

# Executive Cotton Update

U.S. Macroeconomic Indicators &  
the Cotton Supply Chain



January 2019

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

**Macroeconomic Overview:** As was expected given strong consumer confidence and accelerating wage growth, the 2018 holiday sales period was a good one for retailers with results higher than forecasted. Mastercard SpendingPulse (data collected from credit card network as well as surveys to cover spending by cash and check) reports that sales were up 5.1% year-over-year between November 1<sup>st</sup> and December 24<sup>th</sup>. This exceeds the projection issued by the National Retail Federation (NRF, trade group representing U.S. retailers) that called for growth between 4.3-4.8%. Mastercard SpendingPulse found that apparel was among the most popular categories this year, with spending on clothing reported to have been 7.9% higher than last year. This represents the strongest rate of growth for holiday apparel spending since 2010.

While 2018 ended on a positive note, there are questions about the outlook for 2019. The current U.S. economic expansion ranks as the second longest on record (it officially began on June 2009, making it currently 115 months old, the longest expansion occurred in the 120 months between March 1991 and March 2001). There have been a few indicators that have shown some weakening. Examples include the housing market, where sales began to slow in the spring and prices have started to level off, and in U.S. manufacturing activity, where the latest purchasing managers' index (PMI) registered its biggest monthly drop since 2008 (but nonetheless continues to signal expansion in activity). The labor market remains strong, with hiring and wages continuing to grow, but volatility in financial markets underlines mounting concern.

A source of concern may be that the Federal Reserve may increase interest rates too high too soon. In December, the Federal Reserve raised interest rates for the fourth time in 2018. With the latest increase (0.25 percentage points), the Federal Funds target rate rose to 2.5%. This is well-above the unprecedented low levels of 0.25% that were maintained in the wake of the financial crisis (2009-2015). Even with the recent string of increases, apart from this period of unprecedented low rates, current rates rank as the lowest since the early 2000s. And, apart from the early 2000s, current rates are the lowest since the early 1960s. The latest comments from the Federal Reserve officials suggest they feel that interest rates are approaching a neutral level (i.e., not stimulative and not contractionary) and that the central bank may be less aggressive in increasing interest rates in 2019.

Another source of concern could stem from slowing growth outside the U.S., particularly in China, which has emerged as an increasingly important engine for global growth in recent decades. A pair of Chinese PMIs (one governmental and one from the private sector) signaled contraction in December. The latest Chinese retail sales data (November), were the weakest in 15 years.

A major source of uncertainty continues to be the trade environment. Some easing of tensions appeared with the meeting in early December, with the U.S. delaying the round of tariff increases initially scheduled to start with the onset of 2019. Another round of negotiations is scheduled for the week of January 7<sup>th</sup>.

**Employment:** The U.S. economy is estimated to have added 312,000 jobs in December. Revisions to figures for previous months raised existing numbers for October (from +237,000 to +274,000) and November (from +155,00 to +176,000). The 12-month average expansion in payrolls is 220,000. Over the same time period last year, the average increase was 182,000.

Due to an increase in the estimated size of the labor force, the unemployment rate rose from 3.8% to 3.9% month-over-month. Relative to last year, 2.6 million more Americans wanted to work in December.

Average hourly earnings for private employees increased 3.2% year-over-year in December. This is the third consecutive month that wages increased at a rate above three percent and each of these readings rank as the three highest since the financial crisis.

**Consumer Confidence & Spending:** The Conference Board's Index of Consumer Confidence decreased 8.3 points last month (from 136.4 to 128.1). This was the biggest monthly decrease since 2015, but even with the decline, values for the index are strong compared to the long-term average near 100.

Overall consumer spending increased 0.3% month-over-month in November and was up 2.9% year-over-year. Consumer spending on apparel increased 1.7% month-over-month and was up 4.1% year-over-year. For each of the past seven months, year-over-year growth in apparel spending has outpaced overall spending.

**Consumer Prices & Import Data:** Retail prices for apparel decreased 1.2% month-over-month in November. Year-over-year, the CPI for garments was down 0.3%. Due to the government shutdown, trade data were not released as scheduled this month.

## U.S. Macroeconomic & Cotton Supply Chain Charts

Macroeconomic Indicators	Industry & Textiles	Retail	Currencies	Cotton
GDP Growth	Industrial Production	Consumer Spending	Weighted Index	U.S. Balance Sheet
Interest Rates	Inventory/Shipments	Inventory/Sales	Asia	Fiber Prices
ISM Indices	U.S. Yarn Exports	Consumer Prices	The Americas	
	Polyester PPI		Europe	

# Executive Cotton Update

U.S. Macroeconomic Indicators & Cotton Prices  
January 2019



## Macroeconomic Data

### Quarterly Data

	Recent Averages				Values in Recent Quarters			Unit	Source
	5-year	1-year	6-month	3-month	Q1 : 2018	Q2 : 2018	Q3 : 2018		
Growth in US Real GDP	2.5%	2.3%	3.8%	3.4%	2.2%	4.2%	3.4%	% Chg. Quarter/Quarter	Department of Commerce

### Monthly Series with Latest Data for December

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	October	November	December		
ISM Index of Manufacturing Activity	54.9	55.7	59.4	58.9	57.7	59.3	54.1	Index	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	56.7	56.9	59.3	60.9	60.3	60.7	n/a	Index	Institute for Supply Management
Consumer Confidence	106.2	116.0	133.2	136.5	137.9	136.4	128.1	Index	The Conference Board
Change in Non-Farm Payrolls	211.1	197.0	204.7	189.7	274	176	312	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	5.0%	4.4%	3.8%	3.7%	3.8%	3.7%	3.9%	Rate	Bureau of Labor Statistics

### Monthly Series with Latest Data for December

	Recent Averages				Values in Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	October	November	December		
US Interest Rates									
Federal Funds	0.7%	1.0%	2.0%	2.1%	2.2%	2.2%	2.3%	Interest rate	Federal Reserve
10-year Treasury Bill	2.4%	2.3%	3.0%	3.1%	3.2%	3.1%	2.8%	Interest rate	Federal Reserve
Index of Leading Economic Indicators	101.2	104.4	111.2	111.8	111.9	111.6	111.8	Index	The Conference Board
Housing Starts	11.5	12.1	12.3	12.4	1.2	1.2	1.3	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.3	5.5	5.3	5.2	5.2	5.2	5.3	Annual pace, millions of units	National Association of Realtors

## Industrial and Textile Data

### Monthly 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		
US Industrial Production	104.5	104.3	108.5	109.0	108.9	108.7	109.4	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	107.2	107.7	106.8	105.2	98.2	97.9	98.2	Index, December 2003=100	Bureau of Labor Statistics

### Monthly 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		
Bale Equivalence of US Cotton Yarn & Fabric Exports	3.2	3.1	3.0	3.0	3.0	2.9	3.0	million 480lb bales	USDA ERS

### Monthly 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	1.27	1.30	1.29	1.30	1.28	1.28	1.29	Ratio	Department of Commerce

## Retail Data

### Monthly 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		
US Real Consumer Spending									
All Goods and Services	2.9%	2.7%	2.9%	2.8%	2.7%	3.0%	2.8%	% Chg. Year/Year	Department of Commerce
Clothing and Shoes	2.8%	2.7%	4.8%	4.6%	4.8%	5.0%	4.1%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	1.5%	1.9%	2.6%	2.3%	2.3%	2.5%	2.2%	% Chg Year/Year	Bureau of Labor Statistics
Apparel	-0.4%	-0.1%	-0.3%	-0.3%	-0.5%	-0.2%	-0.3%	% Chg. Year/Year	Bureau of Labor Statistics

### Monthly 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		
Retail Inventory/Sales Ratio									
Clothing and Clothing Accessory Stores	2.4	2.4	2.2	2.2	2.2	2.2	2.2	Ratio	Department of Commerce
Department Stores	2.1	2.1	2.0	2.1	2.0	2.0	2.1	Ratio	Department of Commerce

# Executive Cotton Update

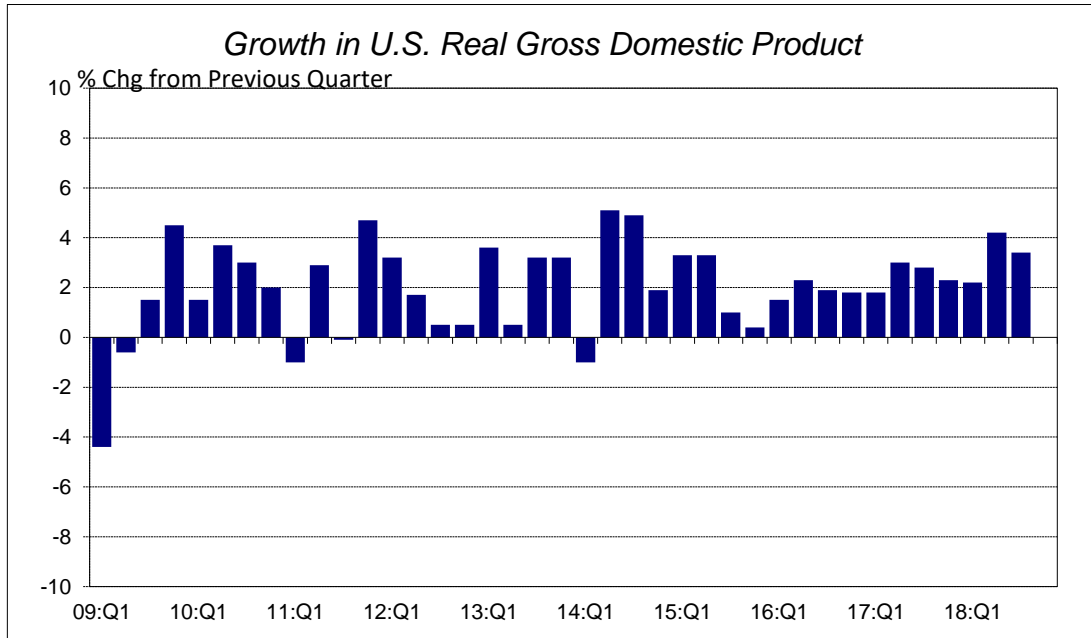
Daily Cotton Price and Currency Data  
January 2019



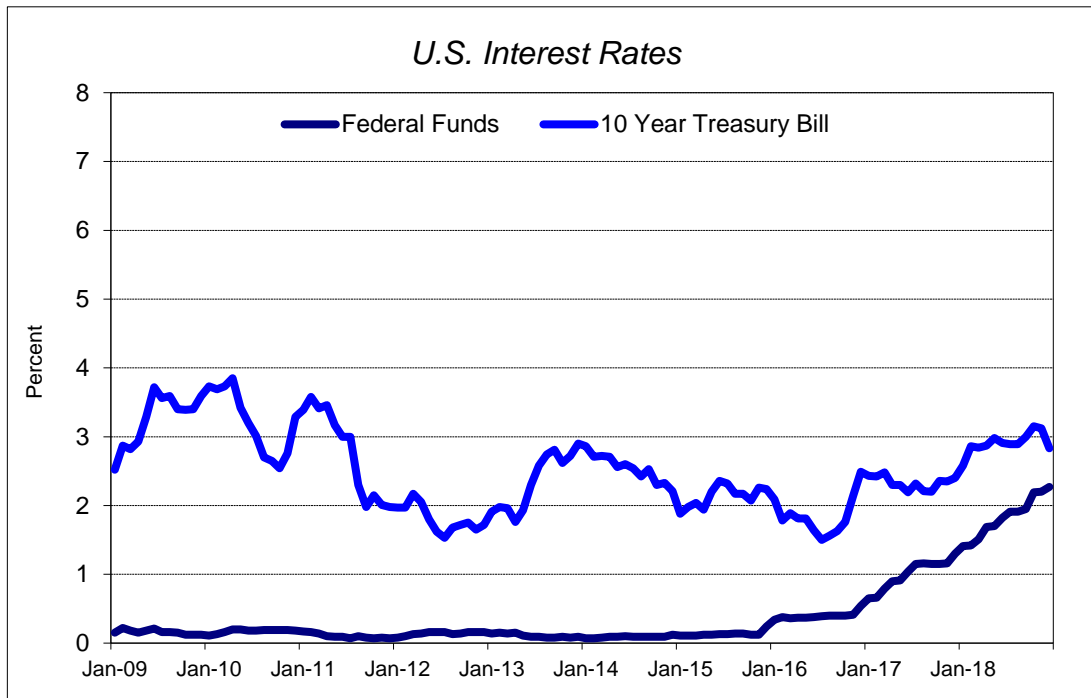
Daily Cotton Price Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	October	November	December		
NY Nearby	72.1	73.6	80.7	77.3	77.5	77.4	76.9	cents/pound	ICE
A Index	80.5	83.0	90.0	86.4	86.8	86.8	85.6	cents/pound	Cotlook

Daily Currency Data	Recent Averages				Averages over Recent Months			Unit	Source
	5-year	1-year	6-month	3-month	October	November	December		
Dollar Trade Weighted Exchange Index	117.6	122.4	126.1	127.3	126.1	127.7	128.1	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.48	6.66	6.83	6.89	6.88	6.89	6.89	Chinese Renminbi/US dollar	Reuters
Indian Rupee	65.09	66.77	70.76	72.04	73.24	72.50	70.37	Indian Rupee/US dollar	Reuters
Japanese Yen	111.73	110.64	112.27	113.60	114.09	113.11	113.61	Japanese Yen/US dollar	Reuters
Pakistani Rupee	106.80	109.94	127.19	131.24	124.18	132.13	137.40	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	3.19	3.44	3.85	3.79	3.85	3.70	3.83	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.26	1.31	1.31	1.30	1.28	1.31	1.32	Canadian dollar/US dollar	Reuters
Mexican Peso	17.14	18.88	19.41	19.69	18.75	20.05	20.26	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.70	0.75	0.77	0.78	0.77	0.77	0.79	British Pound/US dollar	Reuters
Euro	0.86	0.88	0.87	0.88	0.87	0.88	0.88	Euro/US dollar	Reuters
Swiss Franc	0.96	0.98	0.99	1.00	0.99	1.00	1.00	Swiss Franc/US dollar	Reuters
Turkish Lira	3.26	3.80	5.52	5.57	6.02	5.42	5.28	Turkish Lira/US dollar	Reuters



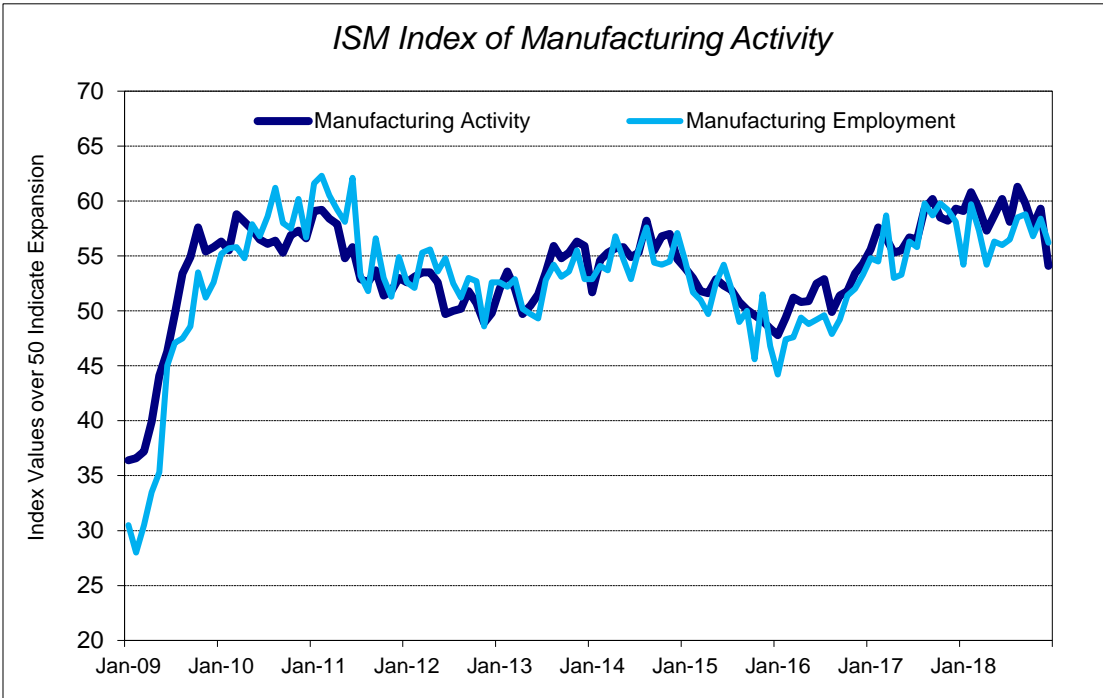
Seasonally Adjusted Annual Rate; Source: Department of Commerce  
 \*Based on chained 2005\$.



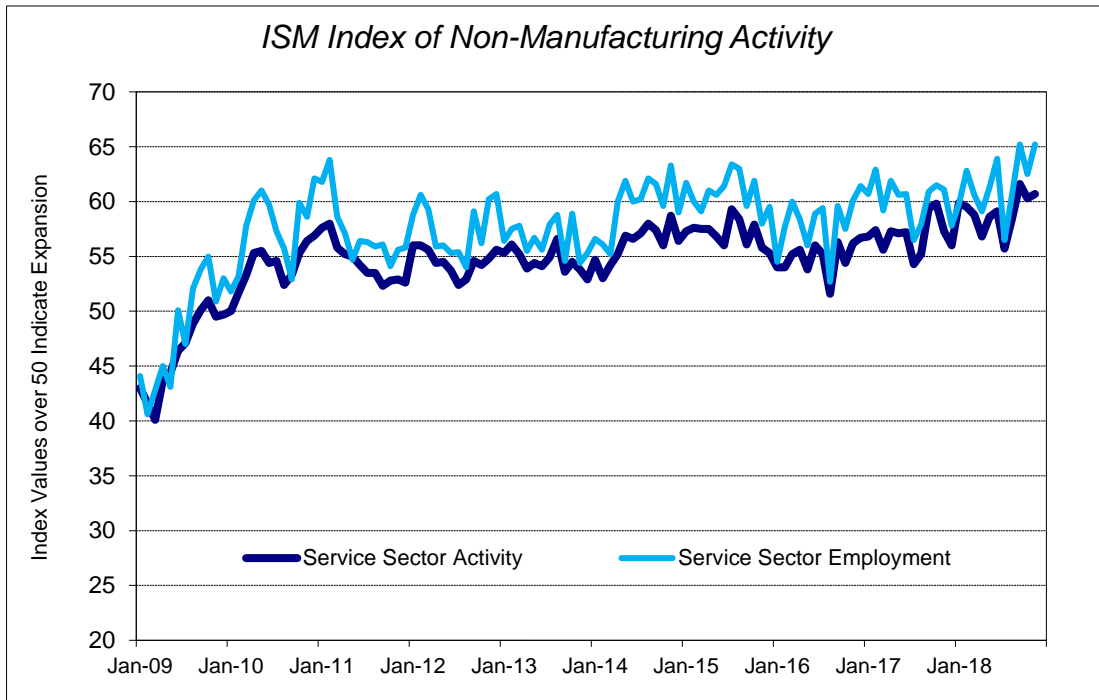
Source: Federal Reserve

[return to text](#)





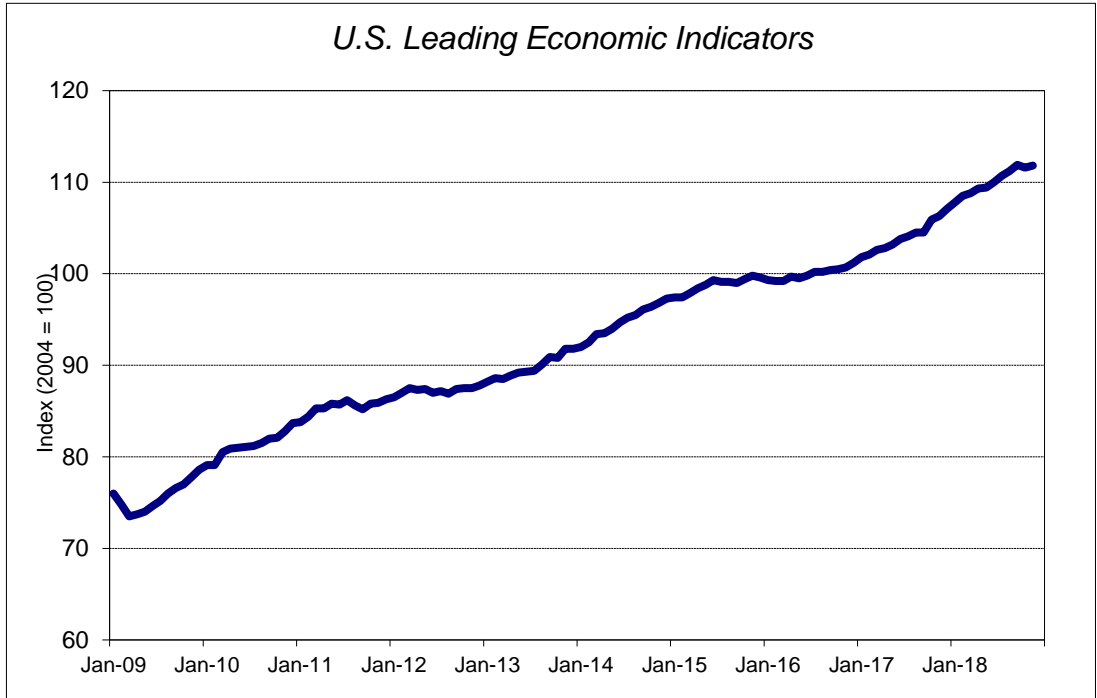
Source: Institute for Supply Chain Management



Source: Institute for Supply Chain Management

[return to text](#)





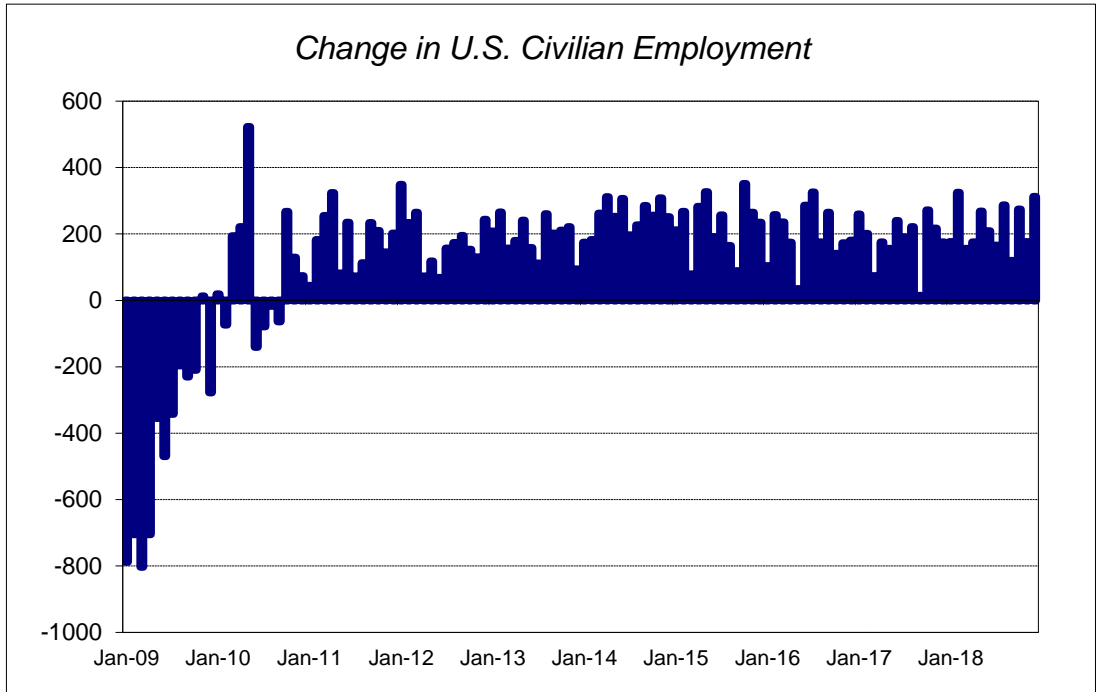
Source: The Conference Board



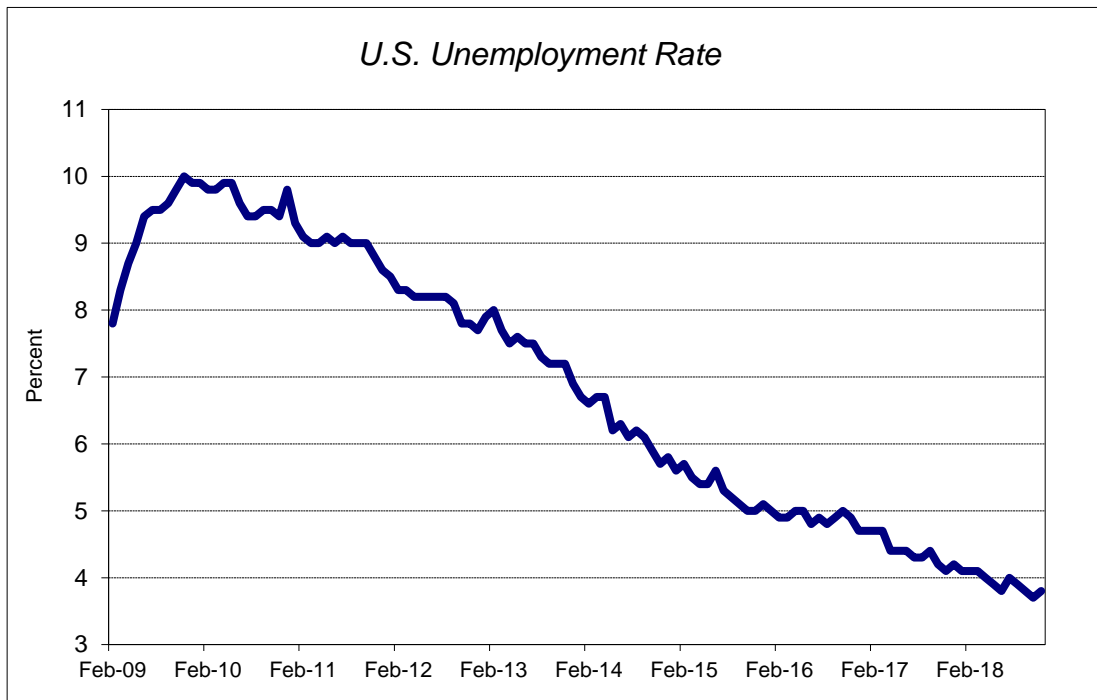
Source: The Conference Board

[return to text](#)





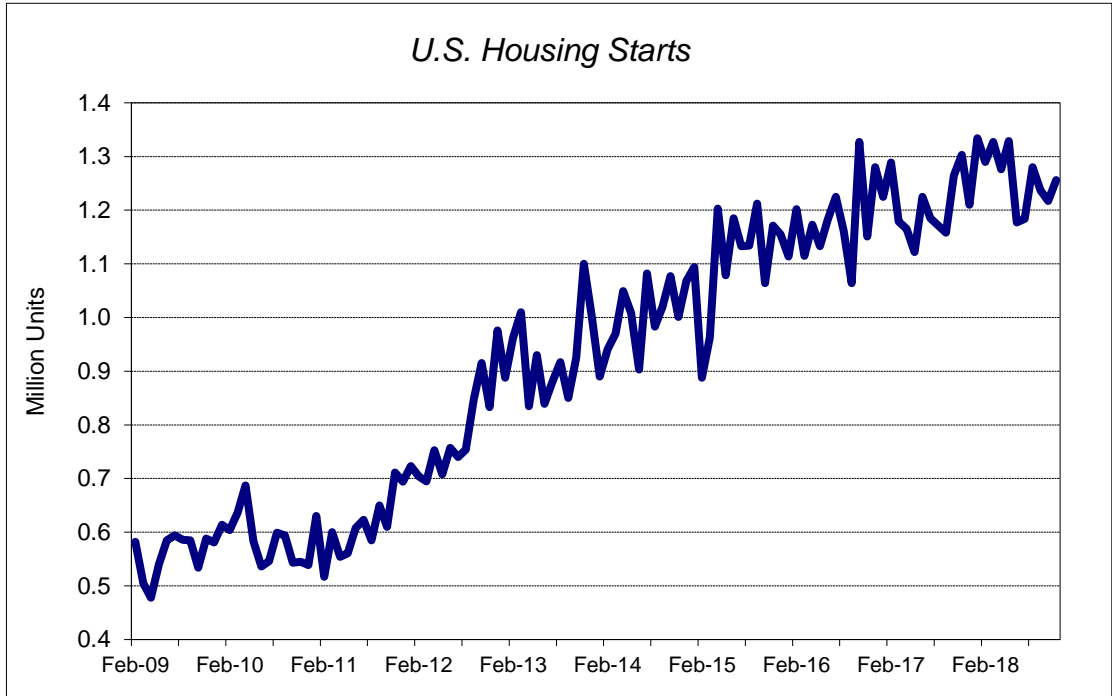
Source: Bureau of Labor Statistics



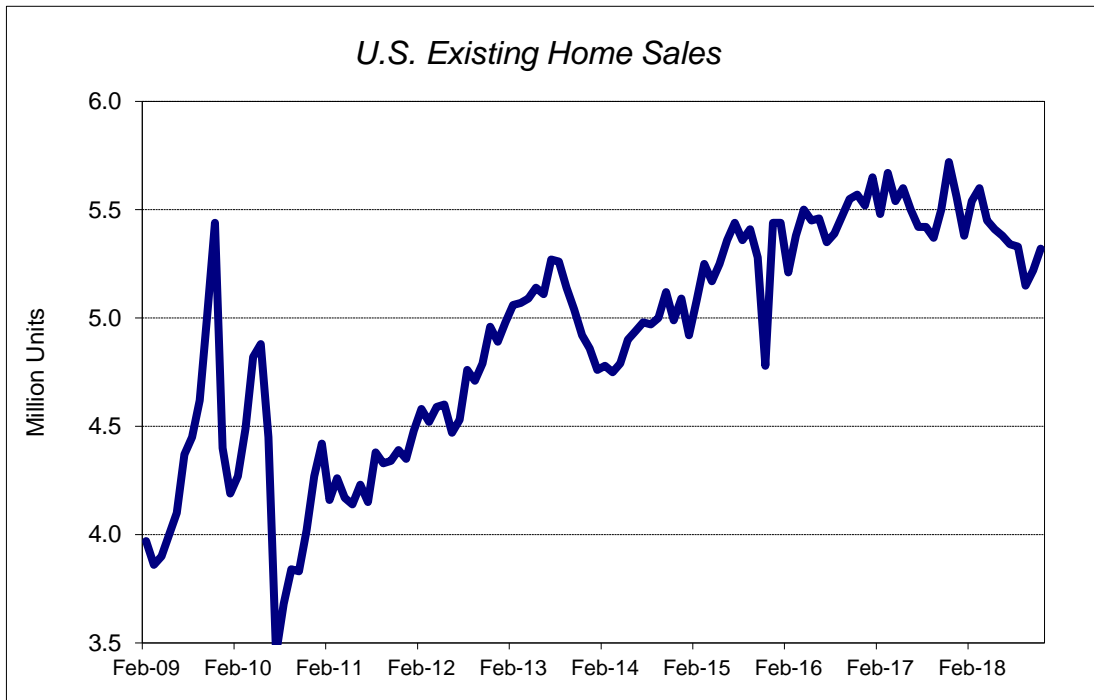
Source: Bureau of Labor Statistics

[return to text](#)





Seasonally Adjusted Annual Rate; Source: Department of Commerce

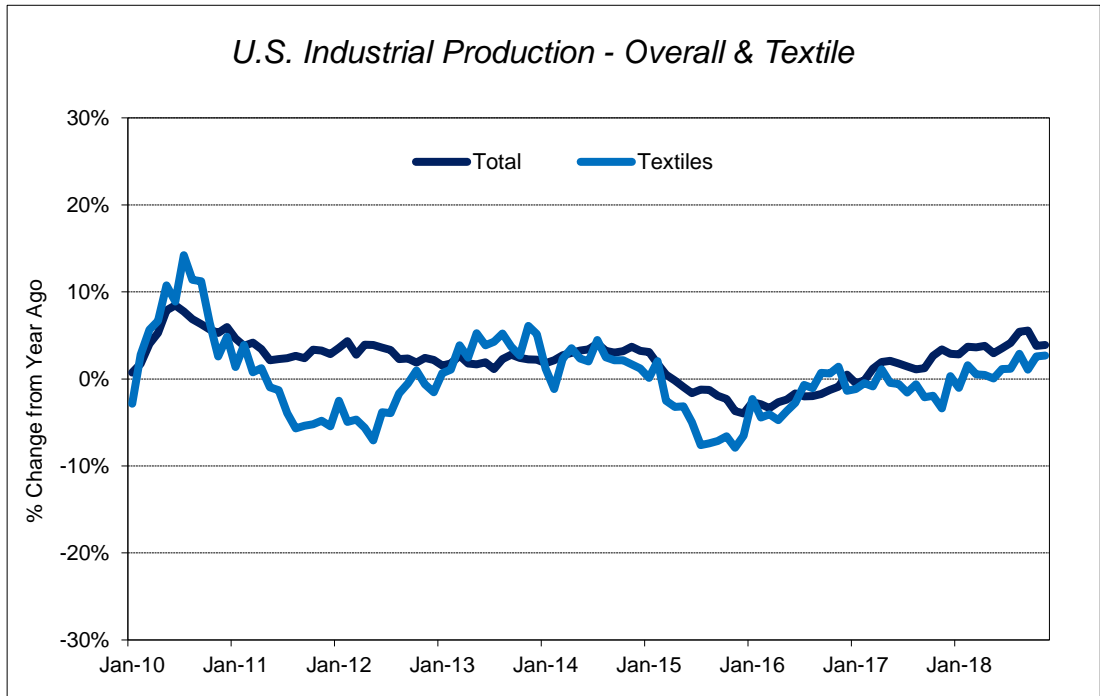


Seasonally Adjusted Annual Rate; Source: National Association of Realtors

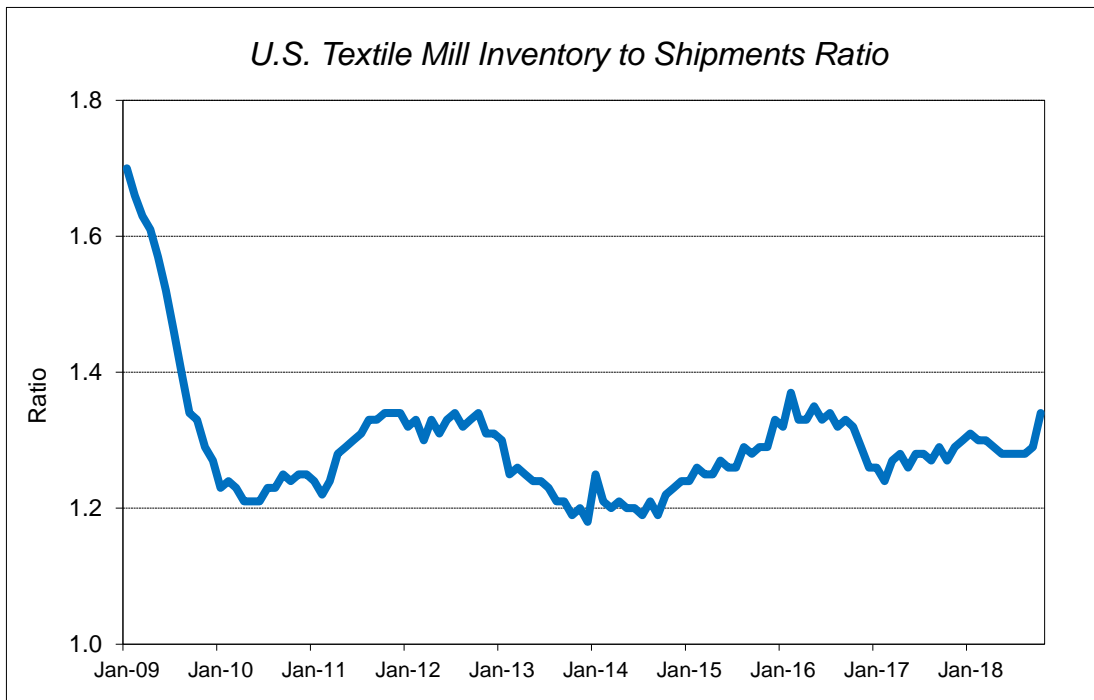
[return to text](#)







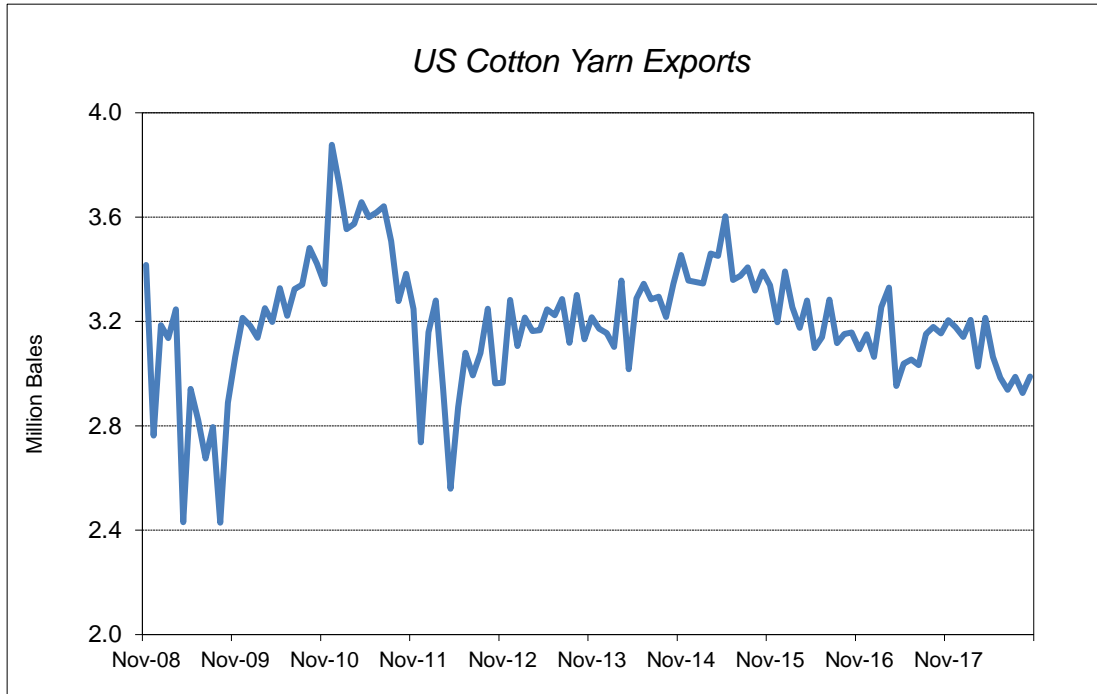
Source: Federal Reserve. Historical data revised to 1997 baseline.



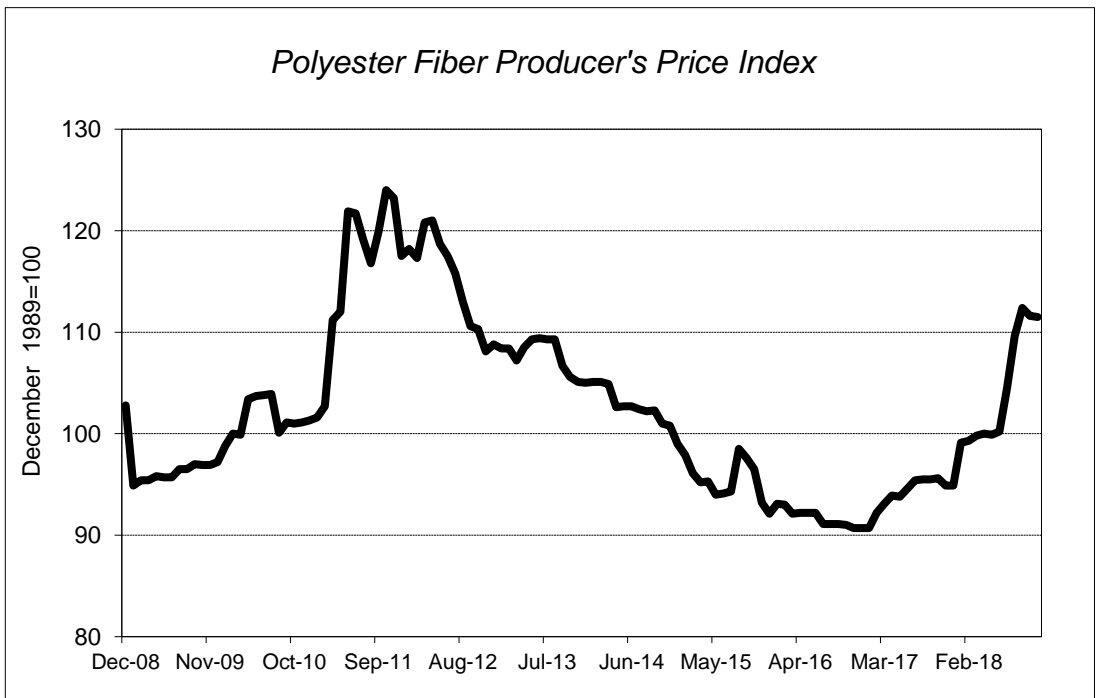
Seasonally Adjusted; Source: Department of Commerce

[return to text](#)





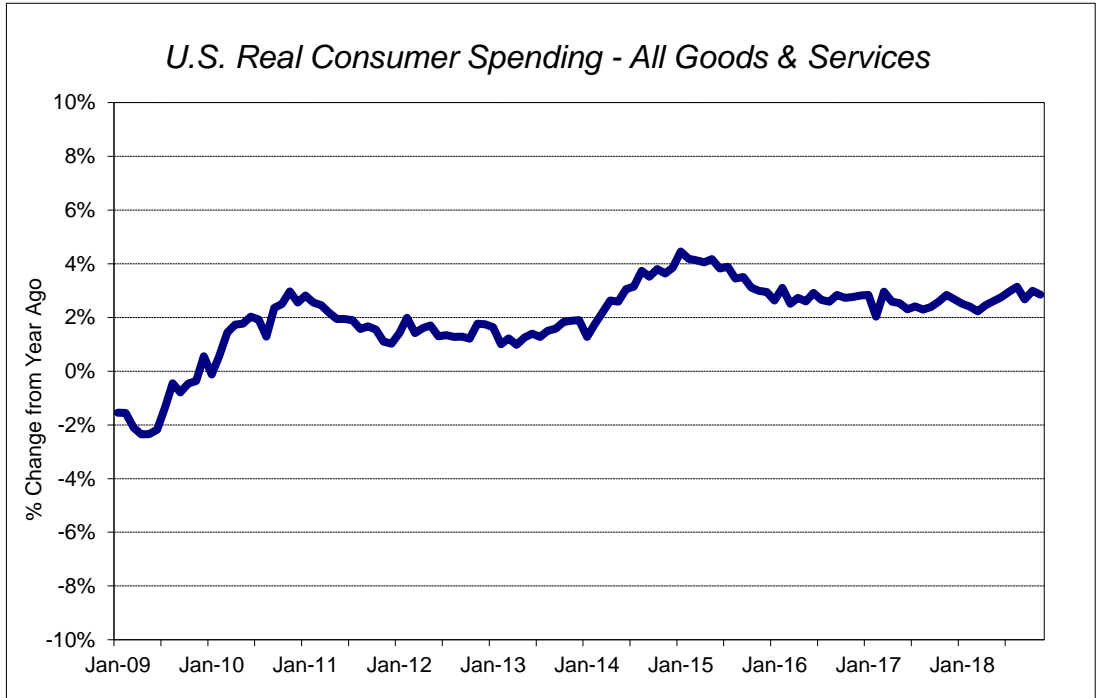
Seasonally Adjusted Annual Rate  
 Source: USDA ERS



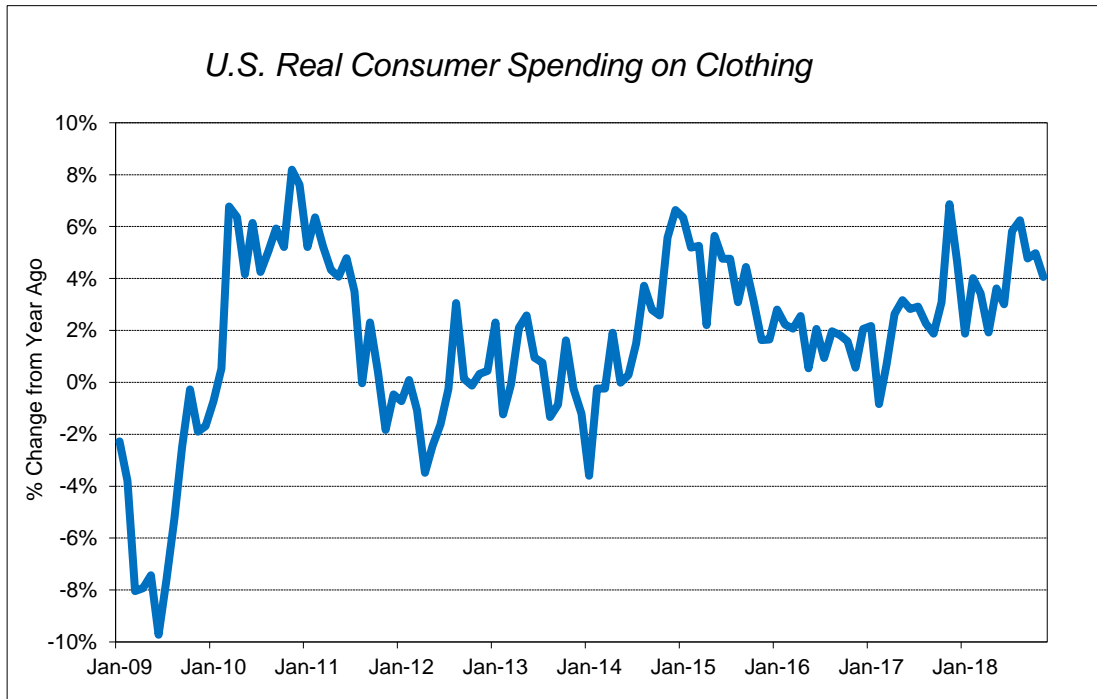
Source: Bureau of Labor Statistics

[return to text](#)





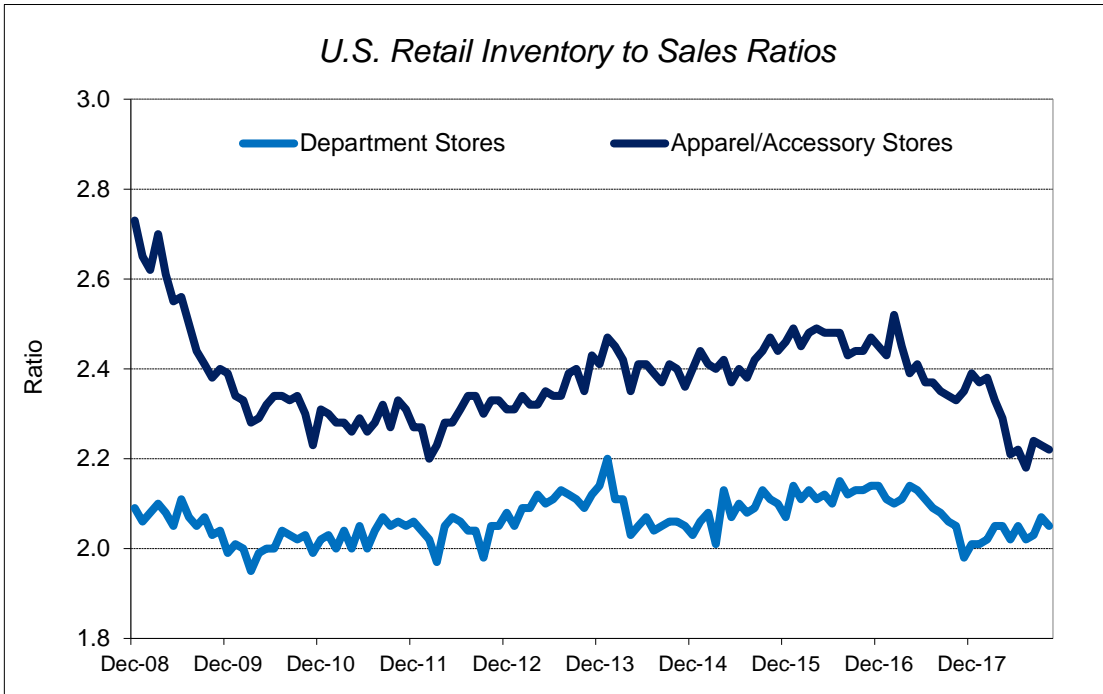
\*Based on chained 2005\$.



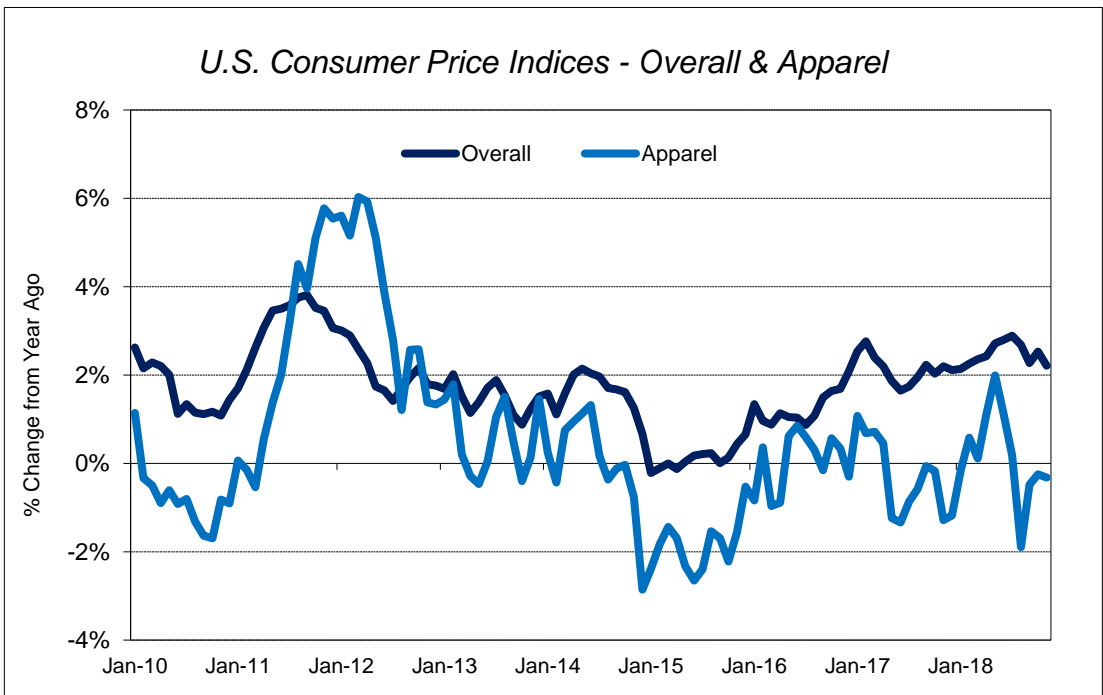
\*Based on chained 2005\$.

[return to text](#)





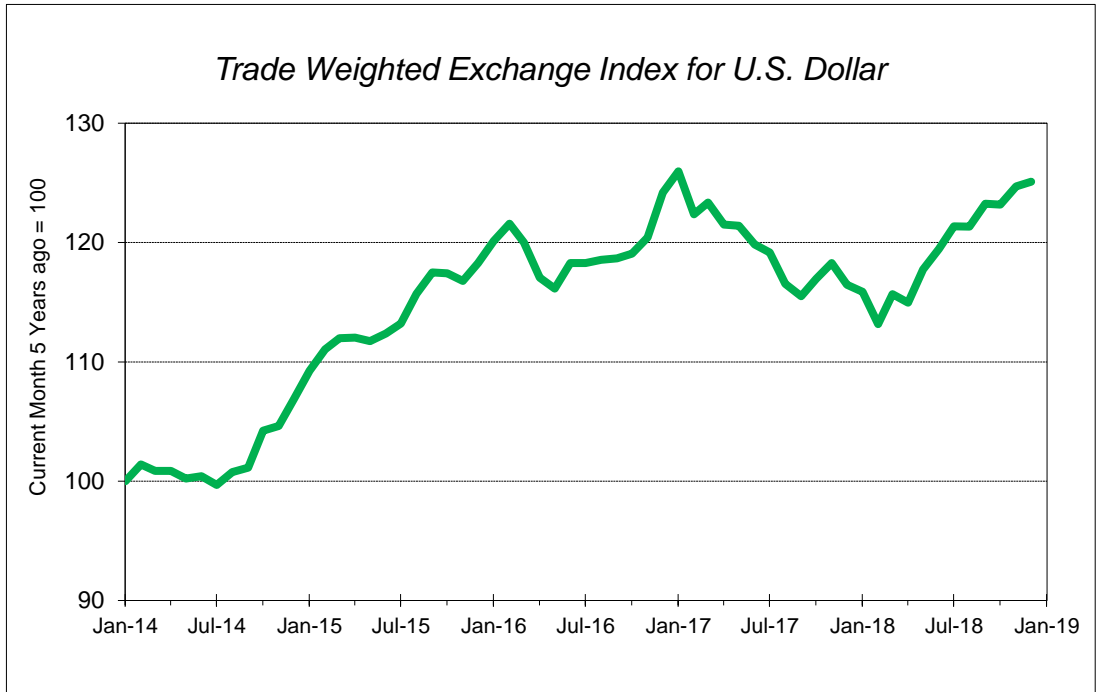
Source: Department of Commerce



Source: Bureau of Labor Statistics

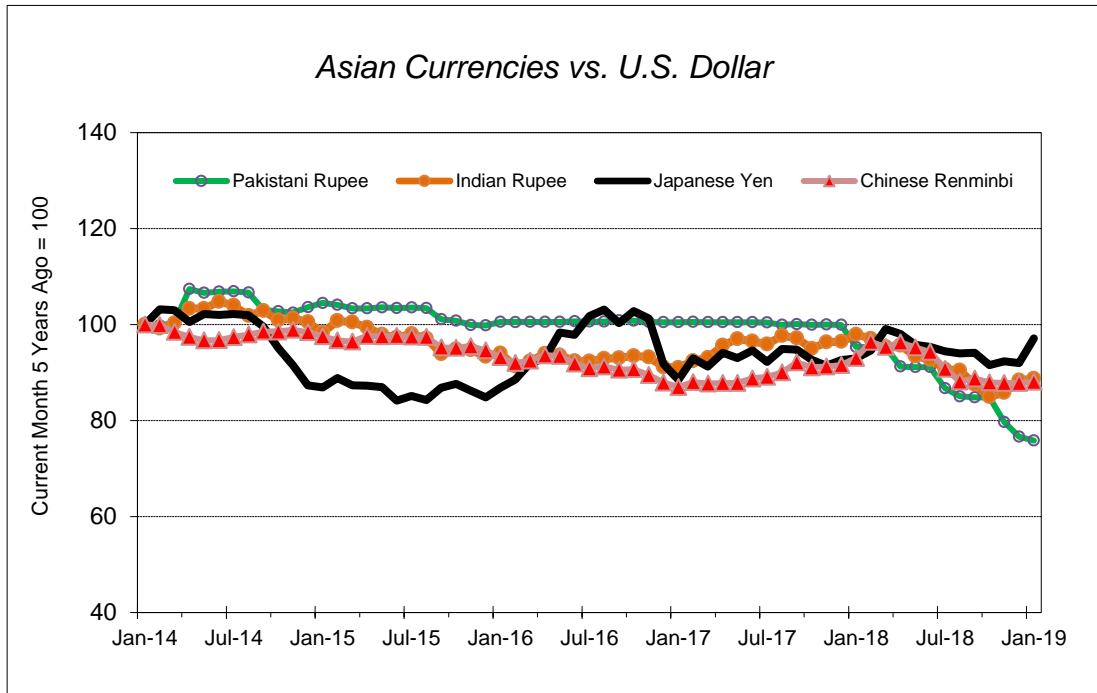
[return to text](#)





Source: Federal Reserve

Source: Federal Reserve



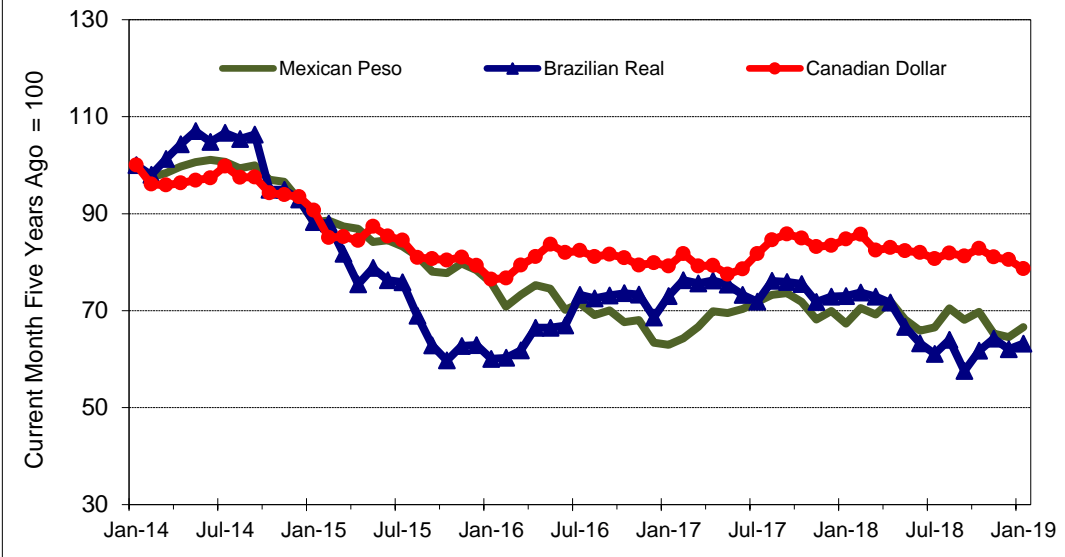
Source: oanda.com

Source: Reuters

[return to text](#)

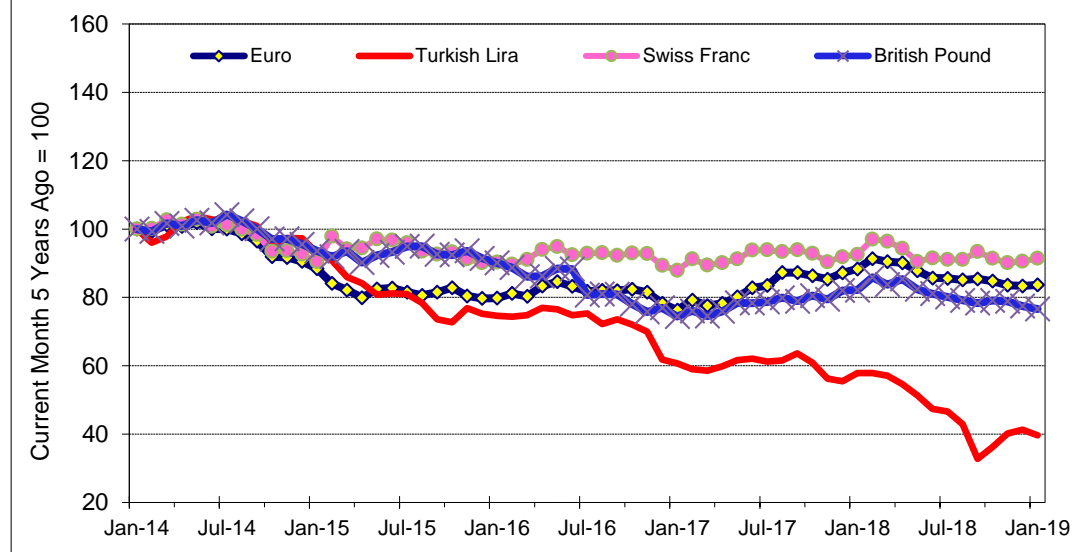


### North & South American Currencies vs. U.S. Dollar



Source: oanda.com  
Source: Reuters

### Index of European Currencies vs. U.S. Dollar



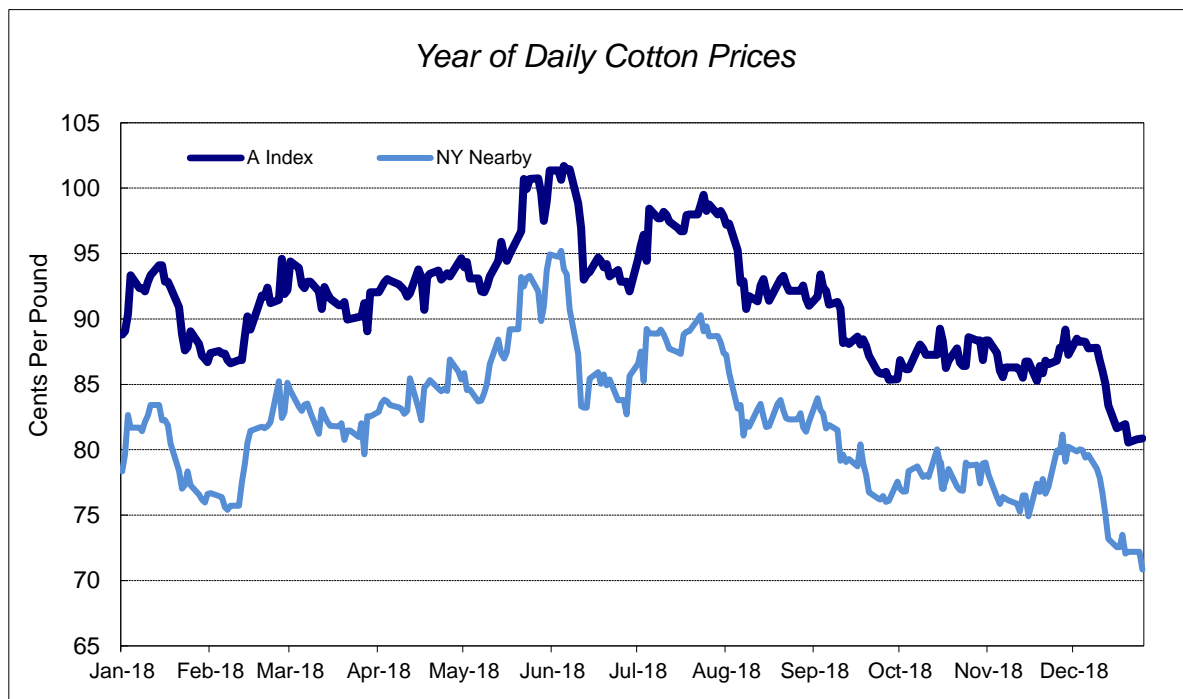
Source: oanda.com  
Source: Reuters

[return to text](#)



## U.S. Balance Sheet

million 480 lb. bales	2014/15	2015/16	2016/17	2017/18	2018/19 November	2018/19 December
Beginning Stocks	2.4	3.7	3.8	2.8	4.3	4.3
Production	16.3	12.9	17.2	20.9	18.4	18.6
Imports	0.0	0.0	0.0	0.0	0.0	0.0
Supply	18.7	16.6	21.0	23.7	22.7	22.9
Mill-Use	3.6	3.5	3.3	3.2	3.3	3.3
Exports	11.2	9.2	14.9	15.8	15.0	15.0
Demand	14.8	12.6	18.2	19.1	18.3	18.3
Ending Stocks	3.7	3.8	2.8	4.3	4.3	4.4
Stocks/Use Ratio	24.6%	30.2%	15.1%	22.5%	23.5%	24.0%



Sources: ICE Futures U.S. & Cotton Outlook

[return to text](#)

