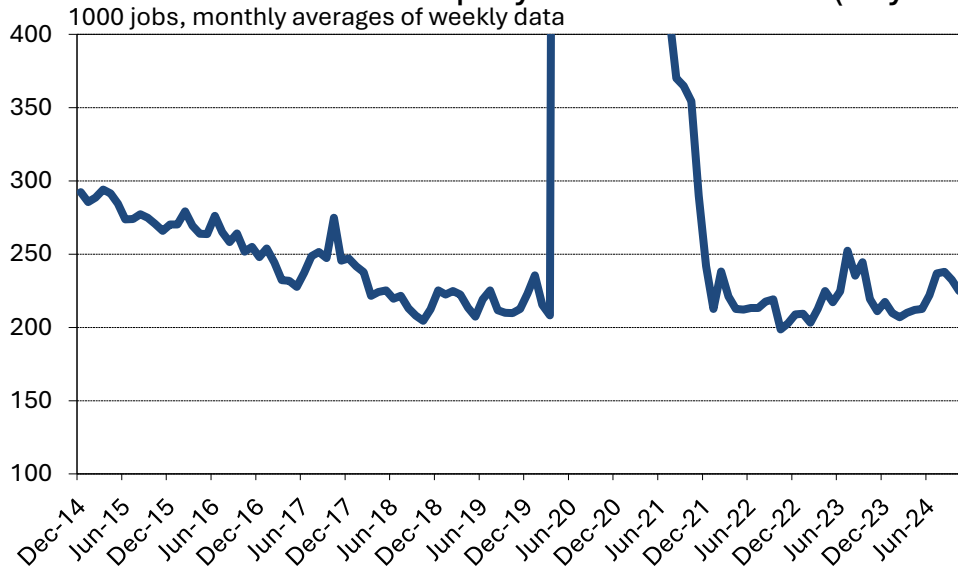


Source: National Federation of Independent Business

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

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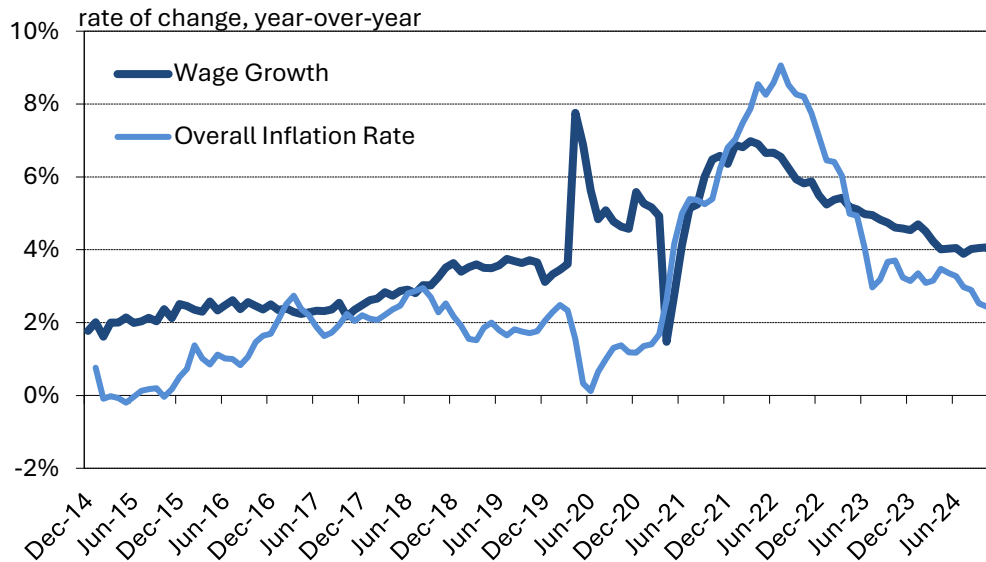
Initial Claims for Unemployment Insurance (Layoffs)



Source: Department of Labor

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

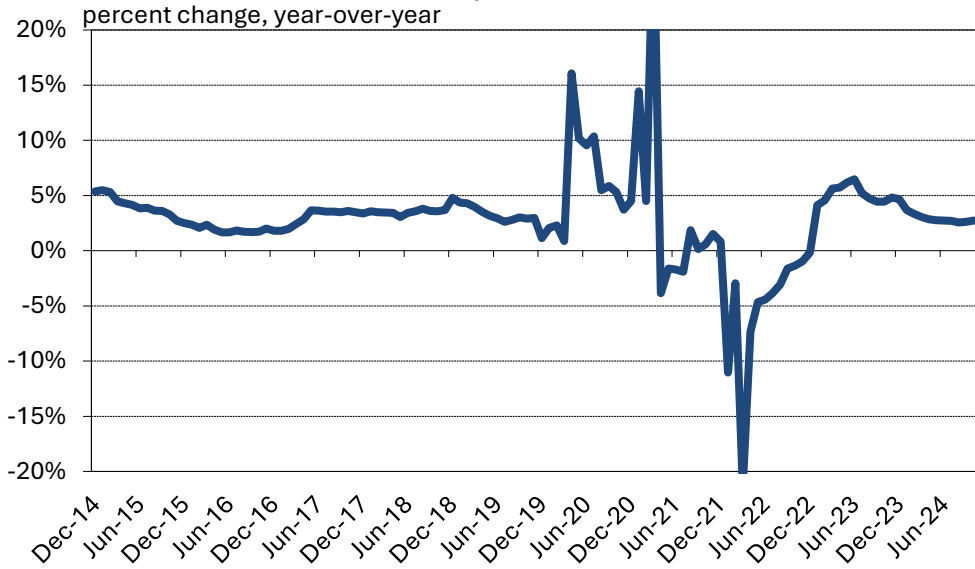
U.S. Wage Growth and Inflation (CPI for All Items)



Source: Bureau of Labor Statistics

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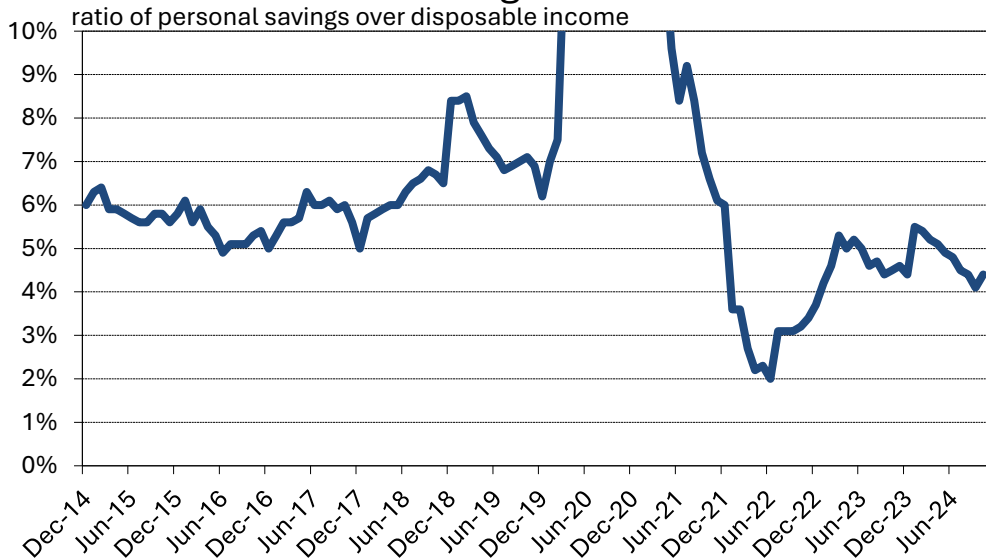
Growth in Real Disposable Personal Income



Source: Bureau of Economic Analysis

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

Savings Rate

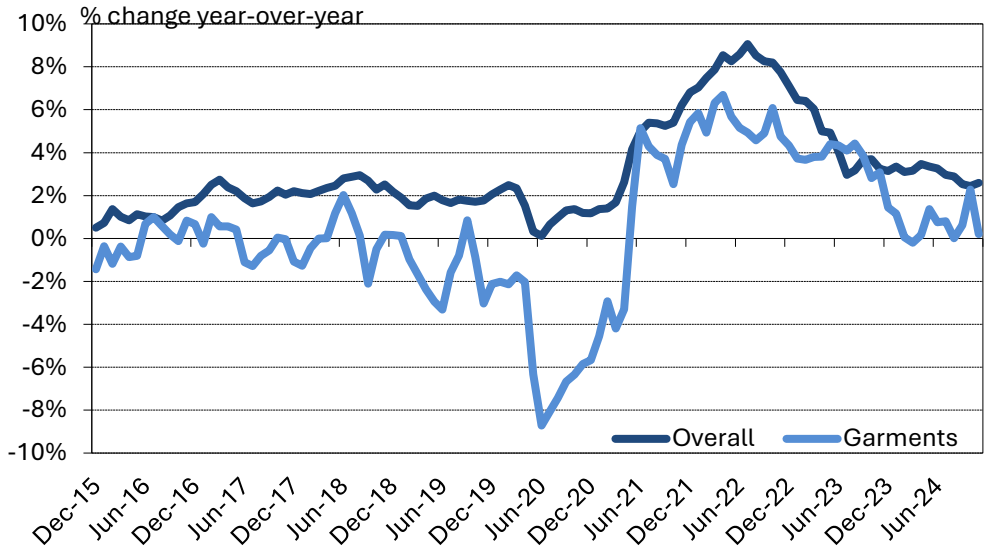


Source: Bureau of Labor Statistics

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

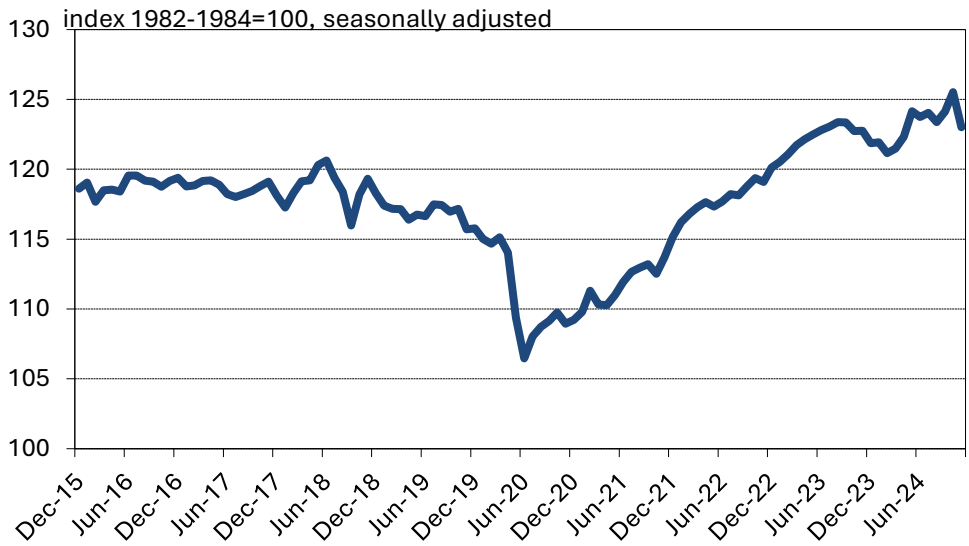
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Change in Consumer Prices - Overall & Garments



Source: Bureau of Labor Statistics

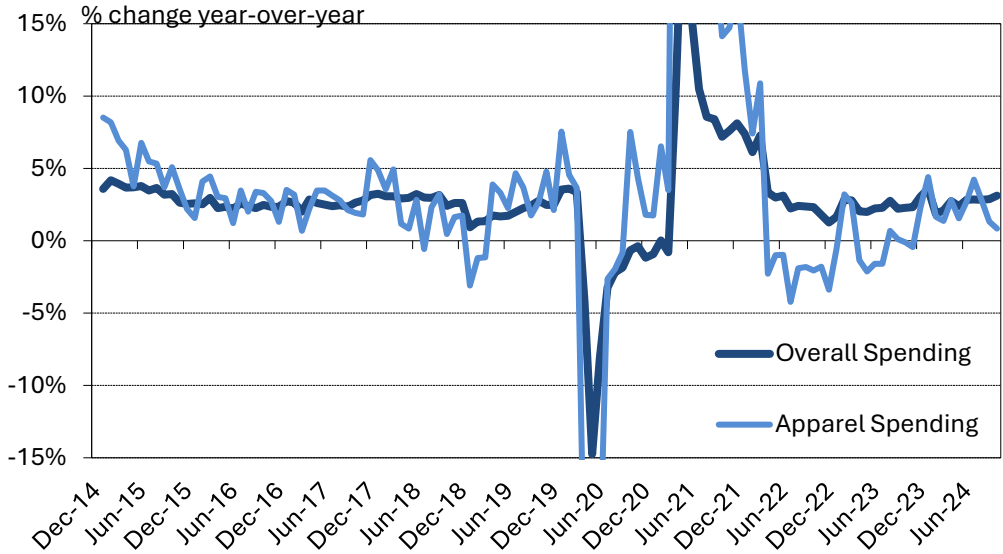
U.S. Consumer Price Index for Garments



Source: Bureau of Labor Statistics

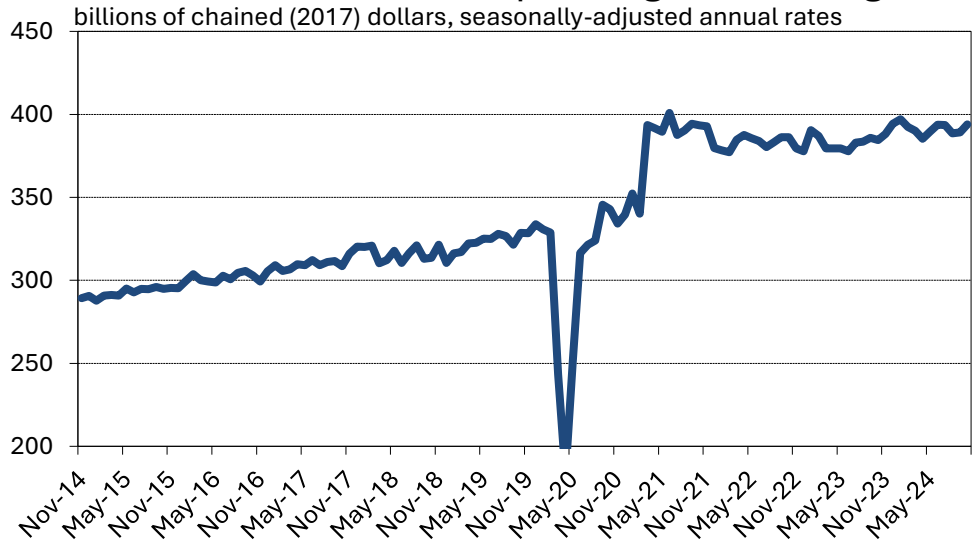
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Real Consumer Spending Growth - Overall & Apparel



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

U.S. Real Consumer Spending on Clothing

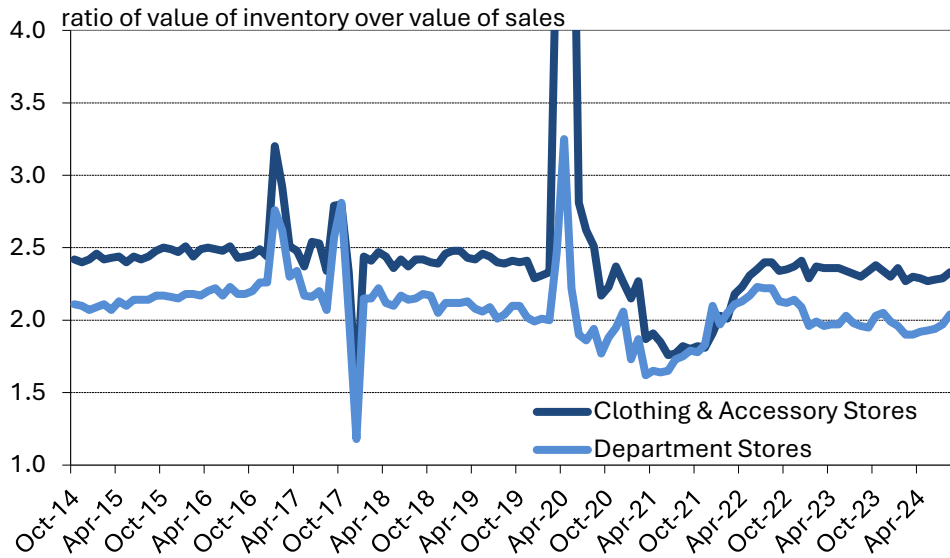


Source: Bureau of Economic Analysis

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

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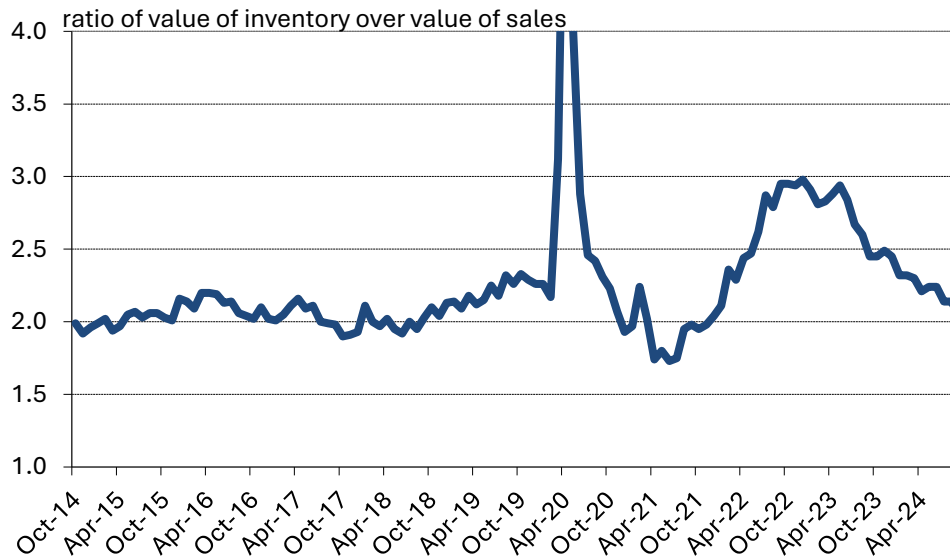
U.S. Retail Inventory to Sales Ratios



Source: Department of Commerce

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

U.S. Clothing Wholesaler Inventory/Sales Ratio

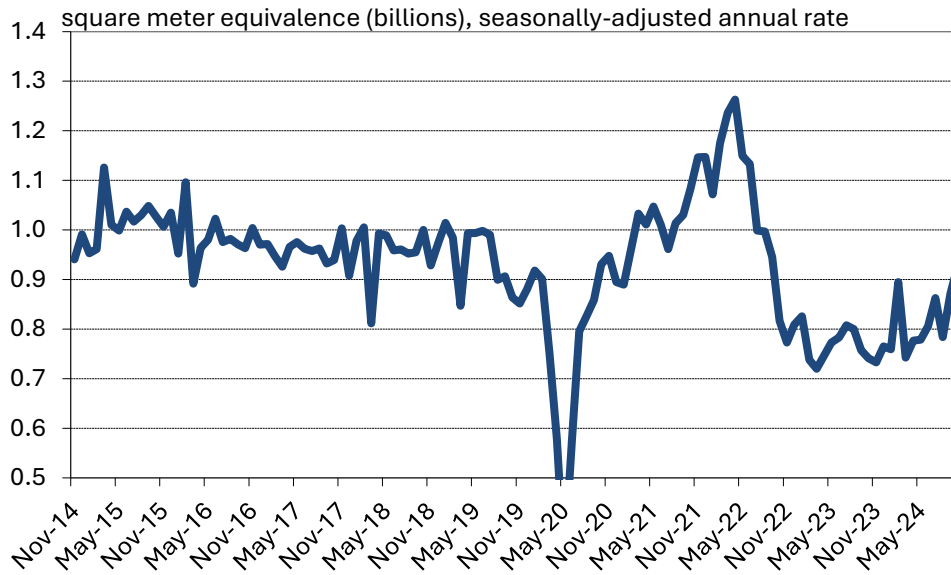


Source: Department of Commerce

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

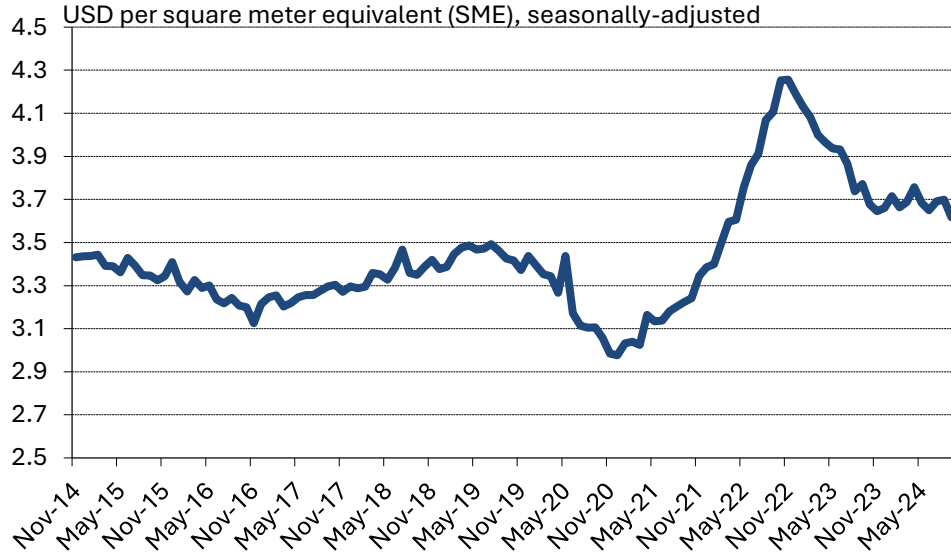
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U.S. Cotton-Dominant Apparel Import Volume



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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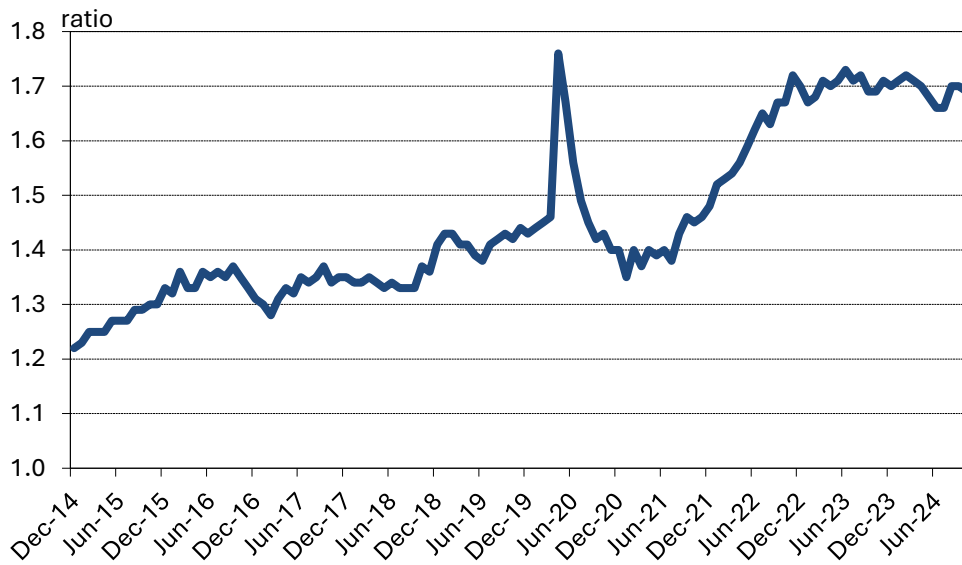
U.S. Industrial Production - Overall & Textiles



Source: Department of Commerce

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

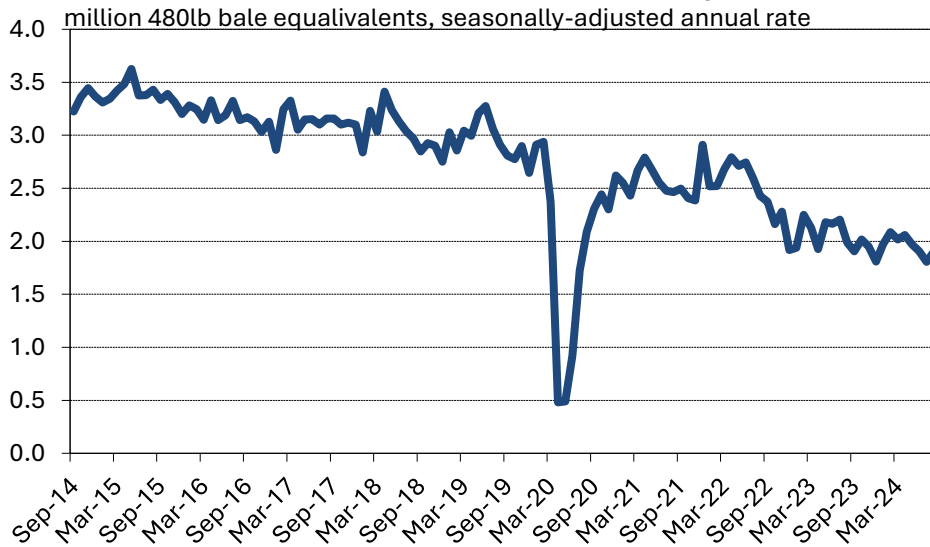
U.S. Textile Mill Inventory to Shipments Ratio



Source: Federal Reserve

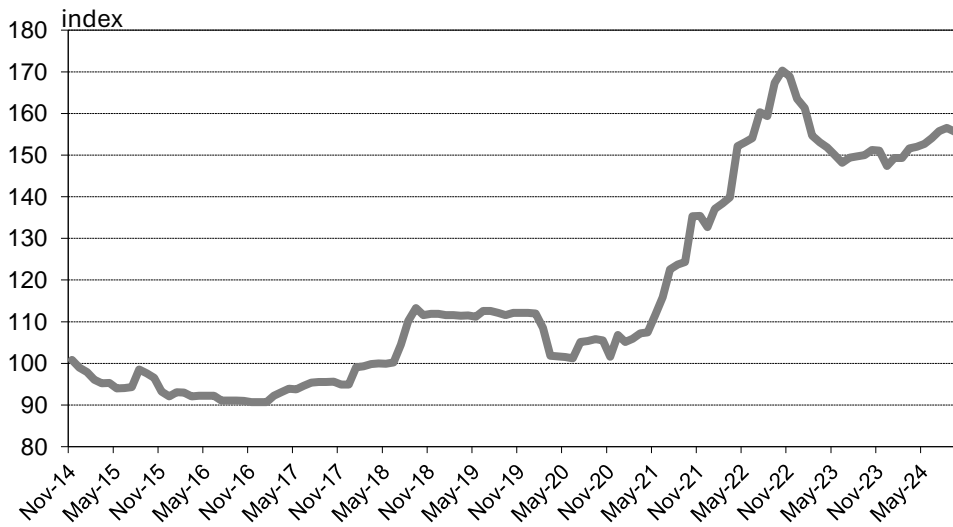
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US Cotton Yarn & Fabric Exports



Source: USDA

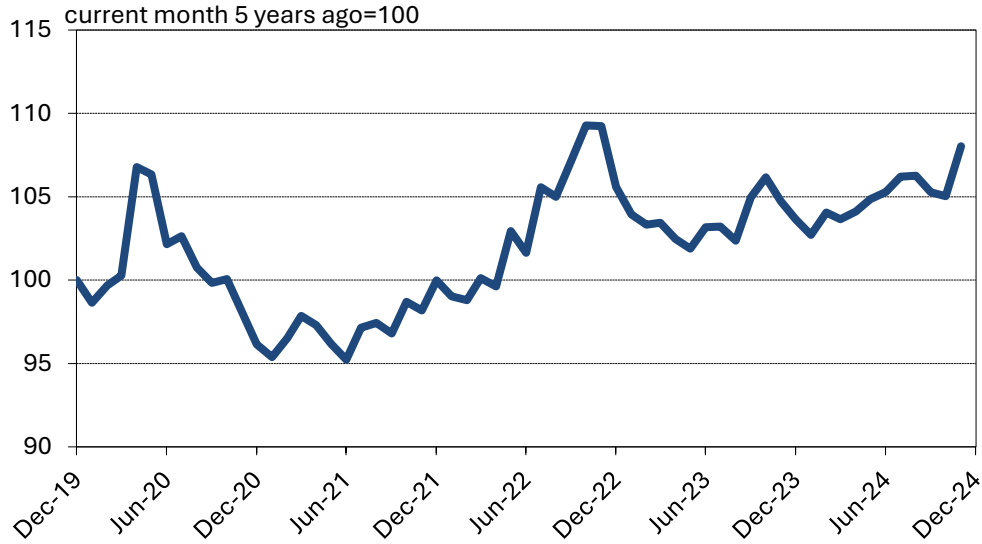
Polyester Fiber Producer's Price Index



Source: Bureau of Labor Statistics

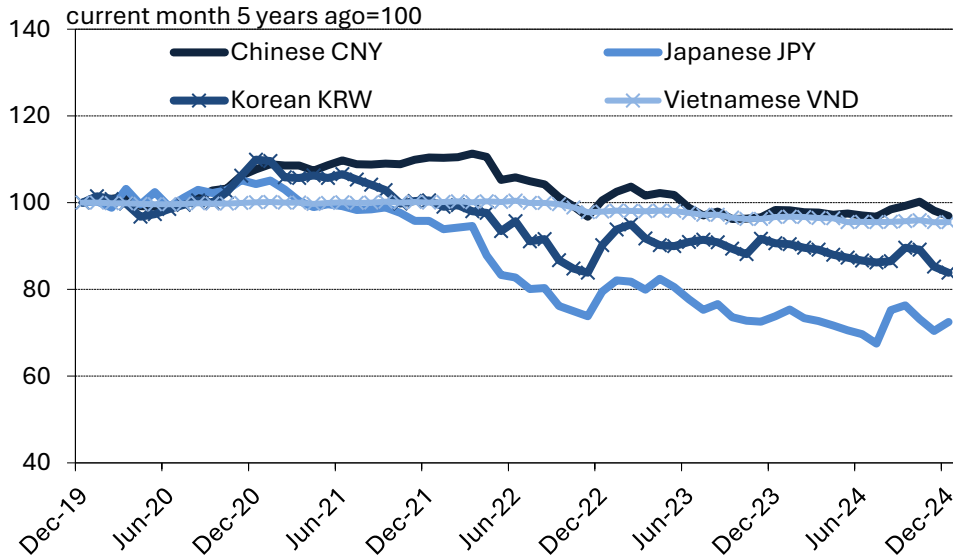
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Trade Weighted Exchange Index for U.S. Dollar



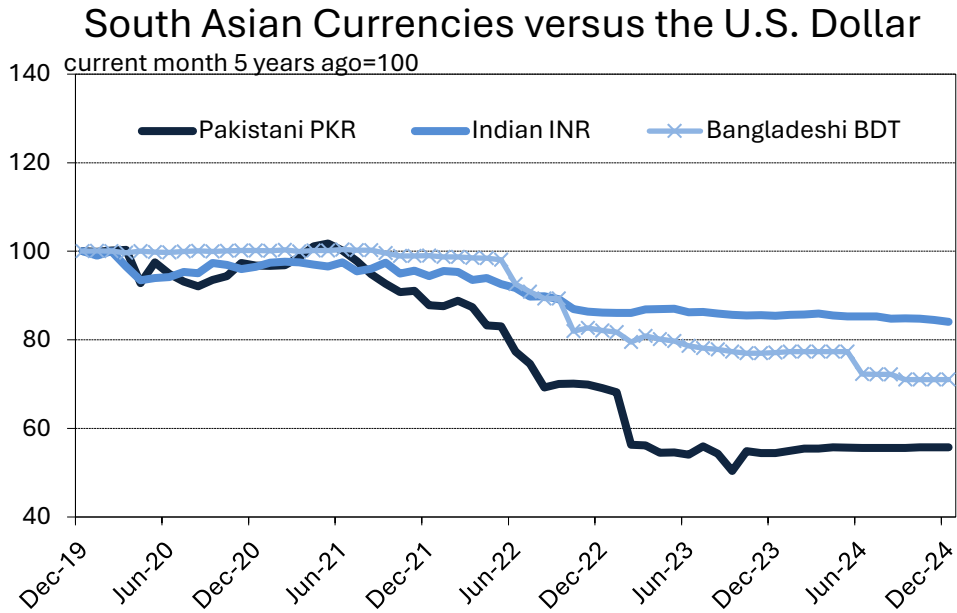
Source: Federal Reserve

East Asian Currencies versus the U.S. Dollar

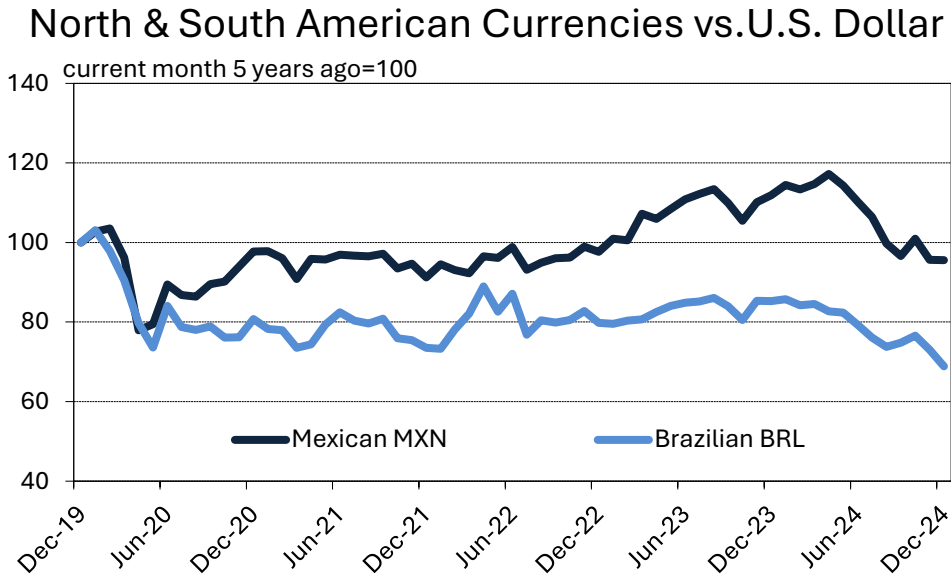


Source: Reuters

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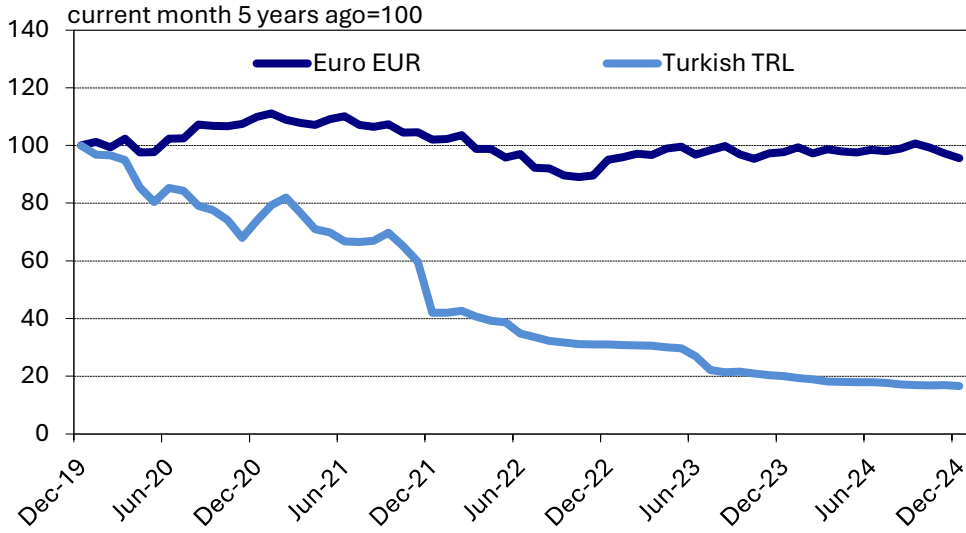
Source: Reuters



Source: Reuters

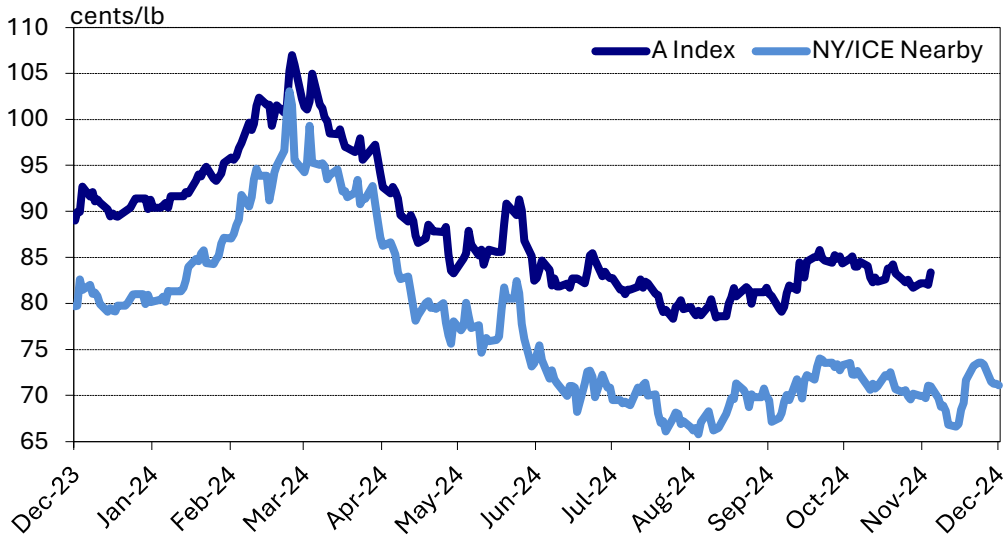
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European Currencies vs. U.S. Dollar



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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