

# Executive Cotton Update

U.S. Macroeconomic Indicators &  
the Cotton Supply Chain



July 2020

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

**Macroeconomic Overview:** The International Monetary Fund (IMF) released an updated set of forecasts for global economic growth last month. In those estimates, the IMF lowered its forecast for global GDP growth in 2020 from -3.0% to -4.9%. For 2021, the projection fell from 5.8% to 5.4%. Even with a comparatively strong rate of growth in 2021, expected activity next year is still forecast to be 6.5 percentage points below what was expected before the outbreak of COVID-19 (January IMF estimates).

An obvious downside risk to IMF estimates is a resurgence in the virus. Unfortunately, after forming a peak in new cases in April, the U.S. began seeing a rapid increase in infections in the second half of June. Those increases have led to a series of new records for new daily diagnoses in late June and early July.

The resurgence of COVID in the U.S. comes just ahead of the scheduled expiration of several stimulus measures. Notably, a supplement to unemployment benefits is slated to expire at the end of July. The supplement has been a factor boosting income and the savings rate in recent months. If legislation is passed to extend support through the end of the outbreak (including any secondary waves), those savings could be converted into spending after the pandemic subsides.

**Employment:** The U.S. economy is estimated to have added 4.8 million jobs in June. This is the largest monthly gain on record. The 7.5 million jobs added over the past couple months is progress. Still, many more jobs need to be added to get the economy anywhere near the level of employment before COVID. In March and April, 22.2 million jobs were lost (the size of the entire U.S. labor force is near 160 million).

The unemployment rate eased from 13.3% to 11.1% from May to June. The current value (11.1%) is 3.6 percentage points below the post-COVID high of 14.7% (April). For context, before the crisis began, the unemployment rate was only 3.5%. The Bureau of Labor Statistics continues to publish a notice indicating that sample sizes have fallen and that classification on temporarily unemployed are issues affecting data quality.

Initial claims for unemployment insurance, a representation of layoffs, have been trending lower with the latest reading around 1.4 million new claims per week. This is well below the peak of 6.9 million in late March but is also well above the worst weekly value experienced during the financial crisis (665,000 in March 2009). The volume of continuing claims, which describes the number of people unable to find new work after being laid off, has also been trending lower. The current value of 19.3 million is down significantly from the peak of 24.9 million in early May. During the financial crisis, the worst value was 6.6 million.

**Consumer Confidence & Spending:** In June, the Conference Board's Index of Consumer Confidence posted its biggest monthly increase since the pandemic (+12.2 points, from 85.9 to 98.1). Before the virus, the index was near 130. The long-term average is near 95.

Overall consumer spending rose 8.1% month-over-month in May (was down 6.4% in March and -12.2% in April). Year-over-year, total spending was down 9.8% (was -4.3% in March and -16.3% in April).

Consumer spending on apparel was up 40.6% month-over-month in May (was -27.6% in March and -23.6% in April). Year-over-year, apparel spending was down 22.8% in May (was -26.7% in March and -44.7% in April).

**Consumer Prices & Import Data:** Retail apparel prices, as measured by the CPI for garments, fell for the third consecutive month (-1.8 month-over-month in March, -4.9% in April, -2.5% in May). Year-over-year, apparel prices were 8.8% lower. The current level for the CPI is the lowest since 1987.

In seasonally-adjusted terms, the average import price per square-meter-equivalent (SME) increased 6.8% month-over-month. Year-over-year, average import costs were -0.5% lower.

Import volumes have been dramatically affected by the virus. In terms of weight volume, apparel imports of all fibers were down 14.6%, 45.3%, and 62.9% year-over-year in March, April, and May. The sharp pullback in order volume is a reflection of the challenging financial conditions being faced by many U.S. clothing retailers. It is also evidence of the difficult demand-side conditions facing the global apparel supply chain around the world.

Other markets, including examples from both Asia and Europe, have been able to stave off a resurgence in COVID cases and have been able to maintain progress in re-opening. However, sales growth has proven consistently challenging. Retail sales of textiles, clothing, and footwear in the European Union were down 56.6% year-over-year in March, -80.3% in April, and -50.5% in May. In China, official data for retail sales of clothing indicate decreases of -36.2% in February, -36.1% in March, -32.8% in April, and -27.3% in May.

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

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

# Executive Cotton Update

U.S. Macroeconomic Indicators & Cotton Prices  
July 2020



## Macroeconomic Data

| Quarterly Data        | Recent Averages |        |         |         | Values in Recent Quarters |           |           | Unit                   | Source                 |
|-----------------------|-----------------|--------|---------|---------|---------------------------|-----------|-----------|------------------------|------------------------|
|                       | 5-year          | 1-year | 6-month | 3-month | Q3 : 2019                 | Q4 : 2019 | Q1 : 2020 |                        |                        |
| Growth in US Real GDP | 2.3%            | 2.5%   | 2.1%    | 2.1%    | 2.1%                      | 2.1%      | -5.0%     | % Chg. Quarter/Quarter | Department of Commerce |

### 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  |                   |                                 |
| ISM Index of Manufacturing Activity     | 53.5            | 54.5   | 47.1    | 44.6    | 41.5                    | 43.1  | 52.6  | Index             | Institute for Supply Management |
| ISM Index of Non-Manufacturing Activity | 56.1            | 56.3   | 51.2    | 46.6    | 41.8                    | 45.4  | 57.1  | Index             | Institute for Supply Management |
| Consumer Confidence                     | 116.7           | 125.6  | 113.6   | 96.8    | 85.7                    | 85.9  | 98.1  | Index             | The Conference Board            |
| Change in Non-Farm Payrolls             | -142.1          | -369.3 | -3135.3 | -6487.0 | -20,787                 | 2,699 | 4,800 | Thousands of jobs | Bureau of Labor Statistics      |
| Unemployment Rate                       | 4.6%            | 4.4%   | 7.2%    | 10.8%   | 14.7%                   | 13.3% | 11.1% | Rate              | Bureau of Labor Statistics      |
| <b>US Interest Rates</b>                |                 |        |         |         |                         |       |       |                   |                                 |
| Federal Funds                           | 1.2%            | 1.7%   | 0.9%    | 0.3%    | 0.1%                    | 0.1%  | 0.1%  | Interest rate     | Federal Reserve                 |
| 10-year Treasury Bill                   | 2.2%            | 2.3%   | 1.2%    | 0.7%    | 0.7%                    | 0.7%  | 0.7%  | Interest rate     | Federal Reserve                 |

### Macroeconomic Series with Latest Data for May

|                                      | Recent Averages |        |         |         | Values in Recent Months |      |      | Unit                           | Source                           |
|--------------------------------------|-----------------|--------|---------|---------|-------------------------|------|------|--------------------------------|----------------------------------|
|                                      | 5-year          | 1-year | 6-month | 3-month | April                   | May  | May  |                                |                                  |
| Index of Leading Economic Indicators | 105.4           | 108.8  | 105.9   | 100.1   | 103.4                   | 97.1 | 99.8 | Index                          | The Conference Board             |
| Housing Starts                       | 12.3            | 12.6   | 12.7    | 9.5     | 1.3                     | 0.9  | 1.0  | Annual pace, millions of units | Department of Commerce           |
| Existing Home Sales                  | 5.4             | 5.3    | 4.9     | 4.1     | 4.1                     | 4.3  | 3.9  | Annual pace, millions of units | National Association of Realtors |

## Industrial & Textile Data

### 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  |                          |                            |
| US Industrial Production | 105.5           | 107.3  | 101.4   | 91.9    | 91.3                    | 92.6  | 92.6 | Index, 2002=100          | Federal Reserve            |
| Polyester Fiber PPI      | 107.9           | 98.4   | 95.4    | 94.5    | 98.2                    | 97.9  | 98.2 | Index, December 2003=100 | Bureau of Labor Statistics |

### Industrial & Textile Series with Latest Data for April

|   | Recent Averages |        |         |         | Values in Recent Months |       |       | Unit                | Source   |
|---|-----------------|--------|---------|---------|-------------------------|-------|-------|---------------------|----------|
|   | 5-year          | 1-year | 6-month | 3-month | February                | March | April |                     |          |
| Bale Equivalence of US Cotton Yarn & Fabric Exports | 3.3             | 2.7    | 2.4     | 1.9     | 2.8                     | 2.4   | 0.5   | million 480lb bales | USDA ERS |

### 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  |       |                        |
| US Textile Mill Inventory/Shipments Ratio | 1.36            | 1.39   | 1.52    | 1.68    | 1.68                    | 1.71  | 1.65 | Ratio | Department of Commerce |

## Retail Data

### 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    |                  |                            |
| US Real Consumer Spending |                 |        |         |         |                         |        |        |                  |                            |
| All Goods and Services    | 2.1%            | 1.7%   | -4.9%   | -13.0%  | -4.3%                   | -16.3% | -9.8%  | % Chg. Year/Year | Department of Commerce     |
| Clothing                  | 0.8%            | 0.3%   | -17.0%  | -33.7%  | -26.7%                  | -44.7% | -22.8% | % Chg. Year/Year | Department of Commerce     |
| Consumer Price Indices    |                 |        |         |         |                         |        |        |                  |                            |
| Overall                   | 1.7%            | 2.0%   | 1.4%    | 0.3%    | 1.5%                    | 0.4%   | 0.2%   | % Chg Year/Year  | Bureau of Labor Statistics |
| Clothing                  | -0.9%           | -1.2%  | -4.1%   | -7.7%   | -2.0%                   | -6.5%  | -8.8%  | % Chg. Year/Year | Bureau of Labor Statistics |

### Retail Series with Latest Data for April

|  | Recent Averages |        |         |         | Values in Recent Months |       |       | Unit  | Source                 |
|--|-----------------|--------|---------|---------|-------------------------|-------|-------|-------|------------------------|
|  | 5-year          | 1-year | 6-month | 3-month | February                | March | April |       |                        |
| Retail Inventory/Sales Ratio           |                 |        |         |         |                         |       |       |       |                        |
| Clothing and Clothing Accessory Stores | 2.7             | 2.9    | 7.1     | 18.9    | 2.4                     | 4.8   | 18.9  | Ratio | Department of Commerce |
| Department Stores                      | 2.2             | 2.2    | 2.6     | 3.6     | 2.1                     | 2.7   | 3.6   | Ratio | Department of Commerce |

# Executive Cotton Update

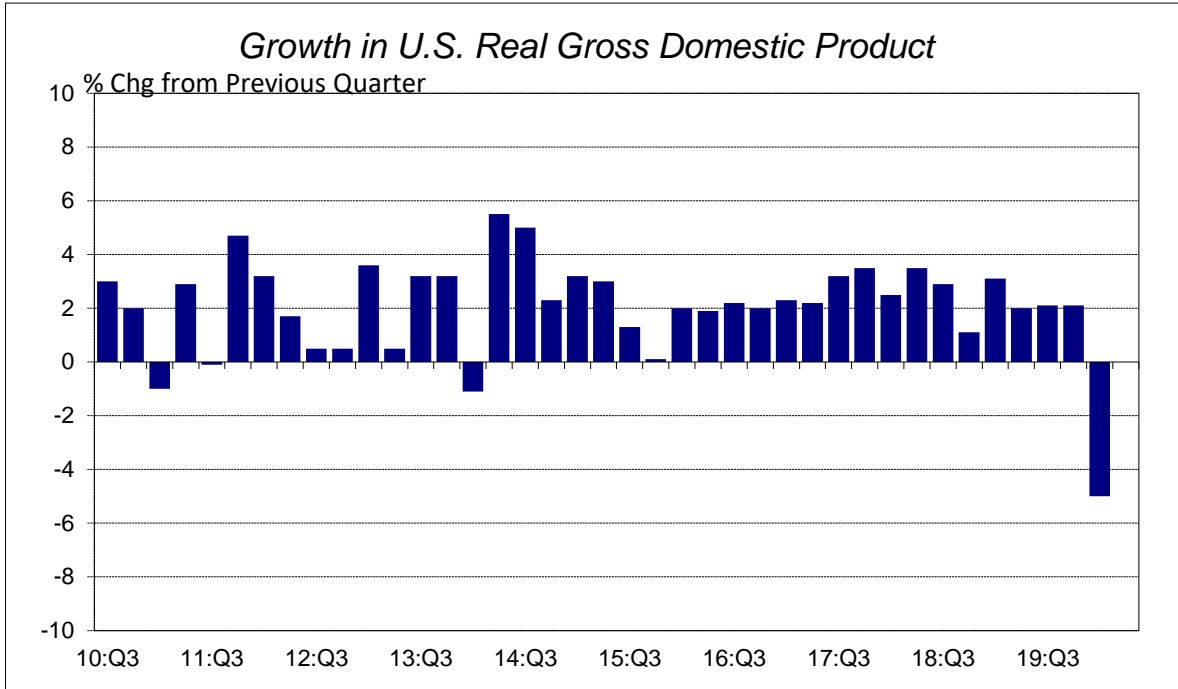
Daily Cotton Price and Currency Data  
July 2020



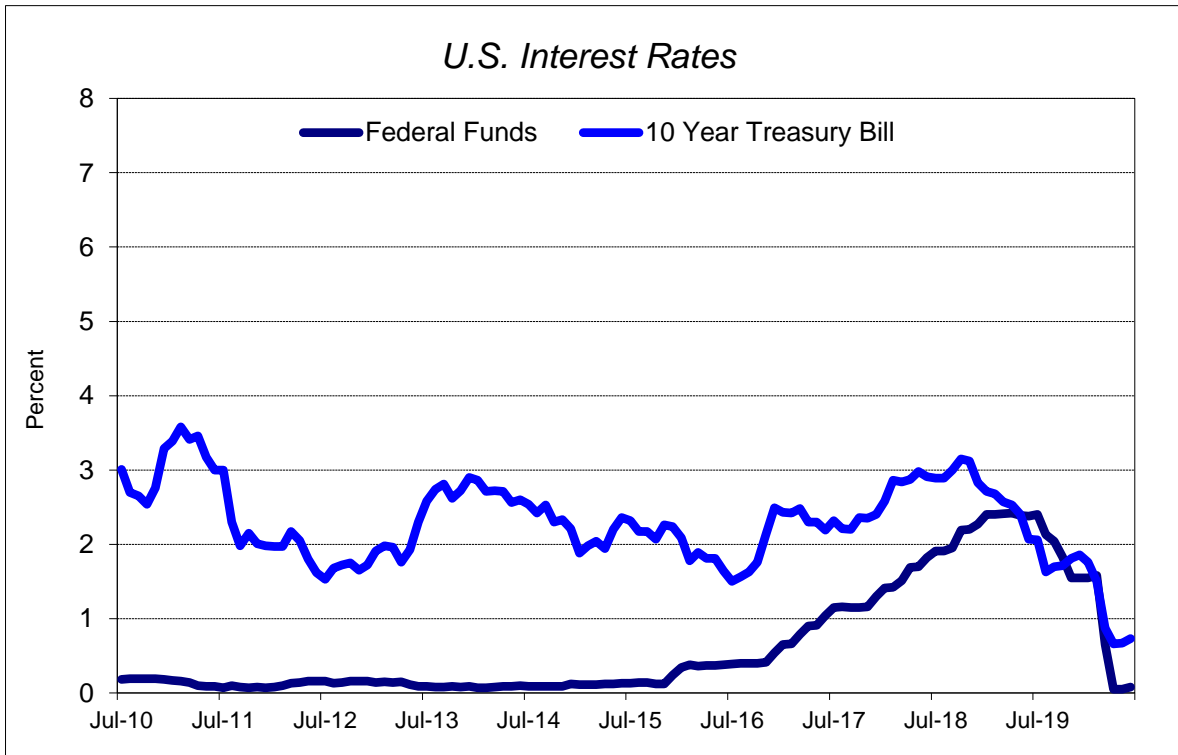
| Daily Cotton Price Data | Recent Averages |        |         |         | Averages over Recent Months |      |      | Unit        | Source  |
|-------------------------|-----------------|--------|---------|---------|-----------------------------|------|------|-------------|---------|
|                         | 5-year          | 1-year | 6-month | 3-month | April                       | May  | June |             |         |
| NY Nearby               | 69.1            | 70.9   | 69.2    | 67.1    | 53.7                        | 57.1 | 60.6 | cents/pound | ICE     |
| A Index                 | 78.1            | 80.5   | 79.0    | 76.9    | 63.4                        | 65.7 | 67.8 | cents/pound | Cotlook |

| Daily Currency Data                  | Recent Averages |        |         |         | Averages over Recent Months |        |        | Unit                       | Source          |
|--------------------------------------|-----------------|--------|---------|---------|-----------------------------|--------|--------|----------------------------|-----------------|
|                                      | 5-year          | 1-year | 6-month | 3-month | April                       | May    | June   |                            |                 |
| Dollar Trade Weighted Exchange Index | 113.6           | 114.2  | 119.3   | 122.5   | 124.5                       | 124.0  | 119.1  | Index, January 1997=100    | Federal Reserve |
| Asian Currencies                     |                 |        |         |         |                             |        |        |                            |                 |
| Chinese Renminbi                     | 6.71            | 6.78   | 7.03    | 7.09    | 7.09                        | 7.10   | 7.09   | Chinese Renminbi/US dollar | Reuters         |
| Indian Rupee                         | 68.09           | 69.28  | 74.07   | 75.84   | 76.17                       | 75.76  | 75.58  | Indian Rupee/US dollar     | Reuters         |
| Japanese Yen                         | 111.04          | 109.84 | 108.09  | 108.31  | 109.13                      | 106.05 | 109.75 | Japanese Yen/US dollar     | Reuters         |
| Pakistani Rupee                      | 122.02          | 133.71 | 158.87  | 163.03  | 166.90                      | 158.88 | 163.30 | Pakistani Rupee/US dollar  | Reuters         |
| North & South American Currencies    |                 |        |         |         |                             |        |        |                            |                 |
| Brazilian Real                       | 3.70            | 3.86   | 4.80    | 5.29    | 5.24                        | 5.68   | 4.97   | Brazilian Real/US dollar   | Reuters         |
| Canadian Dollar                      | 1.32            | 1.31   | 1.36    | 1.39    | 1.41                        | 1.41   | 1.34   | Canadian dollar/US dollar  | Reuters         |
| Mexican Peso                         | 19.02           | 19.49  | 21.38   | 23.57   | 24.80                       | 24.32  | 21.60  | Mexican Peso/US dollar     | Reuters         |
| European Currencies                  |                 |        |         |         |                             |        |        |                            |                 |
| British Pound                        | 0.75            | 0.77   | 0.79    | 0.80    | 0.82                        | 0.81   | 0.79   | British Pound/US dollar    | Reuters         |
| Euro                                 | 0.89            | 0.87   | 0.90    | 0.91    | 0.93                        | 0.93   | 0.88   | Euro/US dollar             | Reuters         |
| Swiss Franc                          | 0.98            | 0.98   | 0.97    | 0.97    | 0.98                        | 0.98   | 0.96   | Swiss Franc/US dollar      | Reuters         |
| Turkish Lira                         | 4.35            | 5.16   | 6.46    | 6.91    | 6.76                        | 7.19   | 6.78   | Turkish Lira/US dollar     | Reuters         |



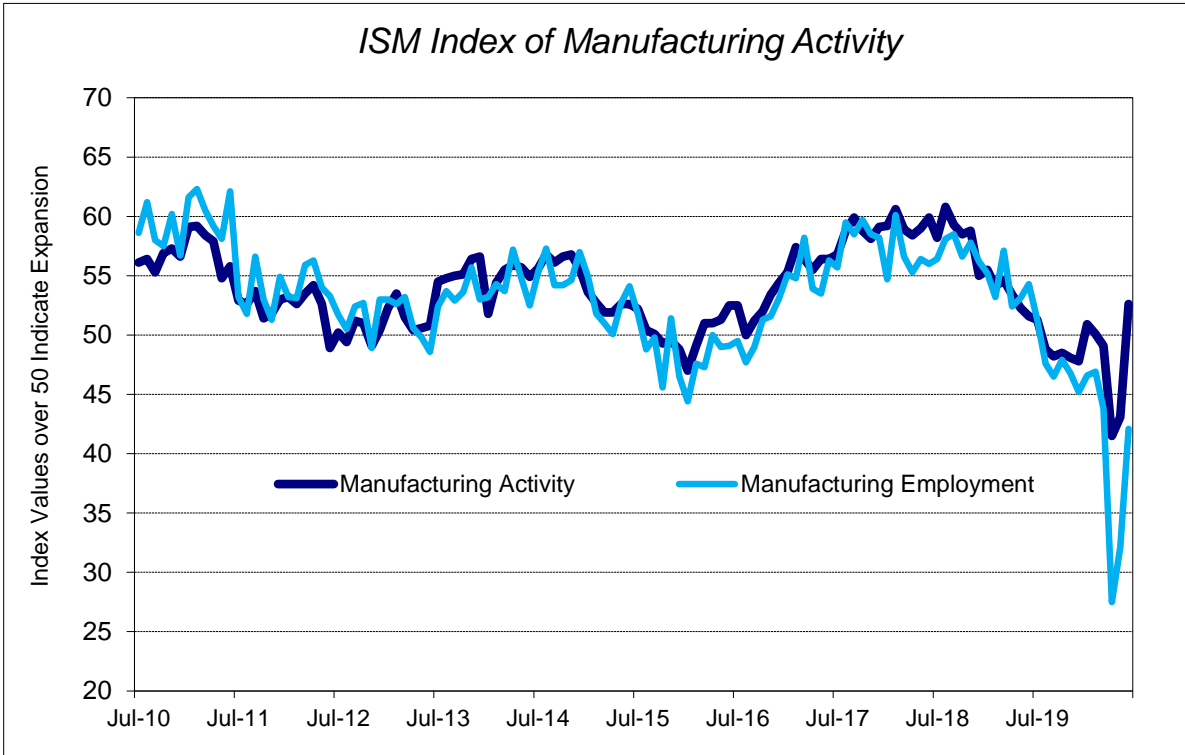
Seasonally Adjusted Annual Rate; Source: Department of Commerce  
 \*Based on chained 2005\$.



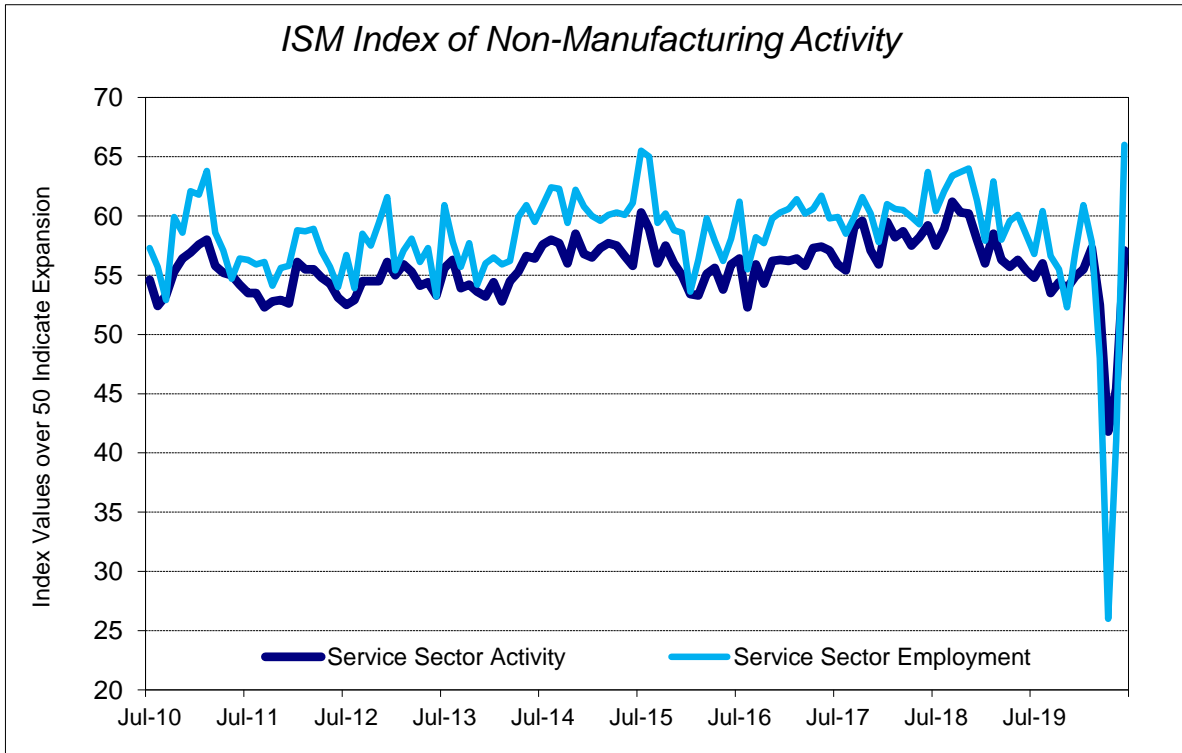
Source: Federal Reserve

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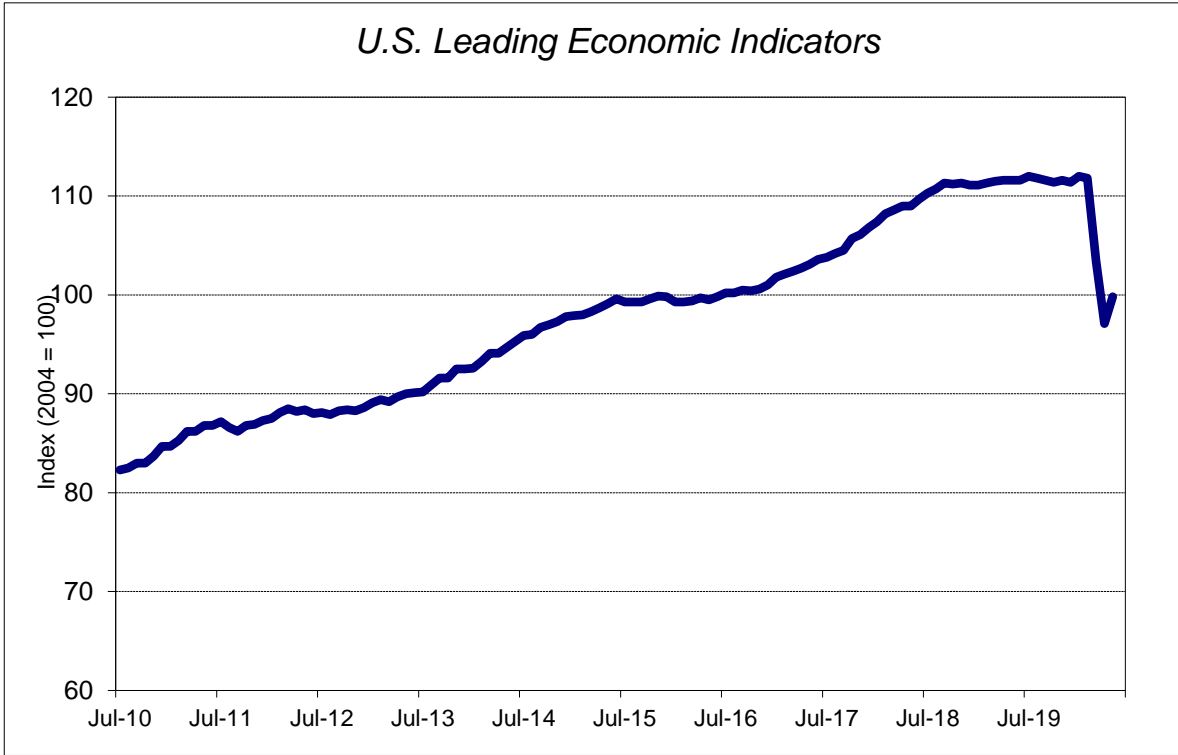
Source: Institute for Supply Chain Management



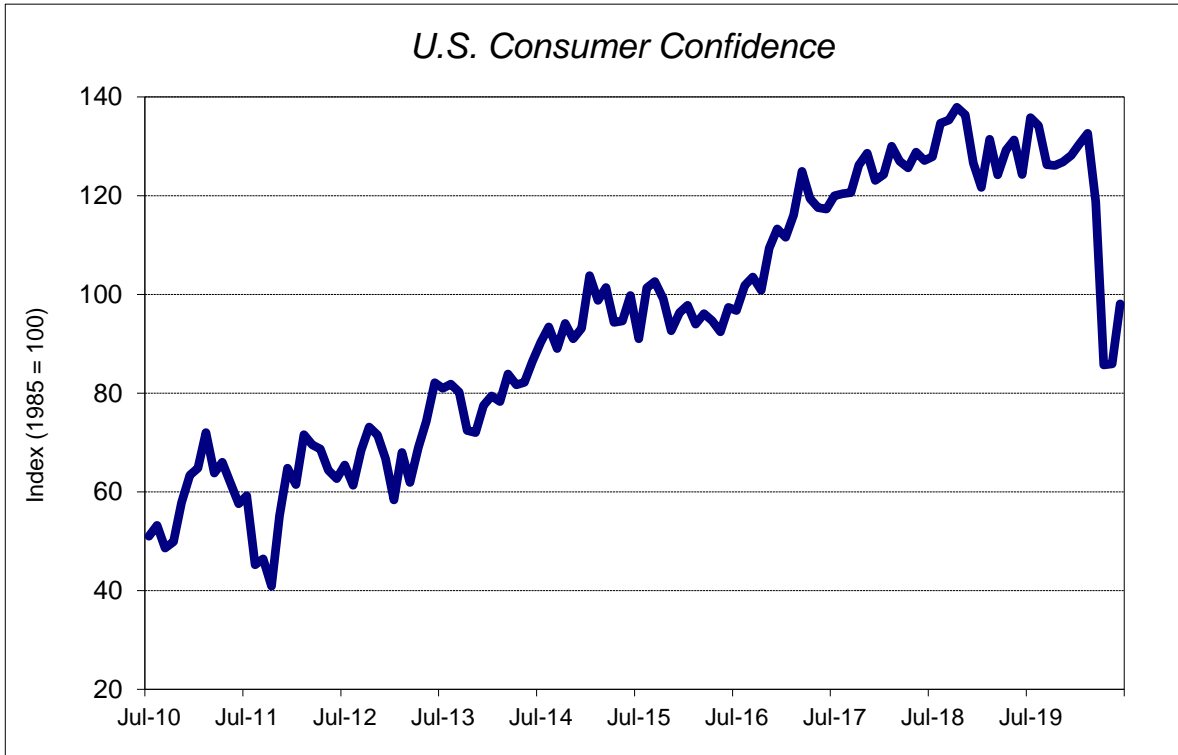
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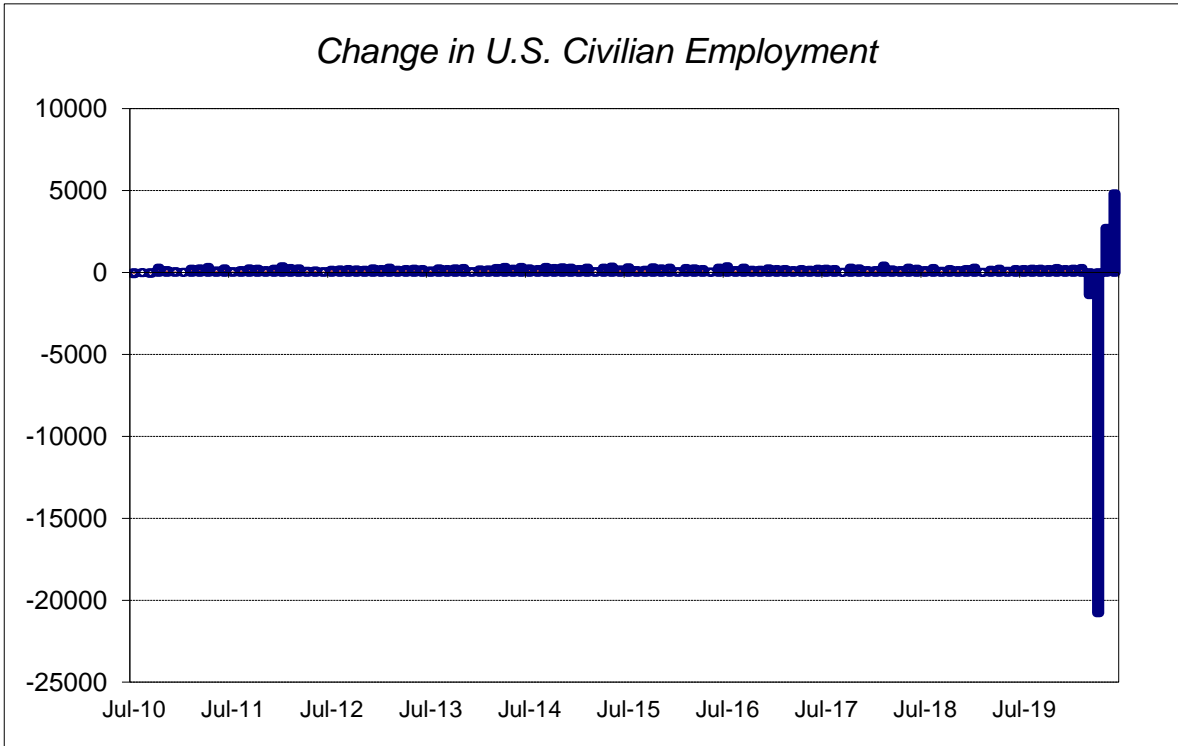
Source: The Conference Board



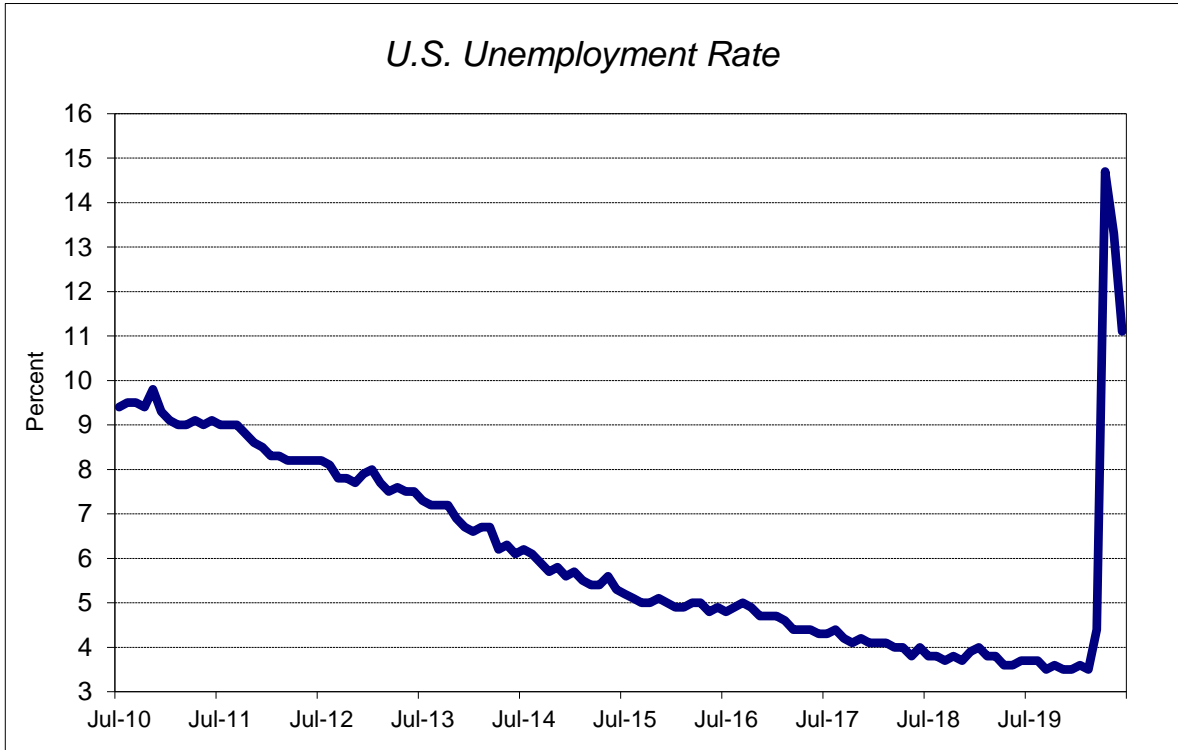
Source: The Conference Board

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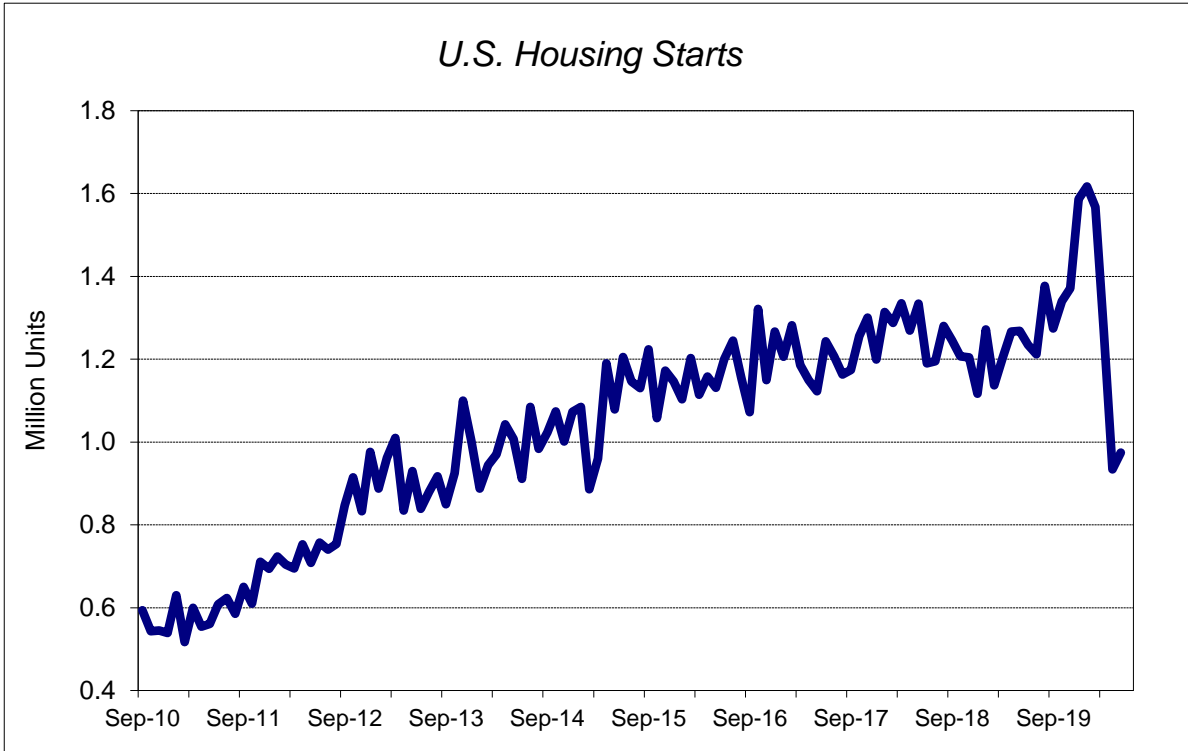
Source: Bureau of Labor Statistics



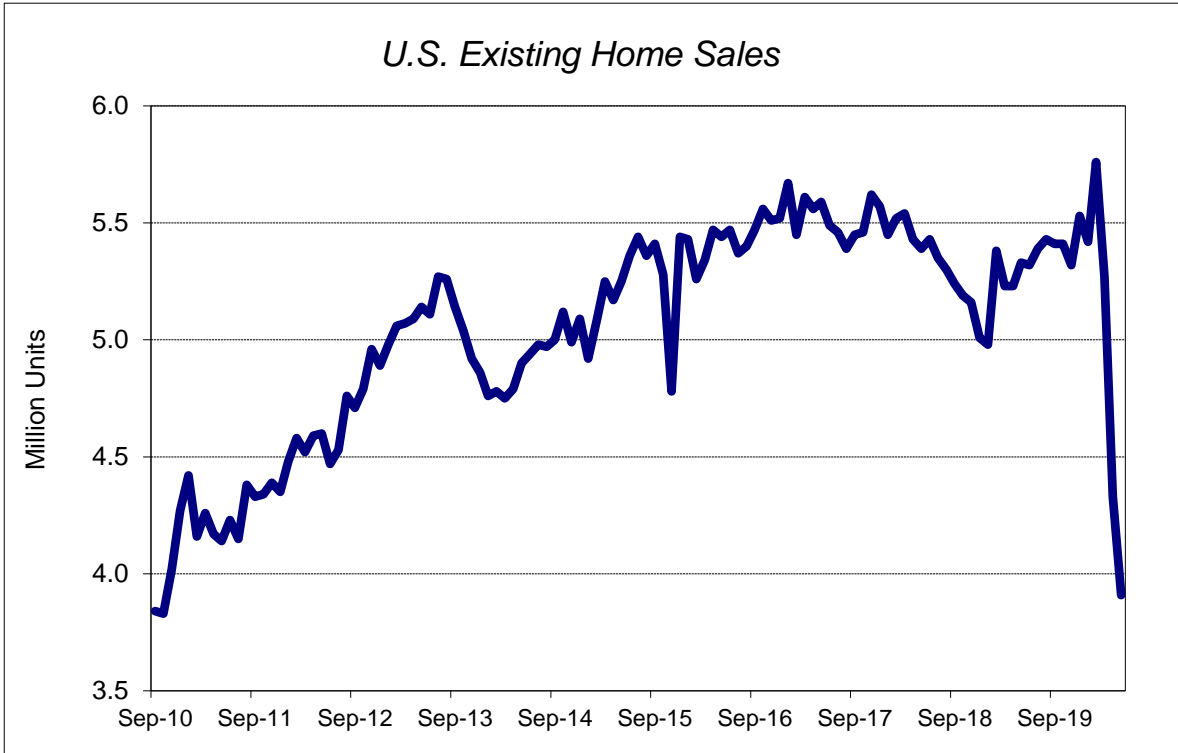
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Seasonally Adjusted Annual Rate; Source: Department of Commerce

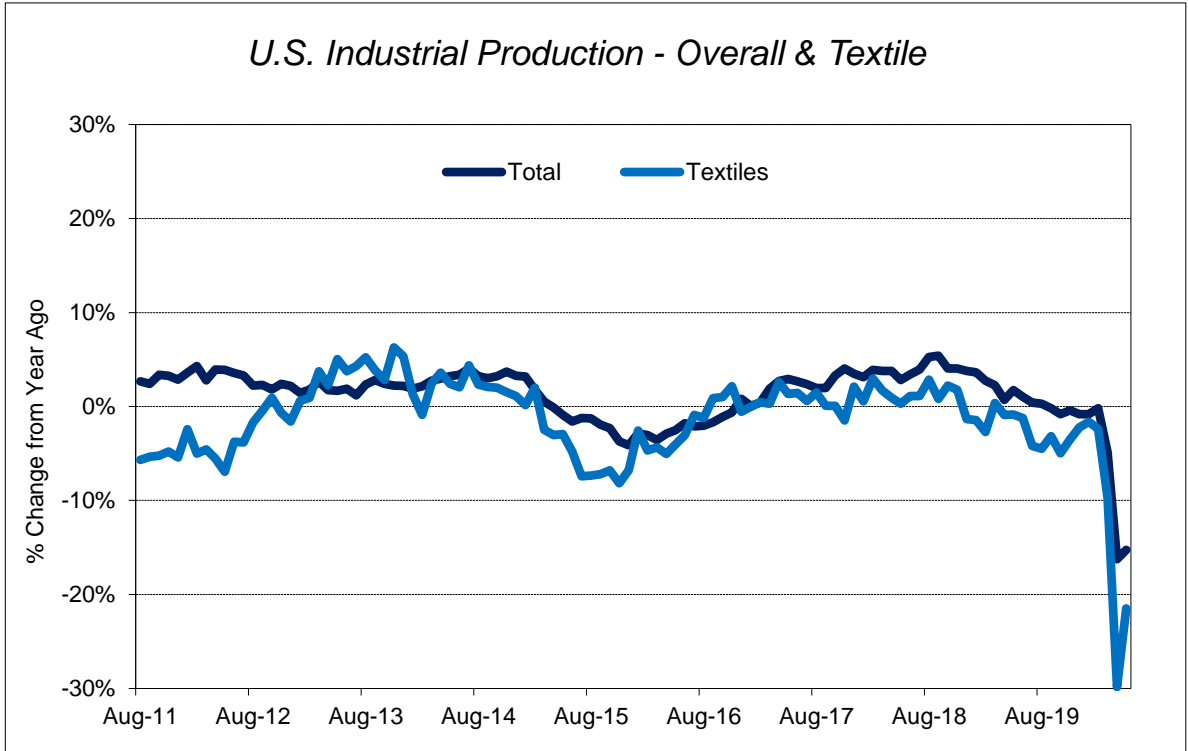


Seasonally Adjusted Annual Rate; Source: National Association of Realtors

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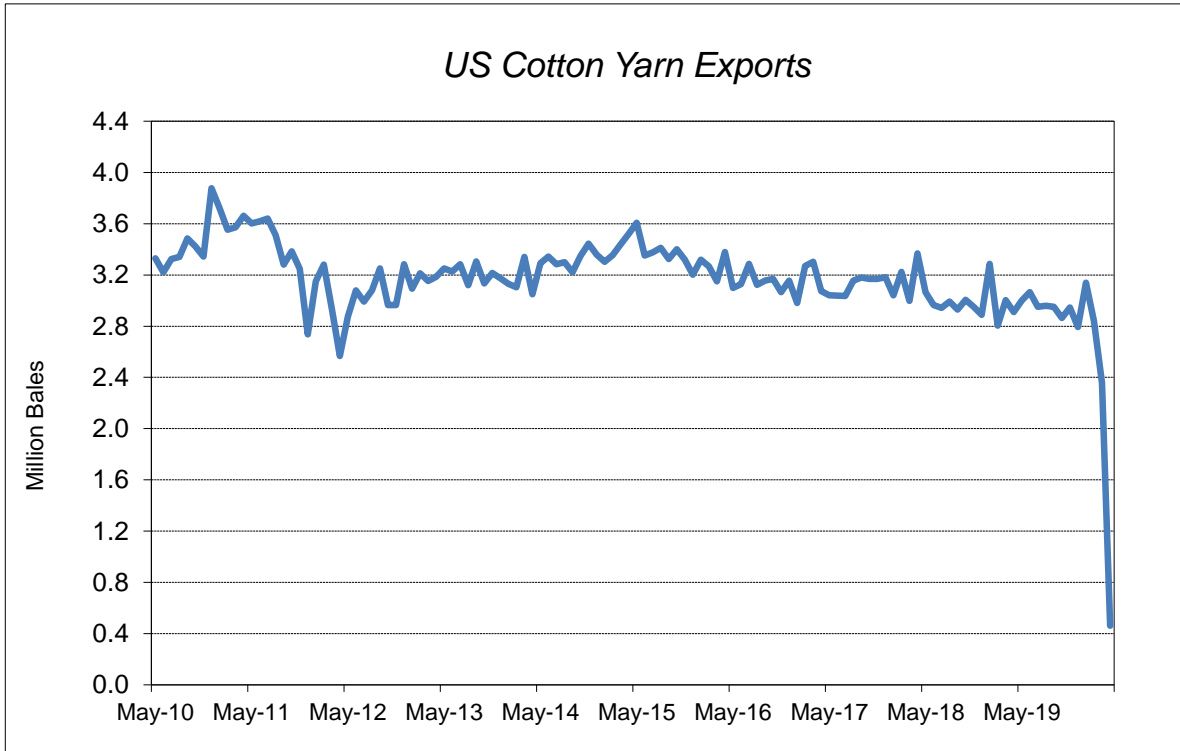
Source: Federal Reserve. Historical data revised to 1997 baseline.



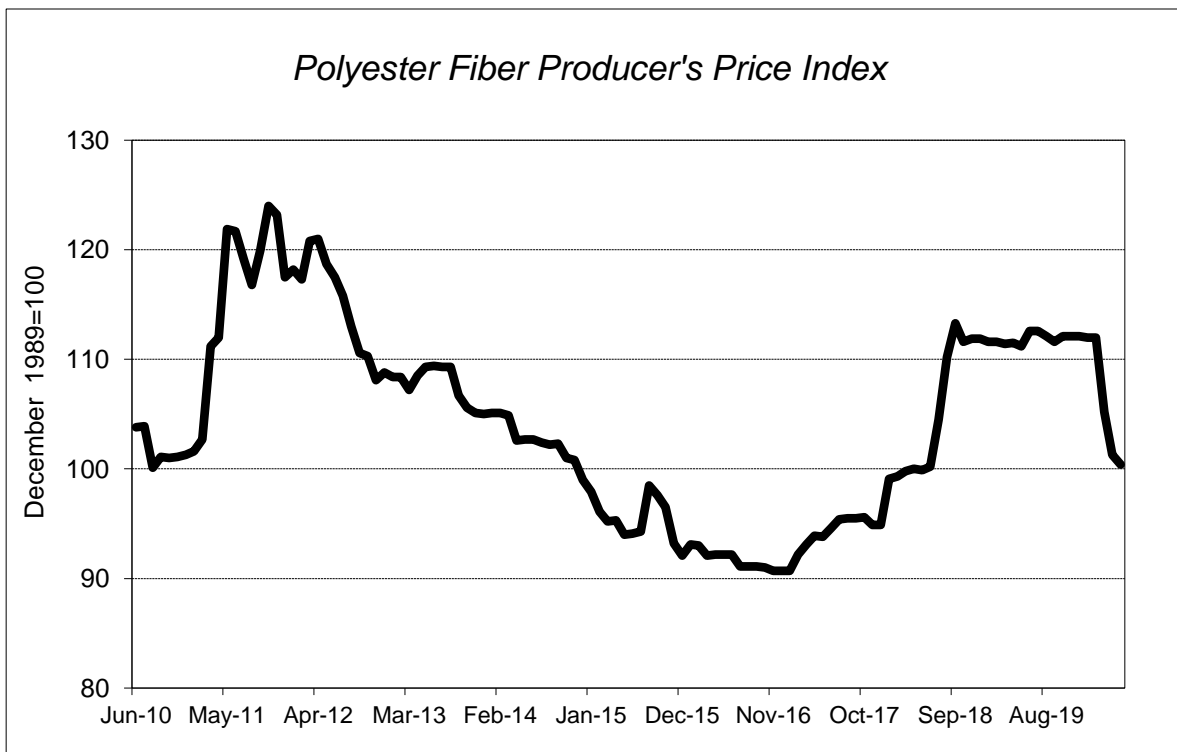
Seasonally Adjusted; Source: Department of Commerce

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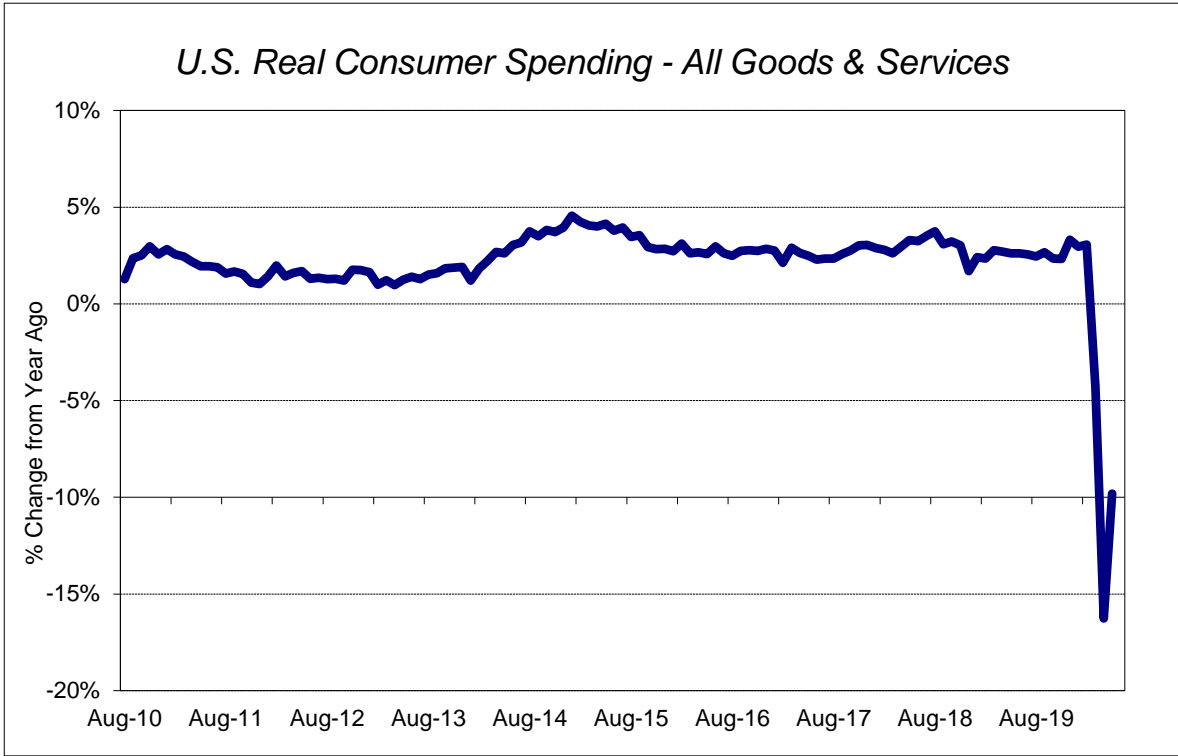
Seasonally Adjusted Annual Rate  
 Source: USDA ERS



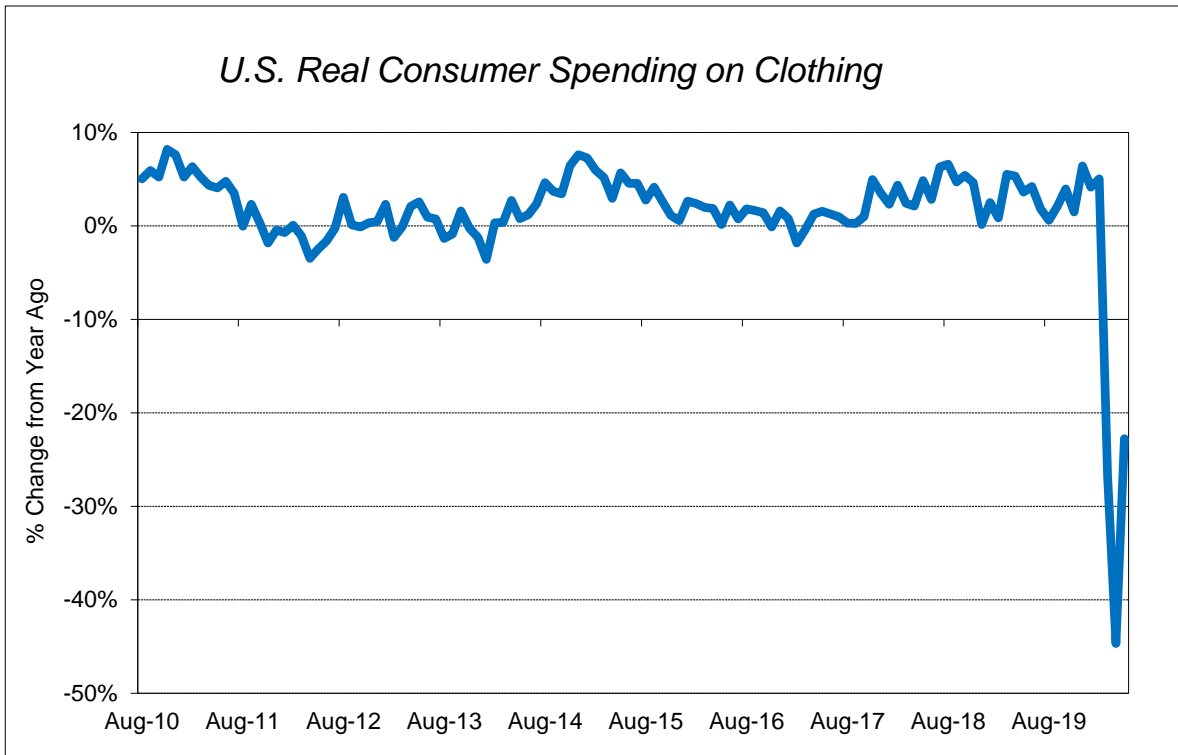
Source: Bureau of Labor Statistics

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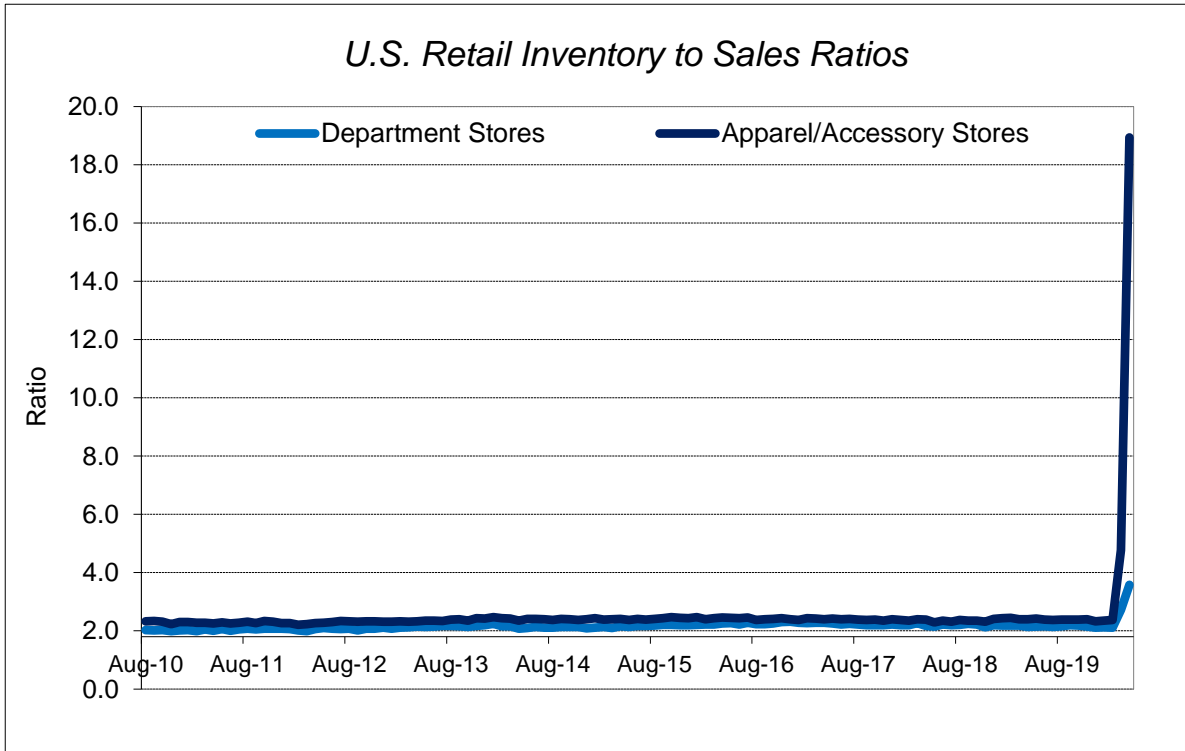
\*Based on chained 2005\$.



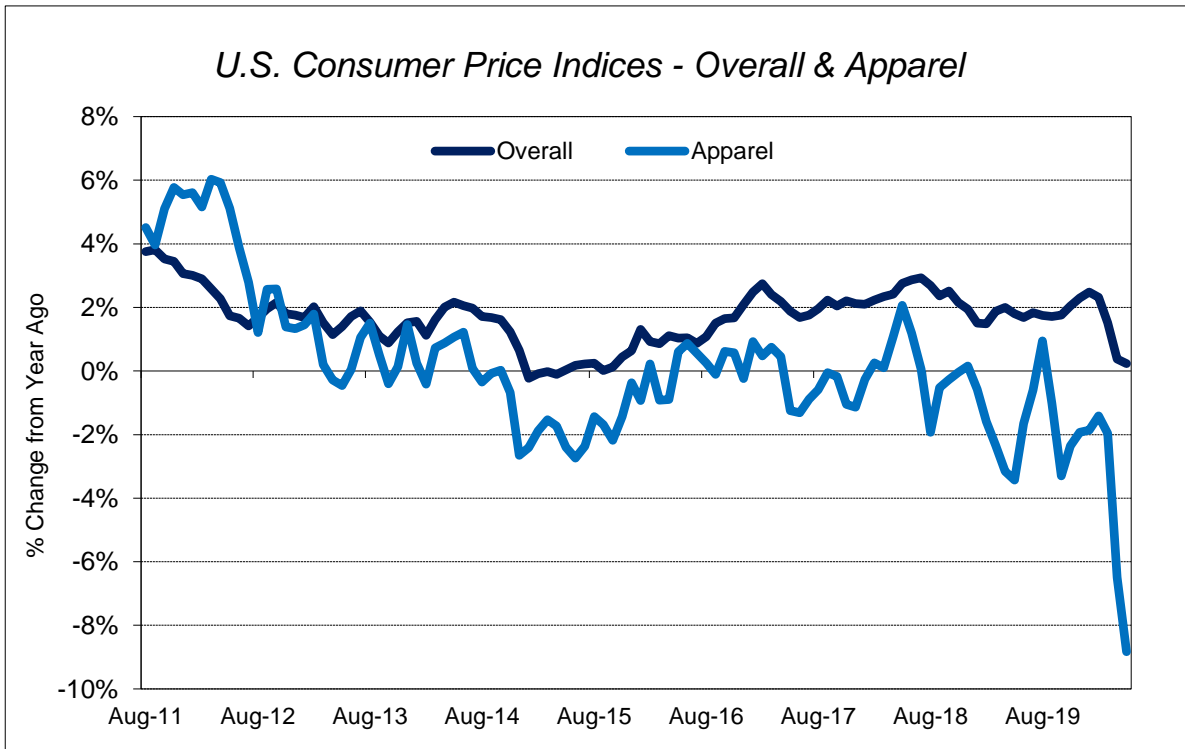
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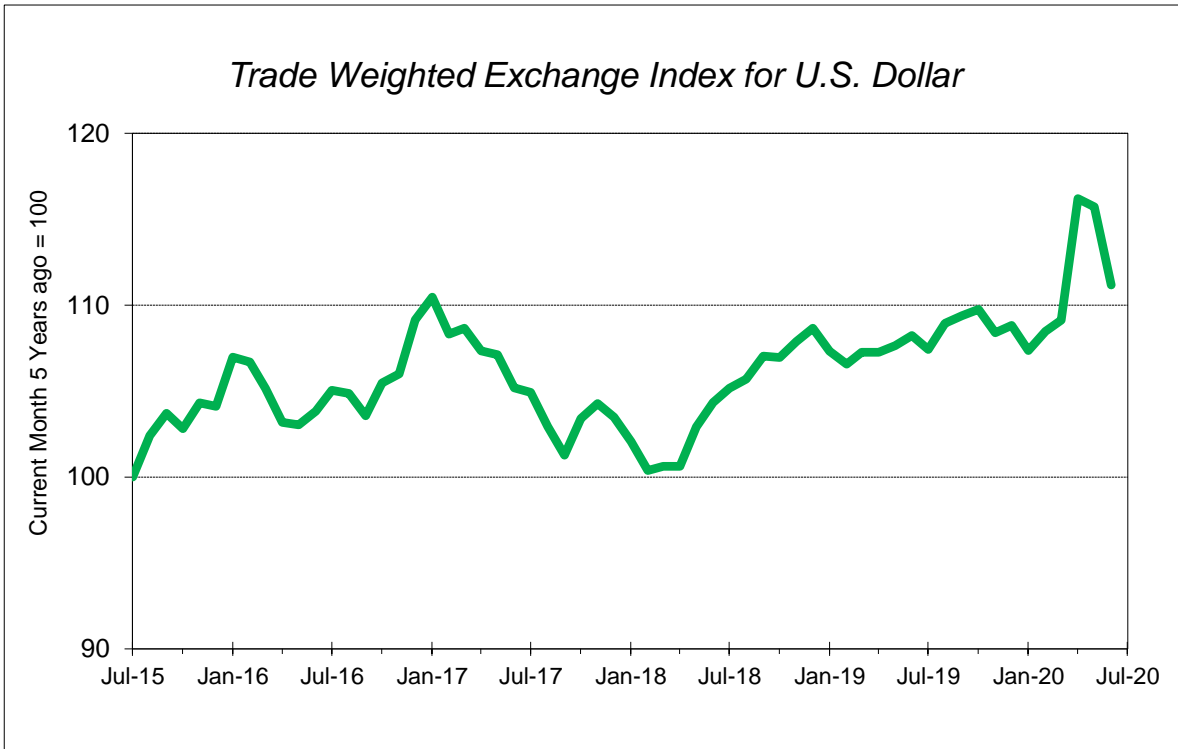
Source: Department of Commerce



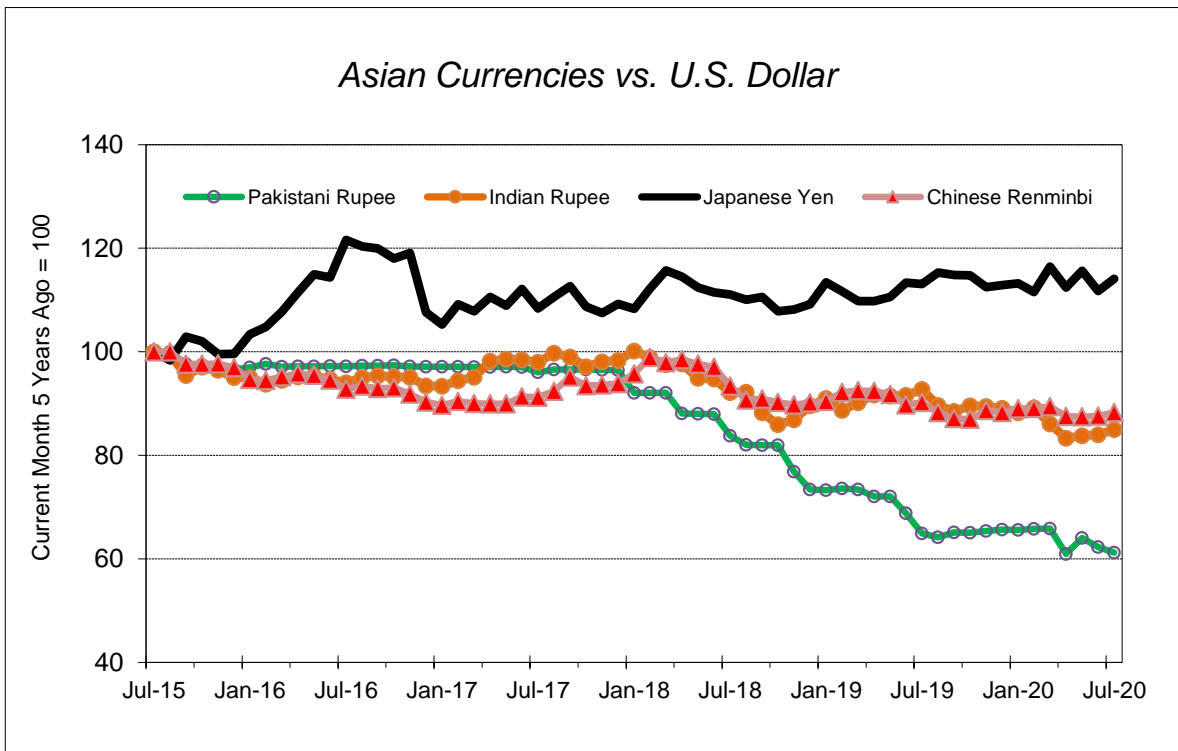
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Source: Federal Reserve

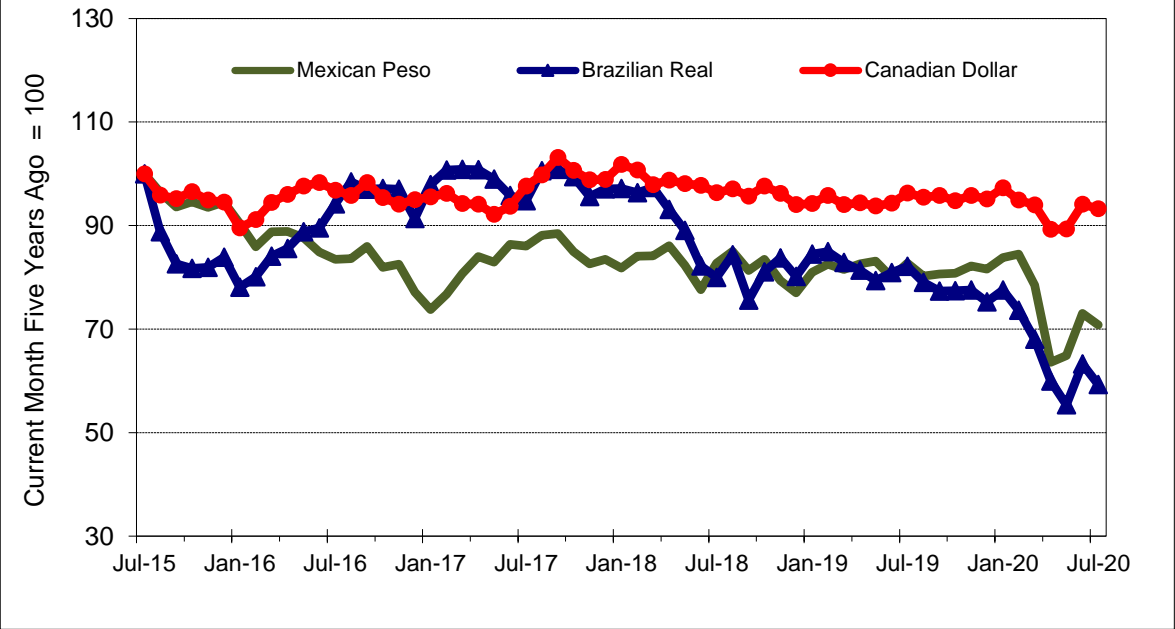


Source: Reuters

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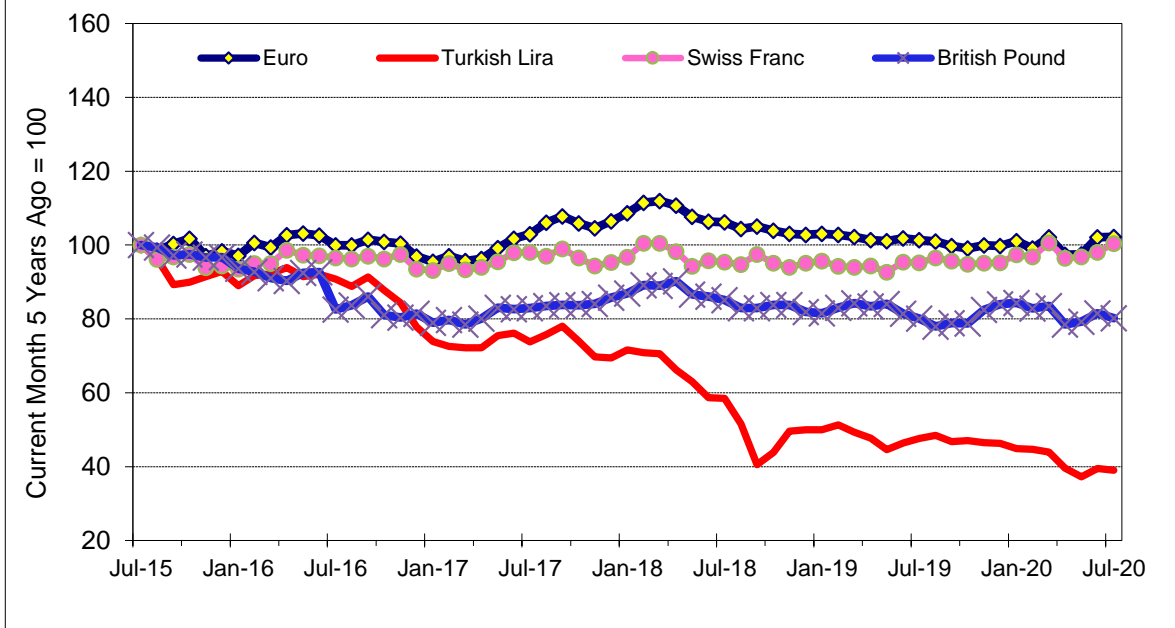


### North & South American Currencies vs. U.S. Dollar



Source: Reuters

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



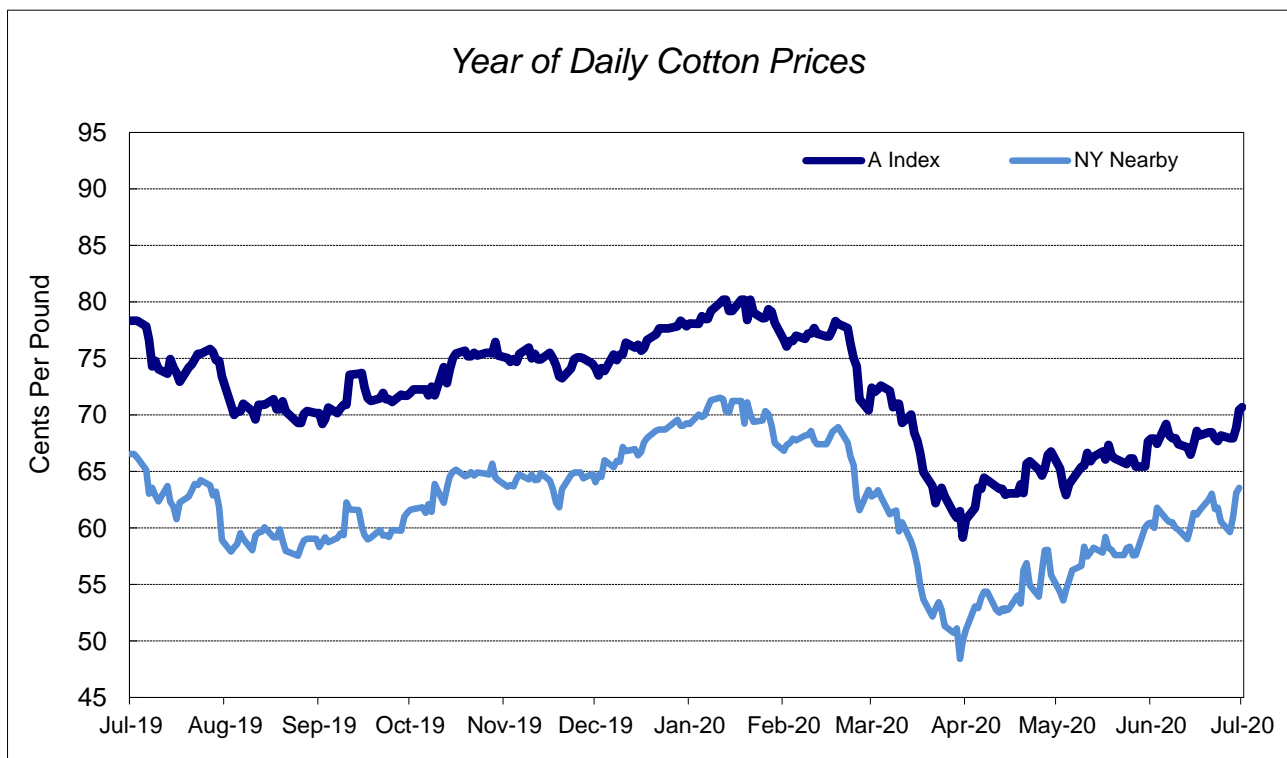
Source: Reuters

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## U.S. Balance Sheet

| million 480 lb. bales | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2020/21 |
|-----------------------|---------|---------|---------|---------|---------|---------|
|                       |         |         |         |         | May     | June    |
| Beginning Stocks      | 3.8     | 2.8     | 4.2     | 4.9     | 7.1     | 7.3     |
| Production            | 17.2    | 20.9    | 18.4    | 19.9    | 19.5    | 19.5    |
| Imports               | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     |
| Supply                | 21.0    | 23.7    | 22.6    | 24.8    | 26.6    | 26.8    |
| Mill-Use              | 3.3     | 3.2     | 3.0     | 2.5     | 2.9     | 2.8     |
| Exports               | 14.9    | 16.3    | 14.8    | 15.0    | 16.0    | 16.0    |
| Demand                | 18.2    | 19.5    | 17.7    | 17.5    | 18.9    | 18.8    |
| Ending Stocks         | 2.8     | 4.2     | 4.9     | 7.3     | 7.7     | 8.0     |
| Stocks/Use Ratio      | 15.1%   | 21.5%   | 27.3%   | 41.7%   | 40.7%   | 42.6%   |



Sources: ICE Futures U.S. & Cotton Outlook

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