Executive Cotton Update

U.S. Macroeconomic Indicators & the Cotton Supply Chain

Macroeconomic Overview: The latest jobs report signaled a significant slowdown in hiring in November. Even before the latest surge in COVID cases, a deceleration in economic activity had been anticipated in late 2020 and early 2021. This was because the gains from simply reopening were already enjoyed in the second and third quarters. The second phase of the recovery, which will require repairing from financial damage, has been expected to be more challenging.

With the latest surge in COVID, certain states (including California, which is the U.S. state with the largest population and the largest economy) have reissued stay at home orders. The shuttering of businesses will be a headwind for economic growth. Several forecasters have indicated that the U.S. GDP could contract in early 2021.

A potential source of encouragement is that a downturn could motivate another round of fiscal stimulus. Both political parties have reported progress towards an agreement. Political analysts have suggested that a deal appears likely before the end of the year.

Another source for optimism is that multiple vaccines have proven effective. It will be several months until those vaccines are widely available, but the promise of a medical solution could support consumer confidence. Despite COVID and its many effects, the Index of Consumer Confidence has been able to hold onto levels above its long-term average (93.3 since 1970). This contrasts with readings during the financial crisis, when the index collapsed to levels below 30.

With the onset of the holiday sales period, it is a time of year when consumer confidence is a focus. The National Retail Federation (NRF), a trade group representing U.S. retailers, reported that spending between Thanksgiving and Cyber Monday averaged $312 (Cyber Monday is the Monday after Thanksgiving, and it is traditionally the biggest day for online spending in the U.S.). This was down 14% year-over-year but nearly even with the level from 2018. A weight on overall spending was a decline in in-store visits. The NRF estimates foot traffic was down 37% on Black Friday (Black Friday is the day after Thanksgiving, and it is traditionally the biggest day of the year for in-store spending). Meanwhile, the number of consumers shopping online was reported to have risen 8% to 100 million (U.S. population is 331 million). Data from Adobe Analytics indicated that online spending on Cyber Monday increased 15% year-over-year.

Employment: The U.S. economy was estimated to have added 245,000 jobs in November. This is the lowest number since the recovery in the labor market began in May. The value for November is less than one half the figure for October and is only about one third of the figure for September. Revisions to previous months' estimates were mixed. The figure for September increased by 39,000 to +711,000, and the figure for October decreased 28,000 to +610,000.

The total number of jobs lost in March and April was 22.1 million. In the months since then, job growth has totaled 12.3 million. This implies a net reduction near 10 million jobs since the onset of COVID. Beyond these job losses, there has also been a decrease in the number of people wanting to work. Last month, 400,000 people left the labor force, and this was the driver of the month-over-month decrease in the unemployment rate (from 6.9% to 6.7%). Since February, the labor force has lost four million people.

Consumer Confidence & Spending: In November, the Index of Consumer Confidence suffered its largest month-over-month decline since August (-5.3 points). The current value (96.1) remains above the long-term average (93.3 since 1970) but is down more than thirty points year-over-year.

Overall consumer spending was 0.5% higher month-over-month in seasonally-adjusted data for October. Year-over-year, overall spending was down -1.8%. This was the shallowest year-over-year decrease since February.

Following a strong 6.3% month-over-month increase in September, consumer spending on apparel climbed another 0.3% month-over-month in October. Year-over-year, clothing spending was positive for the second consecutive month. In September, clothing spending is estimated to have been 5.8% higher year-over-year. In October, it was 2.7% higher.

Consumer Prices & Import Data: Retail apparel prices, as measured by the CPI for garments, decreased 1.9% month-over-month. Year-over-year, aggregate apparel prices were 6.2% lower. Average import prices for cotton-dominant apparel were decreased 1.5% month-over-month in seasonally-adjusted data for October. Year-over-year, import prices were down 10.0%.

The U.S. began imposing supplemental tariffs on Chinese-made apparel in September 2019. Every month since then, the volume of U.S. clothing imports from all sources had been negative year-over-year. Year-over-year comparisons are being made against levels affected by tariffs, but the year-over-year change in the volume of clothing imports (in terms of square-meter equivalence) turned positive in October (+5.2% for apparel of all fibers, +6.2% for cotton-dominant apparel).

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

December 2020

Cotton Incorporated

Macroeconomic Data

Quarterly Data

	Recent Averages			Values in Recent Quarters				
	5-year	1-year	6-month	3-month	Q1 : 2020	Q2 : 2020	Q3 : 2020	Unit	Source
Growth in US Real GDP	0.2%	-0.9%	-18.2%	-31.4%	-5.0%	-31.4%	33.1%	% Chg. Quarter/Quarter	Department of Commerce

Macroeconomic Series with Latest Data for November

	Recent Averages				Values in Recent Months				
	5-year	1-year	6-month	3-month	September	October	November	Unit	Source
ISM Index of Manufacuring Activity	53.9	54.2	53.4	56.9	55.4	59.3	57.5	Index	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	56.1	56.3	55.3	57.1	57.8	56.6	55.9	Index	Institute for Supply Management
Consumer Confidence	116.1	121.8	94.2	96.3	101.3	101.4	96.1	Index	The Conference Board
Change in Non-Farm Payrolls	-3.4	-133.7	2013.5	938.0	711	610	245	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	4.9%	5.1%	9.6%	7.7%	7.9%	6.9%	6.7%	Rate	Bureau of Labor Statistics
US Interest Rates									
Federal Funds	1.2%	1.5%	0.1%	0.1%	0.1%	0.1%	0.1%	Interest rate	Federal Reserve
10-year Treasury Bill	2.1%	2.1%	0.7%	0.7%	0.7%	0.8%	0.9%	Interest rate	Federal Reserve

Macroeconomic Series with Latest Data for October

	Recent Averages				Values in Recent Months				
	5-year	1-year	6-month	3-month	September	October	October	Unit	Source
Index of Leading Economic Indicators	106.0	109.0	105.0	107.5	106.7	107.5	108.2	Index	The Conference Board
Housing Starts	12.5	12.9	14.2	14.9	1.4	1.5	1.5	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.4	5.4	6.0	6.7	6.7	6.6	6.9	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				
	5-year	1-year	6-month	3-month	August	September	October	Unit	Source
US Industrial Production	105.3	106.8	101.4	102.7	102.1	103.2	103.2	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	107.4	96.0	95.7	95.8	98.2	97.9	98.2	Index, December 2003=100	Bureau of Labor Statistics

Industrial & Textile Series with Latest Data for August

	Recent Averages				Values in Recent Months				
	5-year	1-year	6-month	3-month	June	July	August	Unit	Source
Bale Equivalence of US Cotton Yarn & Fabric Exports	3.3	2.1	1.3	1.6	0.9	1.7	2.1	million 480lb bales	USDA ERS

Industrial & Textile Series with Latest Data for October

	Recent Averages				Values in Recent Months				
	5-year	1-year	6-month	3-month	August	September	October	Unit	Source
US Textile Mill Inventory/Shipments Ratio	1.37	1.40	1.42	1.38	1.38	1.38	1.37	Ratio	Department of Commerce

Retail Data

Retail Series with Latest Data for October

	Recent Averages				Values in Recent Months				
	5-year	1-year	6-month	3-month	August	September	October	Unit	Source
US Real Consumer Spending									
All Goods and Services	1.5%	0.7%	-3.0%	-1.9%	-3.0%	-2.1%	-1.8%	% Chg. Year/Year	Department of Commerce
Clothing	0.8%	0.2%	0.2%	4.3%	-0.7%	5.8%	2.7%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	1.8%	1.9%	1.1%	1.3%	1.3%	1.4%	1.2%	% Chg Year/Year	Bureau of Labor Statistics
Clothing	-1.3%	-2.1%	-6.9%	-6.3%	-6.4%	-6.4%	-6.2%	% Chg. Year/Year	Bureau of Labor Statistics

Retail Series with Latest Data for September

	Recent Averages				Values in Recent Months				
	5-year	1-year	6-month	3-month	July	August	September	Unit	Source
Retail Inventory/Sales Ratio									
Clothing and Clothing Accessory Stores	2.8	3.0	2.7	2.3	2.8	2.7	2.3	Ratio	Department of Commerce
Department Stores	2.2	2.2	2.1	2.0	2.1	2.2	2.0	Ratio	Department of Commerce

Executive Cotton Update

Daily Cotton Price and Currency Data
December 2020

Cotton Incorporated

Daily Cotton Price Data

	Recent Averages				Averages over Recent Months				
	5-year	**1-year**	**6-month**	**3-month**	**September**	**October**	**November**	**Unit**	**Source**
NY Nearby	69.3	70.5	68.7	66.9	64.6	69.2	70.6	cents/pound	ICE
A Index	78.2	79.8	77.8	76.0	70.8	74.8	77.7	cents/pound	Cotlook

Daily Currency Data

	Recent Averages				Averages over Recent Months				
	5-year	**1-year**	**6-month**	**3-month**	**September**	**October**	**November**	**Unit**	**Source**
Dollar Trade Weighted Exchange Index	114.2	115.1	117.4	115.8	116.4	116.7	114.3	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.76	6.81	6.89	6.75	6.83	6.81	6.62	Chinese Renminbi/US dollar	Reuters
Indian Rupee	68.82	70.60	74.39	73.62	73.34	73.32	74.21	Indian Rupee/US dollar	Reuters
Japanese Yen	109.65	109.00	106.47	105.20	106.28	106.03	103.31	Japanese Yen/US dollar	Reuters
Pakistani Rupee	127.14	141.99	164.50	162.92	165.65	163.98	159.13	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	3.85	4.18	5.35	5.47	5.30	5.62	5.48	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.32	1.32	1.33	1.31	1.31	1.33	1.30	Canadian dollar/US dollar	Reuters
Mexican Peso	19.44	19.94	21.73	21.22	21.58	21.50	20.58	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.76	0.77	0.77	0.76	0.76	0.78	0.76	British Pound/US dollar	Reuters
Euro	0.88	0.87	0.86	0.85	0.85	0.85	0.84	Euro/US dollar	Reuters
Swiss Franc	0.98	0.97	0.92	0.91	0.92	0.92	0.90	Swiss Franc/US dollar	Reuters
Turkish Lira	4.74	5.71	7.46	7.95	7.46	7.89	8.51	Turkish Lira/US dollar	Reuters

Growth in U.S. Real Gross Domestic Product

% Chg from Previous Quarter
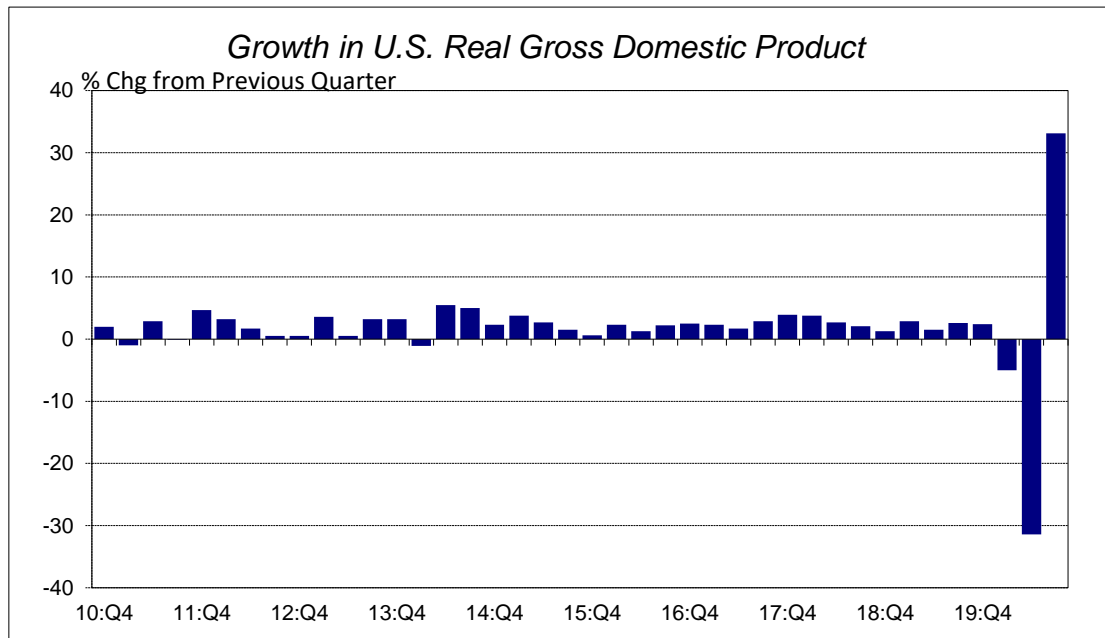
Seasonally Adjusted Annual Rate; Source: Department of Commerce
*Based on chained 2005$.
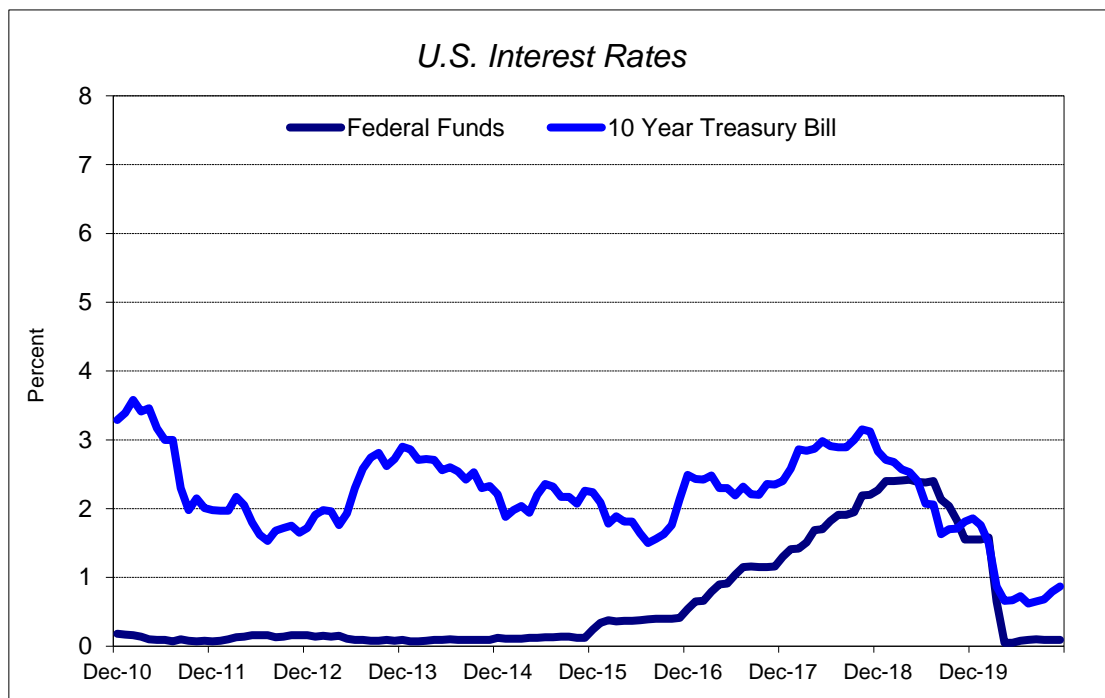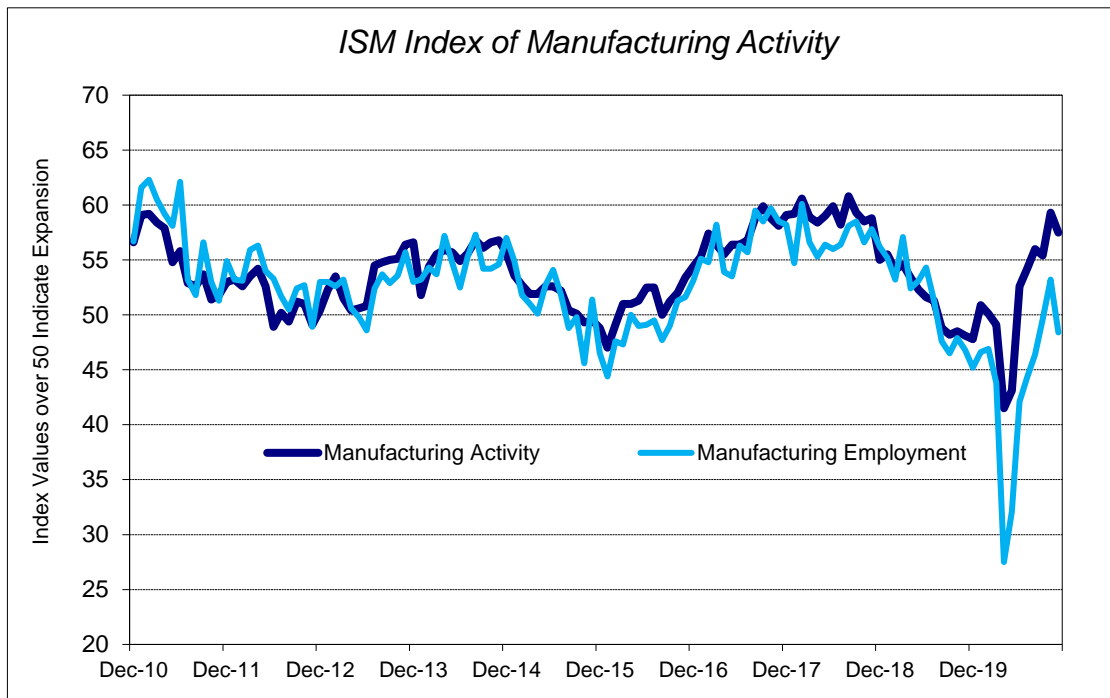
U.S. Interest Rates

Source: Federal Reserve

ISM Index of Manufacturing Activity

Source: Institute for Supply Chain Management

ISM Index of Non-Manufacturing Activity

Source: Institute for Supply Chain Management

U.S. Leading Economic Indicators

Source: The Conference Board

U.S. Consumer Confidence

Source: The Conference Board

Change in U.S. Civilian Employment

Source: Bureau of Labor Statistics

U.S. Unemployment Rate

Source: Bureau of Labor Statistics

U.S. Housing Starts

Seasonally Adjusted Annual Rate; Source: Department of Commerce

U.S. Existing Home Sales
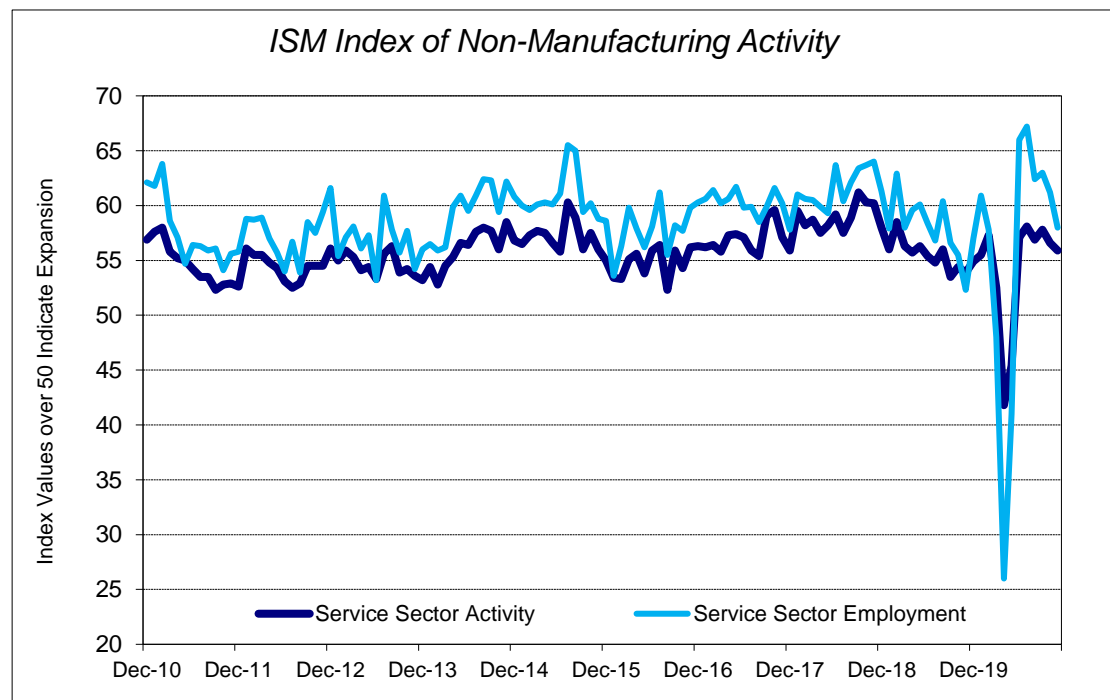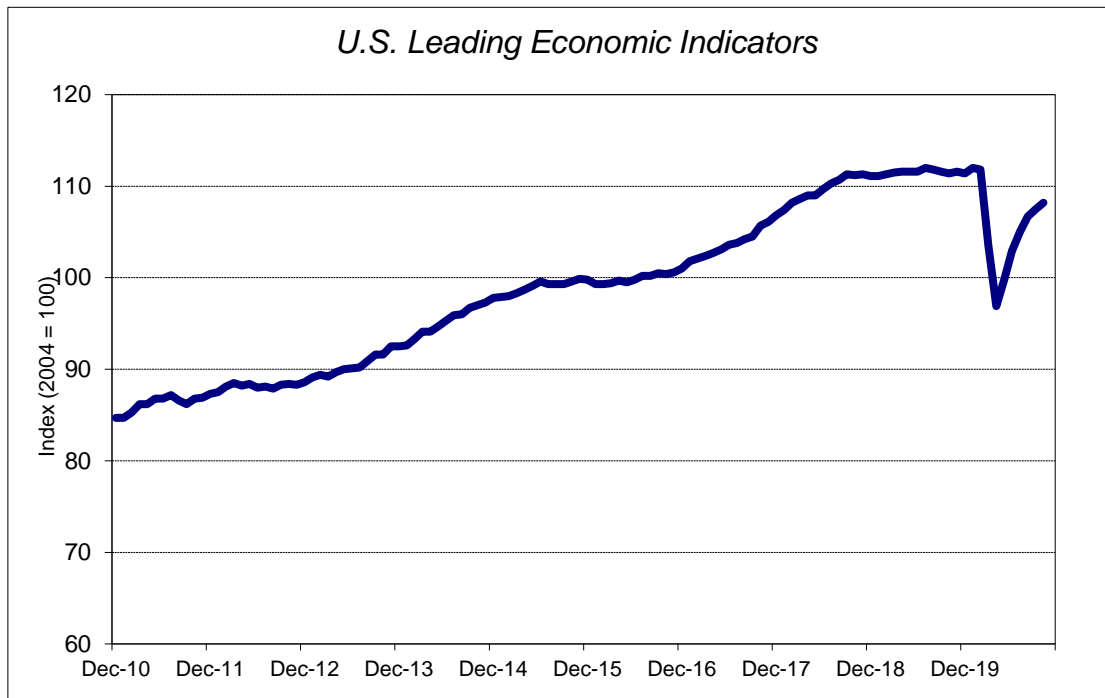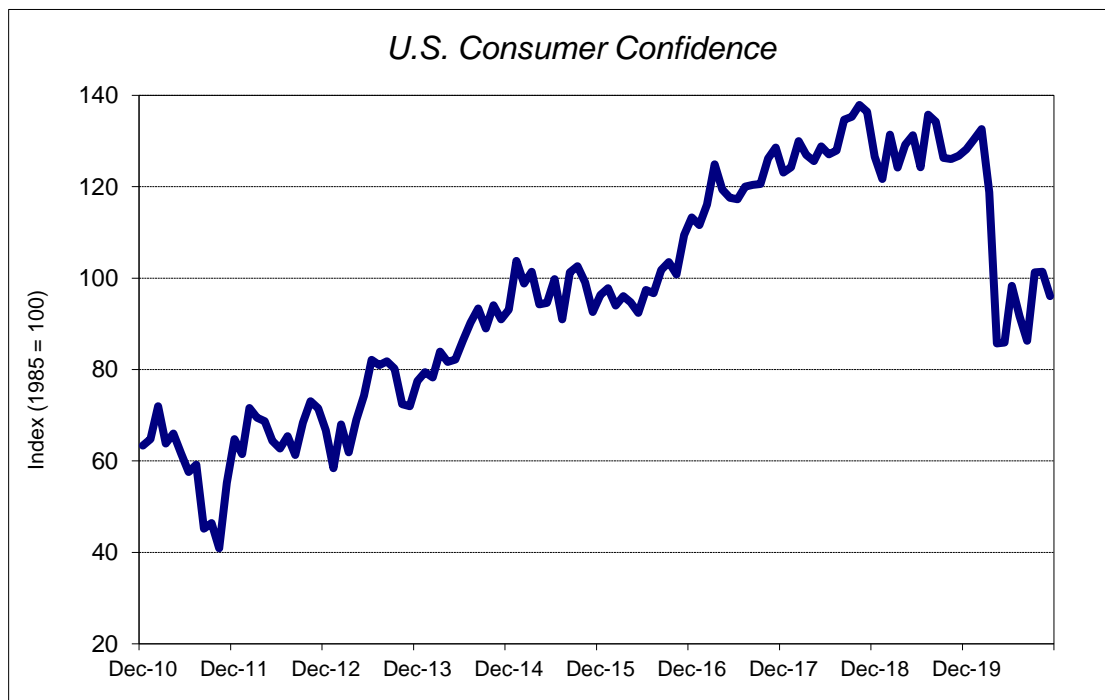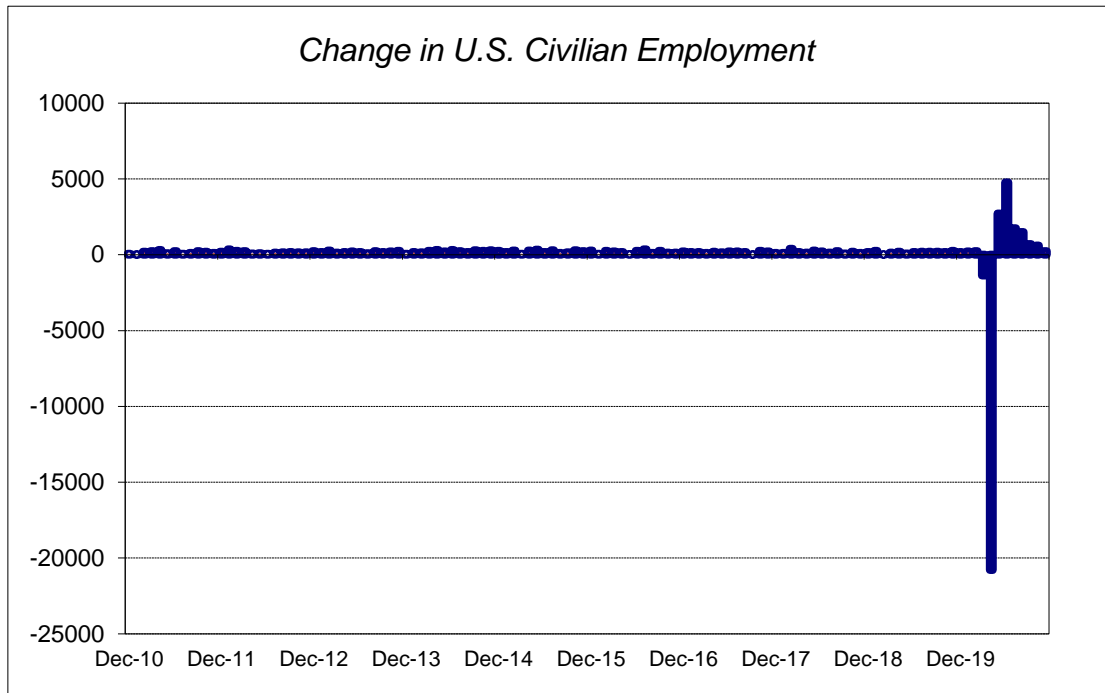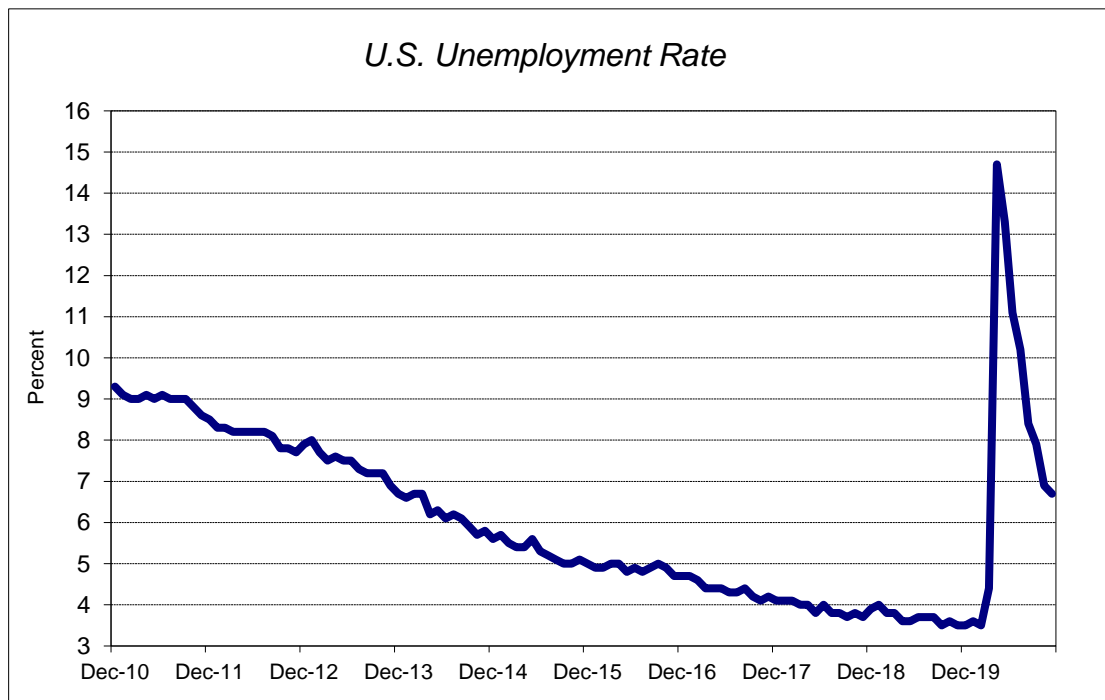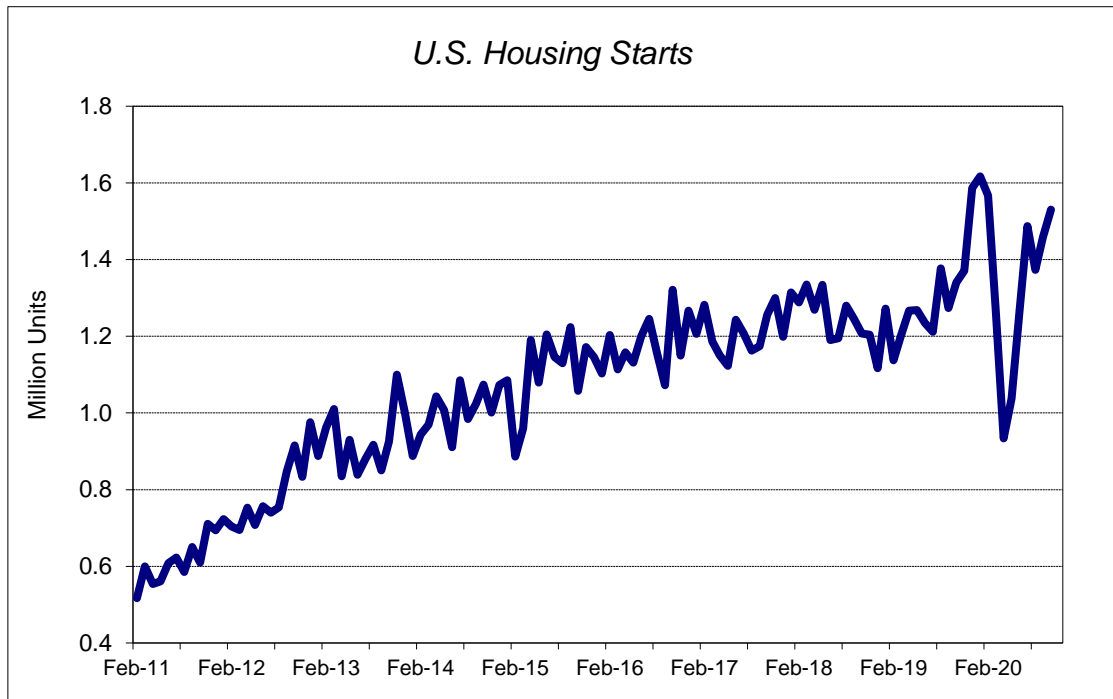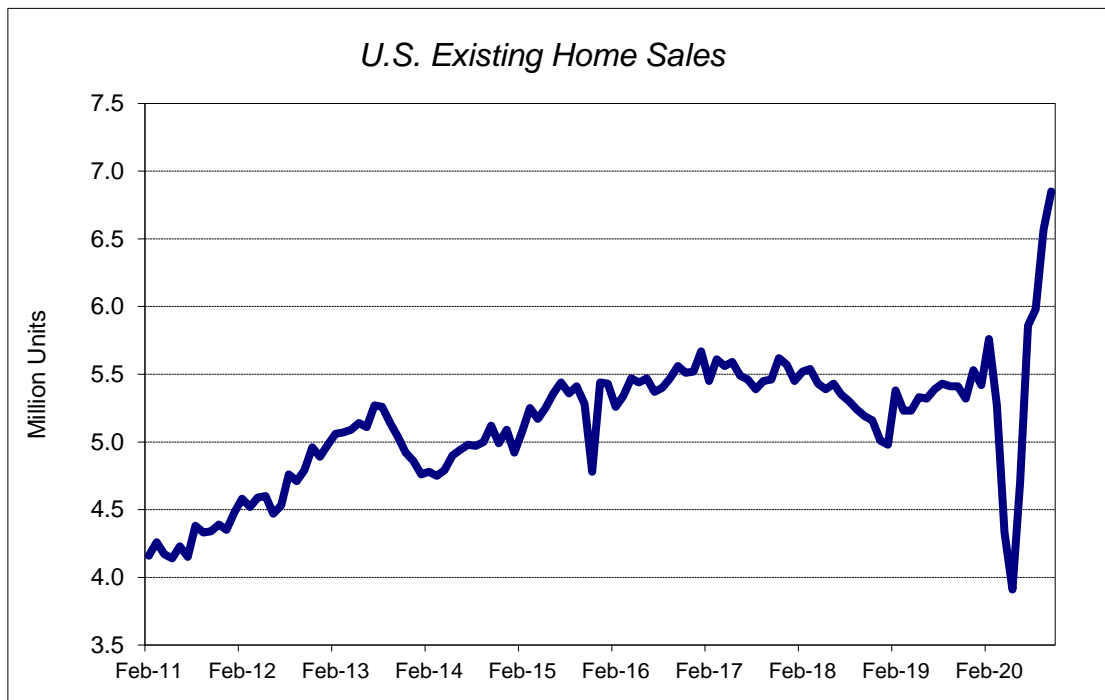
Seasonally Adjusted Annual Rate; Source: National Association of Realtors

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U.S. Industrial Production - Overall & Textile
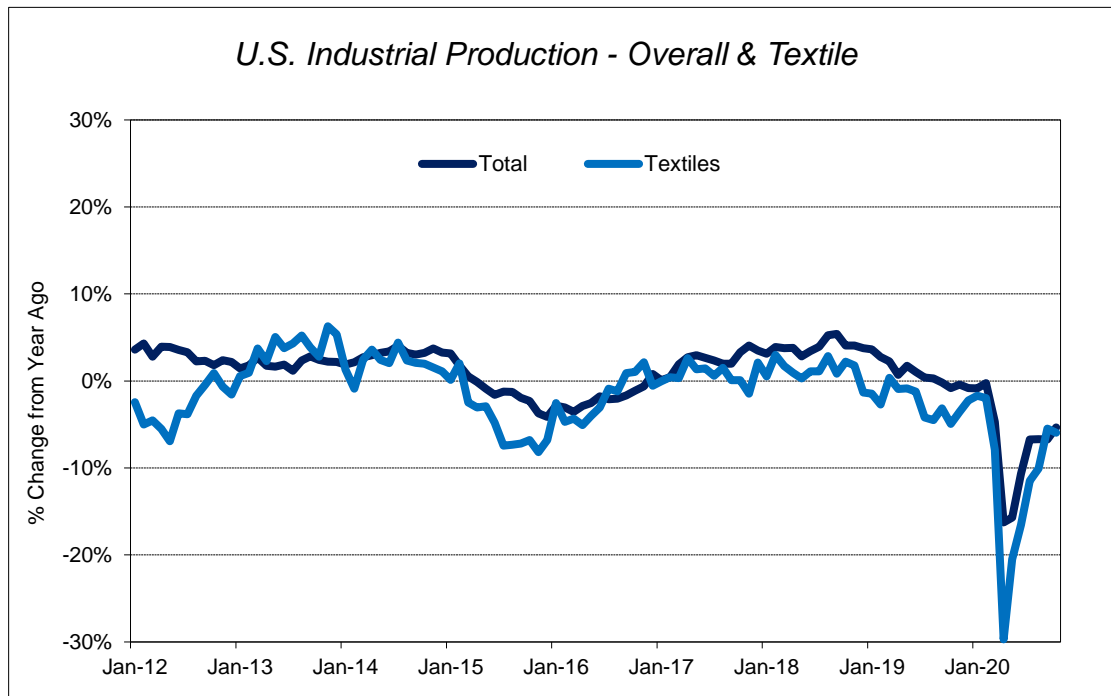
Source: Federal Reserve. Historical data revised to 1997 baseline.

U.S. Textile Mill Inventory to Shipments Ratio
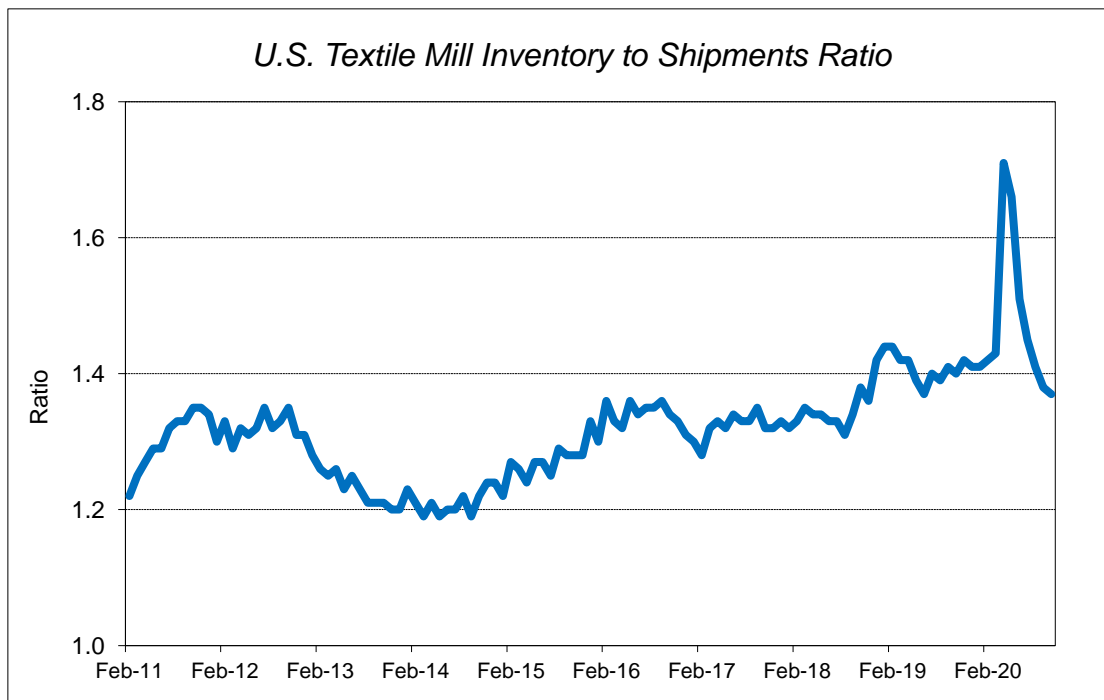
Seasonally Adjusted; Source: Department of Commerce

US Cotton Yarn Exports
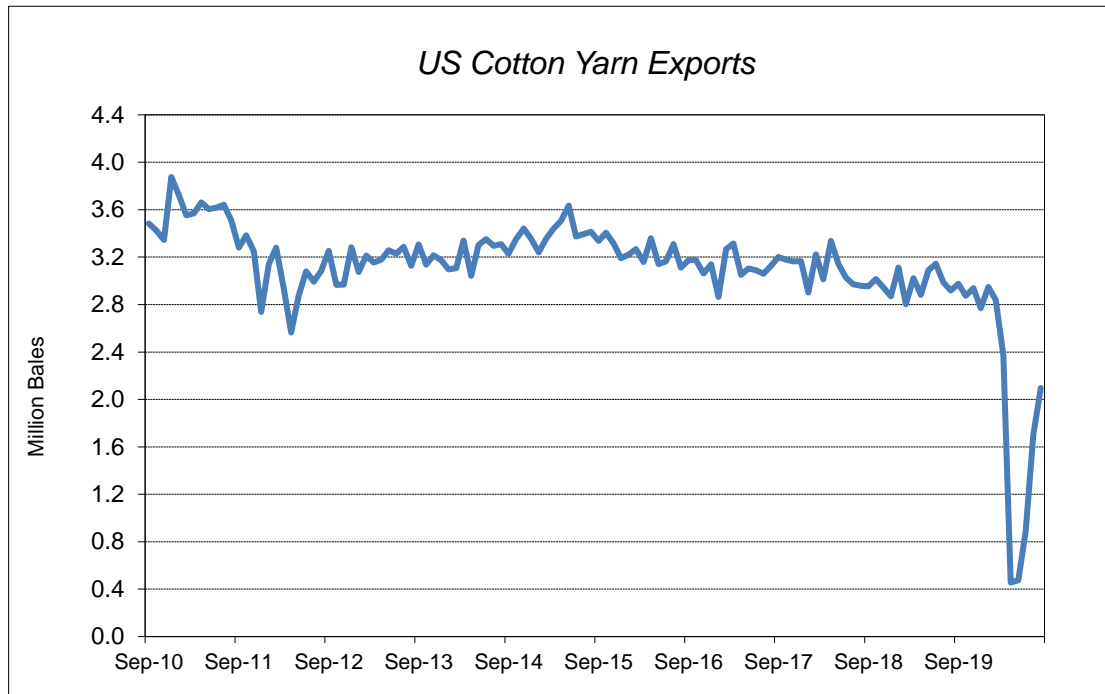
Seasonally Adjusted Annual Rate
Source: USDA ERS
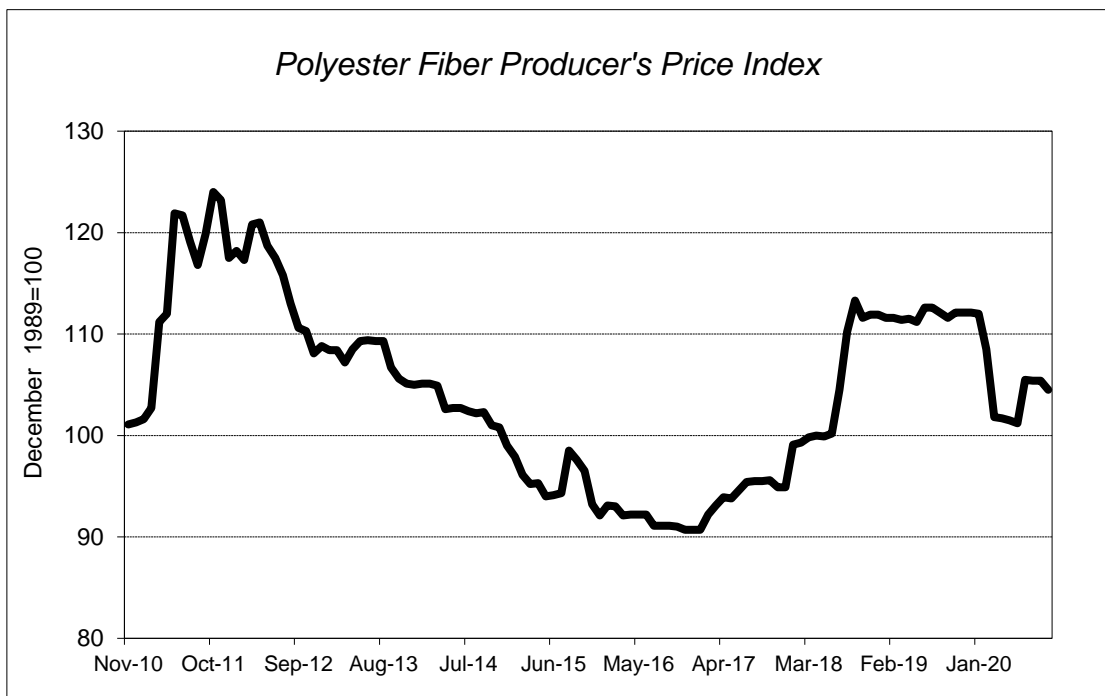
Polyester Fiber Producer's Price Index

Source: Bureau of Labor Statistics

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U.S. Real Consumer Spending - All Goods & Services

*Based on chained 2005$.

U.S. Real Consumer Spending on Clothing
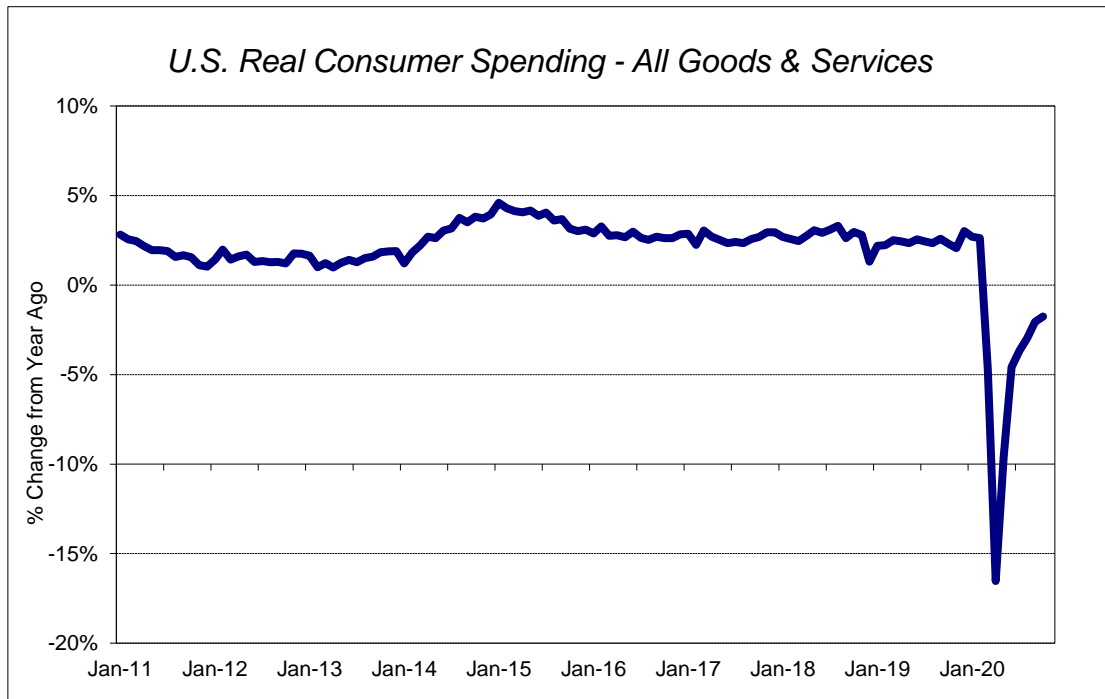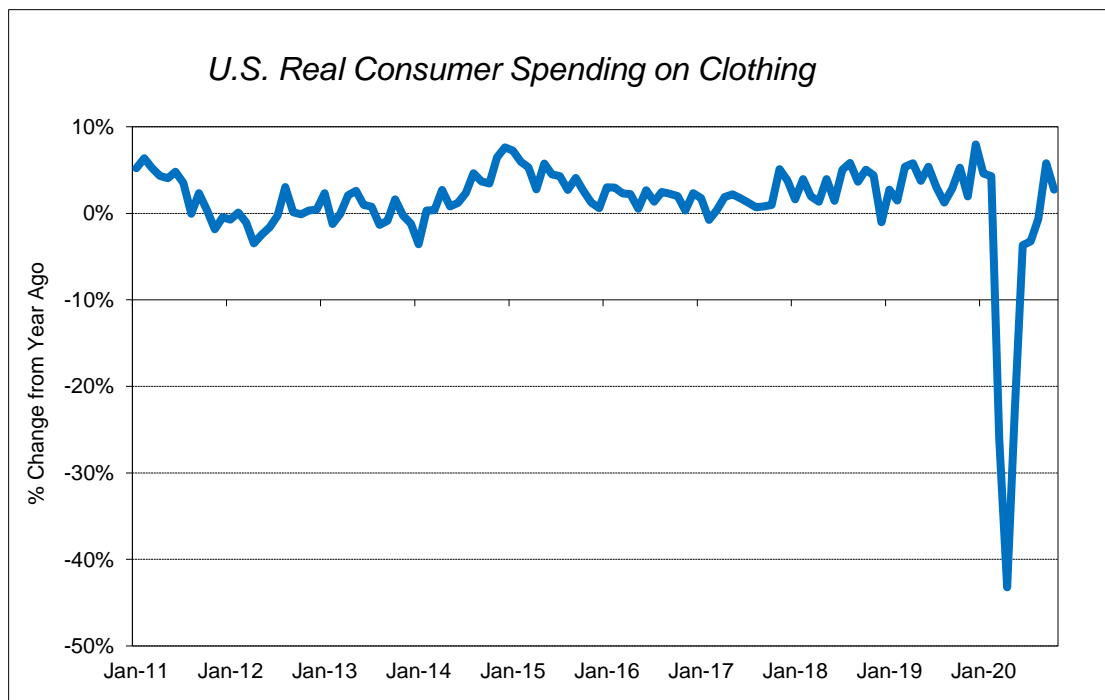
*Based on chained 2005$.

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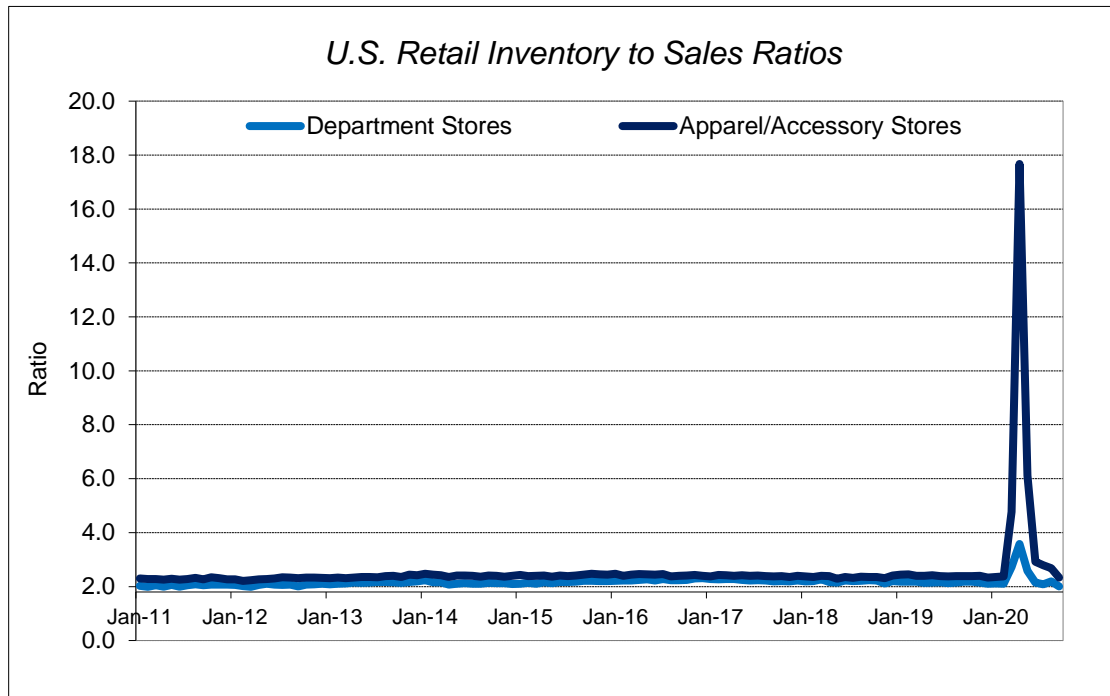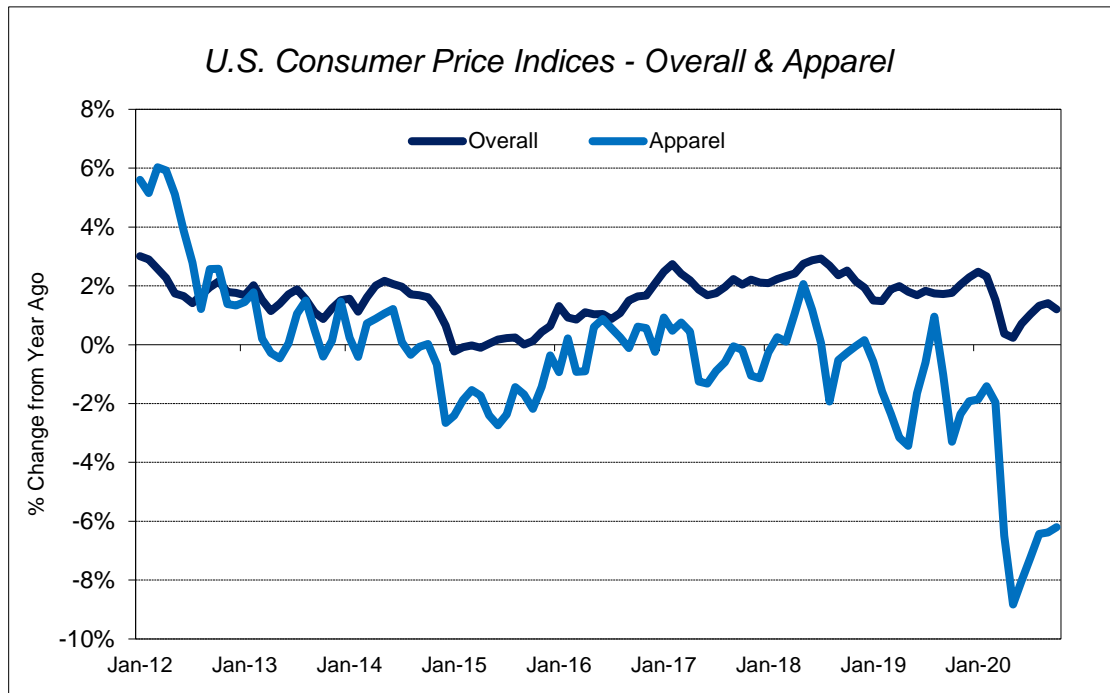
U.S. Retail Inventory to Sales Ratios

Source: Department of Commerce

U.S. Consumer Price Indices - Overall & Apparel

Source: Bureau of Labor Statistics

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Trade Weighted Exchange Index for U.S. Dollar

Source: Federal Reserve

Asian Currencies vs. U.S. Dollar
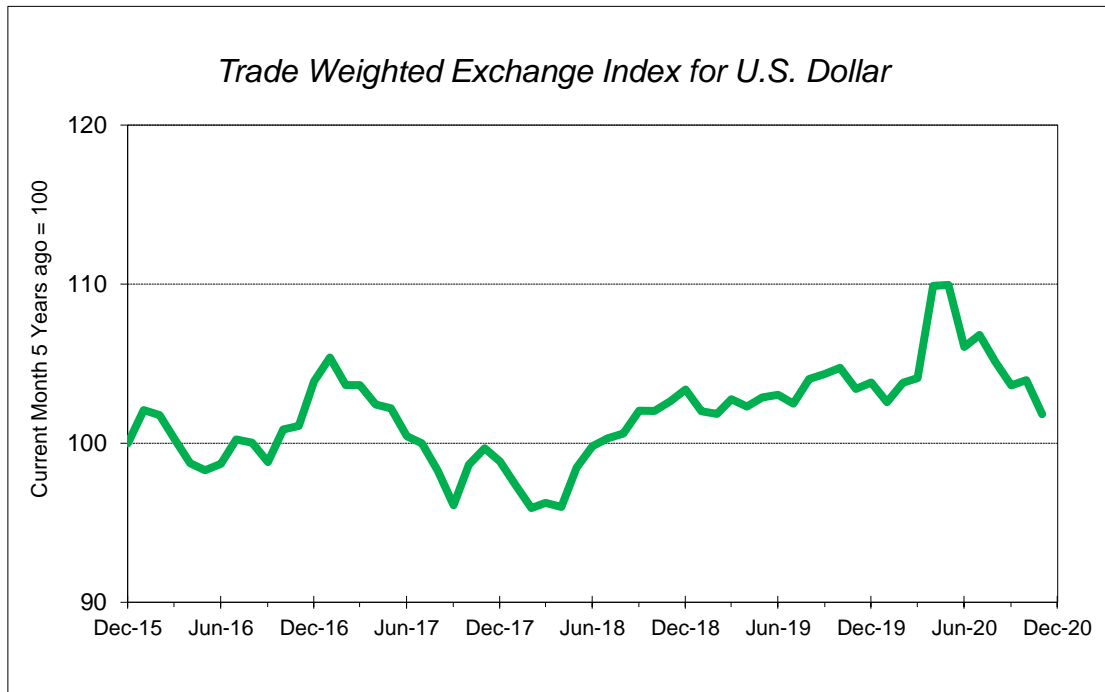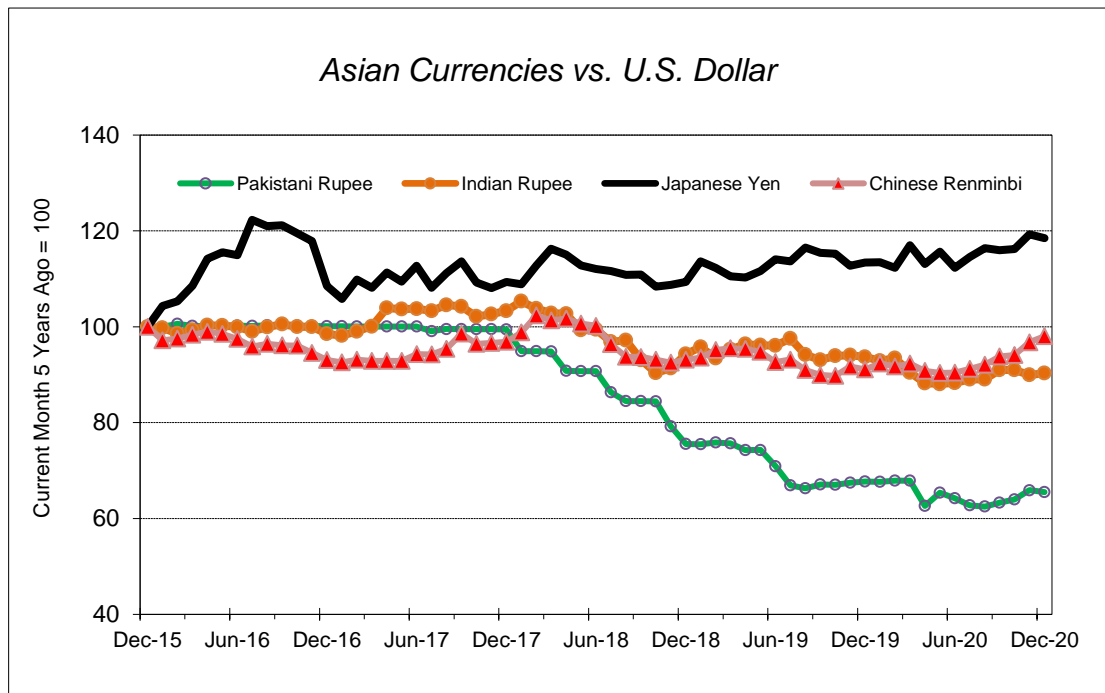
Source: Reuters

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

Source: Reuters

Index of European Currencies vs. U.S. Dollar

Source: Reuters

U.S. Balance Sheet

million 480 lb. bales	2016/17	2017/18	2018/19	2019/20	2020/21 October	2020/21 November
Beginning Stocks	3.8	2.8	4.2	4.9	7.3	7.3
Production	17.2	20.9	18.4	19.9	17.0	17.1
Imports	0.0	0.0	0.0	0.0	0.0	0.0
Supply	21.0	23.7	22.6	24.8	24.3	24.3
Mill-Use	3.3	3.2	3.0	2.2	2.5	2.5
Exports	14.9	16.3	14.8	15.5	14.6	14.6
Demand	18.2	19.5	17.8	17.7	17.1	17.1
Ending Stocks	2.8	4.2	4.9	7.3	7.2	7.2
Stocks/Use Ratio	15.1%	21.5%	27.2%	41.0%	42.1%	42.1%

Year of Daily Cotton Prices
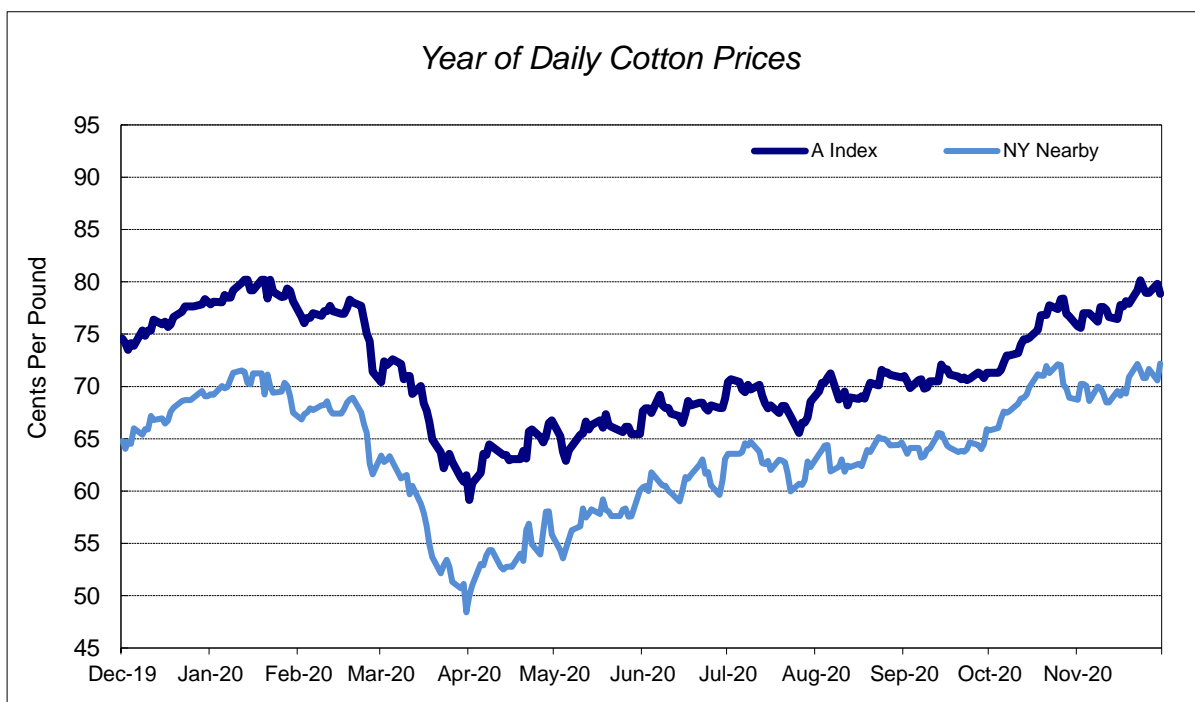
Sources: ICE Futures U.S. & Cotton Outlook