

# Executive Cotton Update

U.S. Macroeconomic Indicators &  
the Cotton Supply Chain



January 2022

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

**Macroeconomic Overview:** The Omicron variant has driven COVID case counts to new records in the U.S. and elsewhere. While the new strain has proven extraordinarily contagious, it has also been less dangerous to human health. A hope for the longer term is that widespread infection caused by omicron could boost collective immunity at a lower relative cost in terms of hospitalizations and deaths.

Wage growth was a little slower in December (+4.7% year-over-year, it was over five percent in September and October). However, the rate of income growth is still more than a full percentage point higher than the peak observed between the financial crisis and the COVID pandemic. While recent gains in wage growth can support increased consumer spending, a concern is that it may also contribute to inflation by raising costs for suppliers of goods and services.

Retail apparel prices have risen in recent months but have yet to rise beyond pre-COVID levels (the November apparel CPI was 1.7% lower than in February 2020). Average import costs recently equaled their pre-pandemic levels. Yarn and fiber prices have flown by values before the outbreak (the average for the A Index was up 65% in December 2021 versus February 2020, the average for Cotlook's yarn index was up 45% over the same period).

Statistically, the strongest correlations between fiber prices and apparel import costs are around nine months. This suggests that the surge in cotton prices that began in late September should continue to pull import costs higher for another five to six months. Higher sourcing costs could eventually lift retail prices beyond pre-pandemic levels.

The year-over-year rate of overall inflation was 6.9% in November (the latest month with data). This was above the rate of wage growth that month (5.1%), implying a decrease in consumers' spending power. After considering inflation to have been a "transitory" threat a few months ago, it has emerged as a concern for the Federal Reserve. Monthly additions to the money supply are scheduled to wind down, and a series of increases in interest rates are expected this year. These efforts could eventually contain inflation. However, a side effect of tightening monetary policy can be slower economic growth.

**Employment:** In December, the U.S. economy was estimated to have added +199,000 jobs. Revisions to figures for previous months were positive. The estimate for October rose +102,000 to +648,000. The estimate for November rose +39,000 to +249,000. The 12-month average for job gains is +537,000. Since COVID, there has been a net loss of -3.5 million workers.

The unemployment rate dropped 0.3 percentage points to 3.9%. It has been rare that the U.S. unemployment rate has held at levels this low. Since records began being kept by the Bureau of Labor Statistics in the late 1940s, there have been only four or five other periods when the unemployment rate was sustained below four percent.

**Consumer Confidence & Spending:** The Conference Board's Index of Consumer Confidence increased in December, rising 3.9 points relative to November to 115.8. The current value is the highest in five months (it was 125.1 in July 2021), and it is well above the value one year ago (87.1 in December 2020). Nonetheless, the current figure is below the values near 130 that were reached before COVID and in the summer of 2020 (when case counts set post-pandemic lows). The long-term average (since 1970) is near 93.5.

Overall consumer spending was essentially flat month-over-month in November (+0.03%). Year-over-year, overall spending was up 7.4%. Apparel spending was down month-over-month in November (-2.6%). This was the first month-over-month decrease in three months (was -2.7% in July and averaged 1.6% month-over-month growth from August through October). Year-over-year, apparel spending was 18.0% higher in November. Relative to the same month in 2019 (pre-COVID), apparel spending was up 22.9%. The long-term average annual growth rate in spending on clothing is 2.2% (2003 through 2019), so recent growth in apparel spending is exceptional.

**Consumer Prices & Import Data:** The CPI for apparel increased in November (latest available). Month-over-month, retail prices were 1.5% higher. Year-over-year, prices were 5.0% higher. Despite monthly increases in seven of the past eight months, average retail prices are still lower than before the pandemic (-1.7% in November 2021 versus February 2020, seasonally-adjusted data).

Average monthly prices per square meter equivalent have increased for eight straight months (seasonally-adjusted data). Nine months ago, average import costs set a record low (\$2.95 per square meter equivalent or SME in March 2021). In November, the latest month with import data available, the average cost per SME was \$3.43/SME. The latest value was \$0.15/SME (+4.7%) higher month-over-month and was 13.1% higher year-over-year. After being below pre-COVID levels since the spring of 2020, the current cost per cotton-dominant SME is now on par with levels before the pandemic.

## 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	

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U.S. Macroeconomic Indicators & Cotton Prices  
January 2022



## Macroeconomic Data

Quarterly Data	Recent Averages				Values in Recent Quarters			Unit	Source
	5-year	1-year	6-month	3-month	Q1 : 2021	Q2 : 2021	Q3 : 2021		
Growth in US Real GDP	2.4%	2.2%	5.1%	2.3%	6.3%	6.7%	2.3%	% Chg. Quarter/Quarter	Department of Commerce

Macroeconomic 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	56.1	60.7	60.2	60.2	60.8	61.1	58.7	Index	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	57.7	62.5	64.3	65.9	66.7	69.1	62.0	Index	Institute for Supply Management
Consumer Confidence	118.5	112.8	114.9	113.1	111.6	111.9	115.8	Index	The Conference Board
Change in Non-Farm Payrolls	58.9	537.3	508.2	365.3	648	249	199	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	5.1%	5.4%	4.7%	4.2%	4.6%	4.2%	3.9%	Rate	Bureau of Labor Statistics
US Interest Rates									
Federal Funds	1.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	Interest rate	Federal Reserve
10-year Treasury Bill	1.9%	1.4%	1.4%	1.5%	1.6%	1.6%	1.5%	Interest rate	Federal Reserve

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		
Index of Leading Economic Indicators	109.3	115.3	118.1	119.0	118.6	118.6	119.9	Index	The Conference Board
Housing Starts	13.4	15.9	15.9	1.6	1.6	1.5	1.7	Annual pace, millions of units	Department of Commerce
Existing Home Sales	5.6	6.2	6.1	6.4	6.3	6.3	6.5	Annual pace, millions of units	National Association of Realtors

## Industrial & Textile Data

Industrial & Textile 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	100.1	99.9	101.2	101.4	101.1	100.1	102.3	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	106.3	116.8	126.3	132.0	124.3	135.3	136.2	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	2.5	2.7	2.6	2.7	2.6	2.5	million 480lb bales	USDA ERS

Industrial & Textile 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 Textile Mill Inventory/Shipments Ratio	1.39	1.37	1.38	1.40	1.40	1.39	1.41	Ratio	Department of Commerce

## Retail Data

Retail 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	2.3%	7.4%	7.5%	6.8%	6.4%	6.7%	7.4%	% Chg. Year/Year	Department of Commerce
Clothing	7.1%	30.8%	19.3%	16.2%	14.9%	15.7%	18.0%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices									
Overall	2.4%	4.2%	5.7%	6.2%	5.4%	6.2%	6.9%	% Chg Year/Year	Bureau of Labor Statistics
Clothing	-1.1%	1.3%	4.0%	3.9%	2.5%	4.1%	5.0%	% Chg. Year/Year	Bureau of Labor Statistics

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		
Retail Inventory/Sales Ratio									
Clothing and Clothing Accessory Stores	2.7	2.0	1.9	1.9	1.9	1.9	1.9	Ratio	Department of Commerce
Department Stores	2.1	1.9	1.7	1.8	1.7	1.8	1.8	Ratio	Department of Commerce

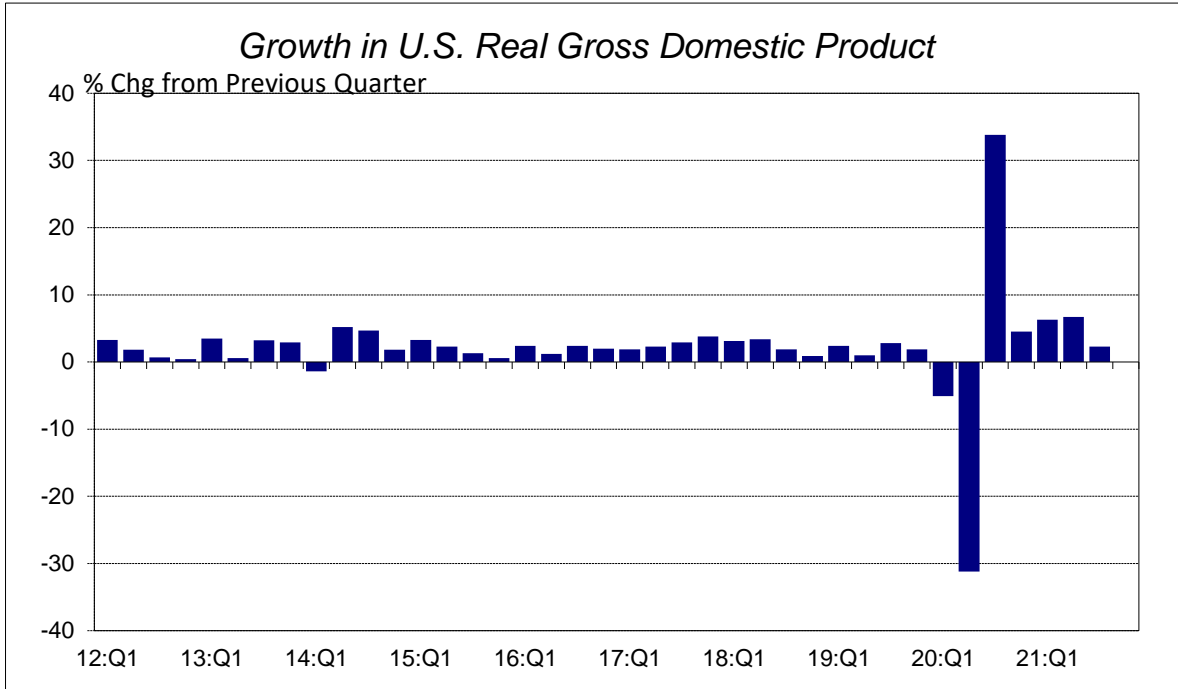
# Executive Cotton Update

Daily Cotton Price and Currency Data

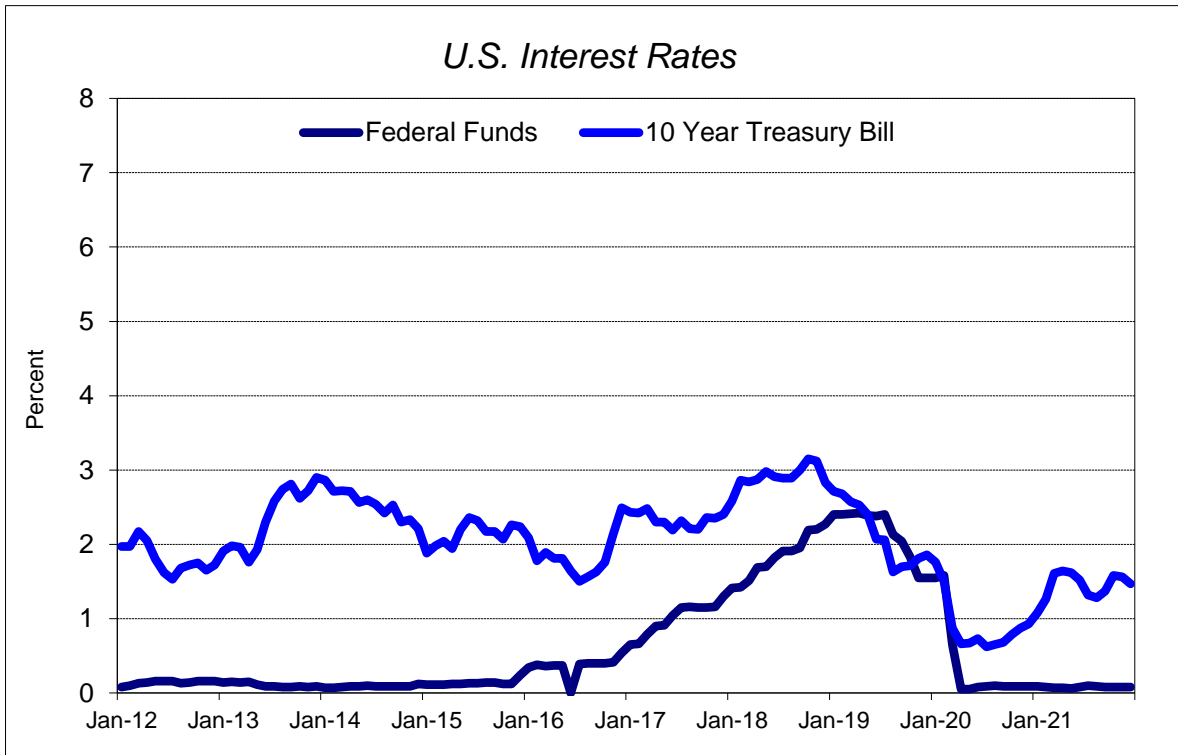
January 2022



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	76.1	93.3	102.2	111.5	108.7	118.0	107.9	cents/pound	ICE
A Index	85.2	101.2	111.1	121.3	117.4	126.5	120.0	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	114.4	115.6	114.3	115.2	114.8	114.5	116.3	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.73	6.76	6.44	6.41	6.46	6.40	6.37	Chinese Renminbi/US dollar	Reuters
Indian Rupee	70.33	72.75	74.48	74.90	74.79	74.47	75.44	Indian Rupee/US dollar	Reuters
Japanese Yen	109.64	108.42	111.64	112.88	111.53	113.46	113.67	Japanese Yen/US dollar	Reuters
Pakistani Rupee	139.53	157.41	167.77	172.38	170.25	170.08	176.80	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	4.25	4.81	5.39	5.56	5.52	5.53	5.64	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.30	1.31	1.26	1.25	1.25	1.24	1.26	Canadian dollar/US dollar	Reuters
Mexican Peso	19.83	20.32	20.36	20.72	20.62	20.42	21.12	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.76	0.76	0.73	0.74	0.73	0.74	0.76	British Pound/US dollar	Reuters
Euro	0.87	0.87	0.86	0.87	0.87	0.87	0.89	Euro/US dollar	Reuters
Swiss Franc	0.96	0.95	0.92	0.92	0.93	0.91	0.93	Swiss Franc/US dollar	Reuters
Turkish Lira	5.97	7.14	9.64	10.72	8.88	9.70	13.57	Turkish Lira/US dollar	Reuters



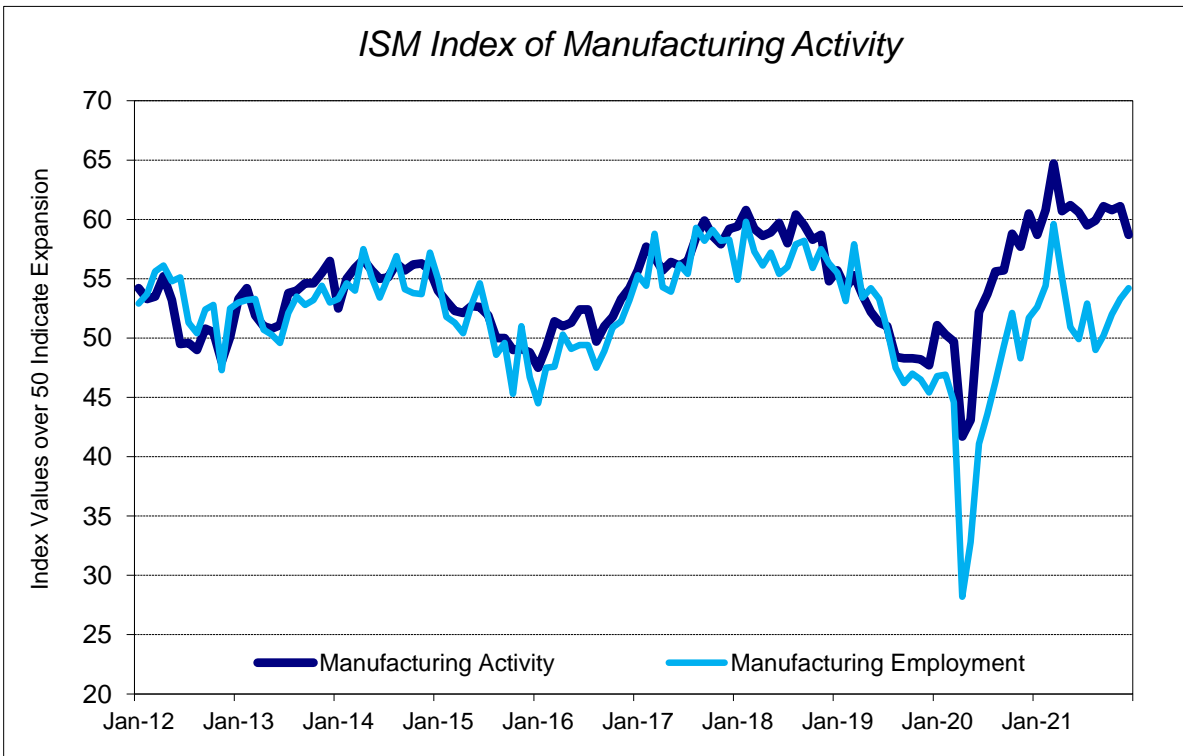
Seasonally Adjusted Annual Rate; Source: Department of Commerce  
 \*Based on chained 2005\$.



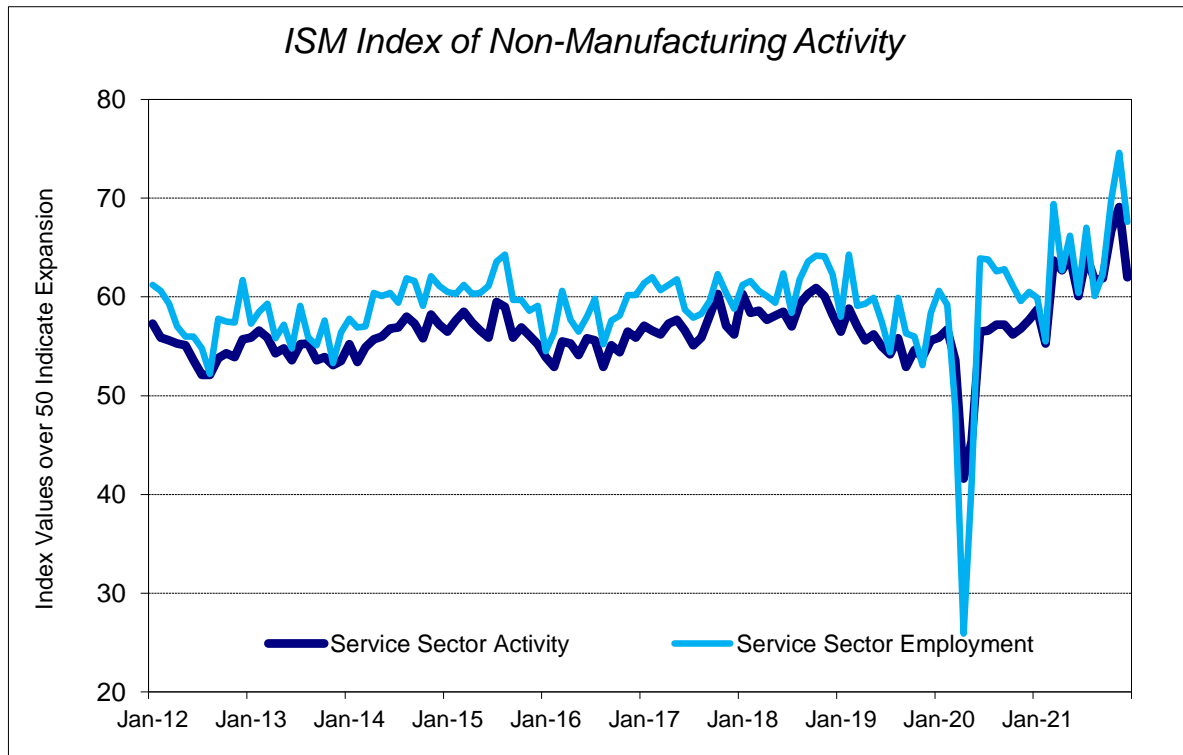
Source: Federal Reserve

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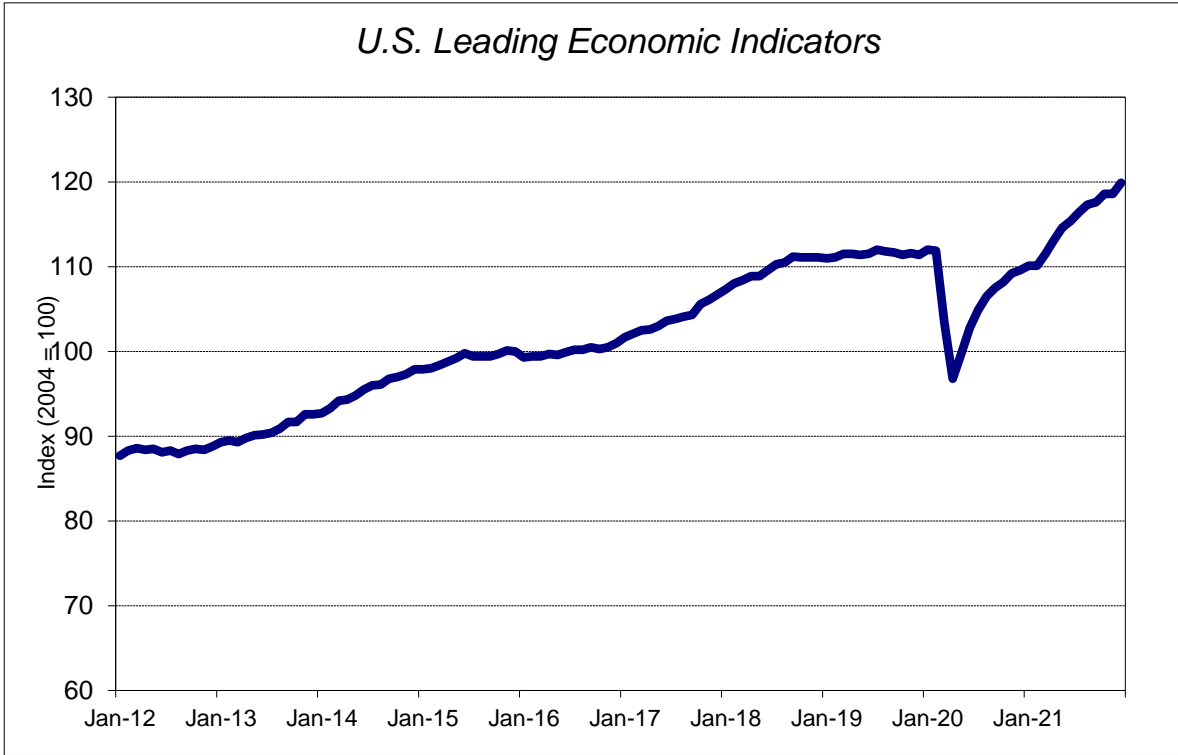
Source: Institute for Supply Chain Management



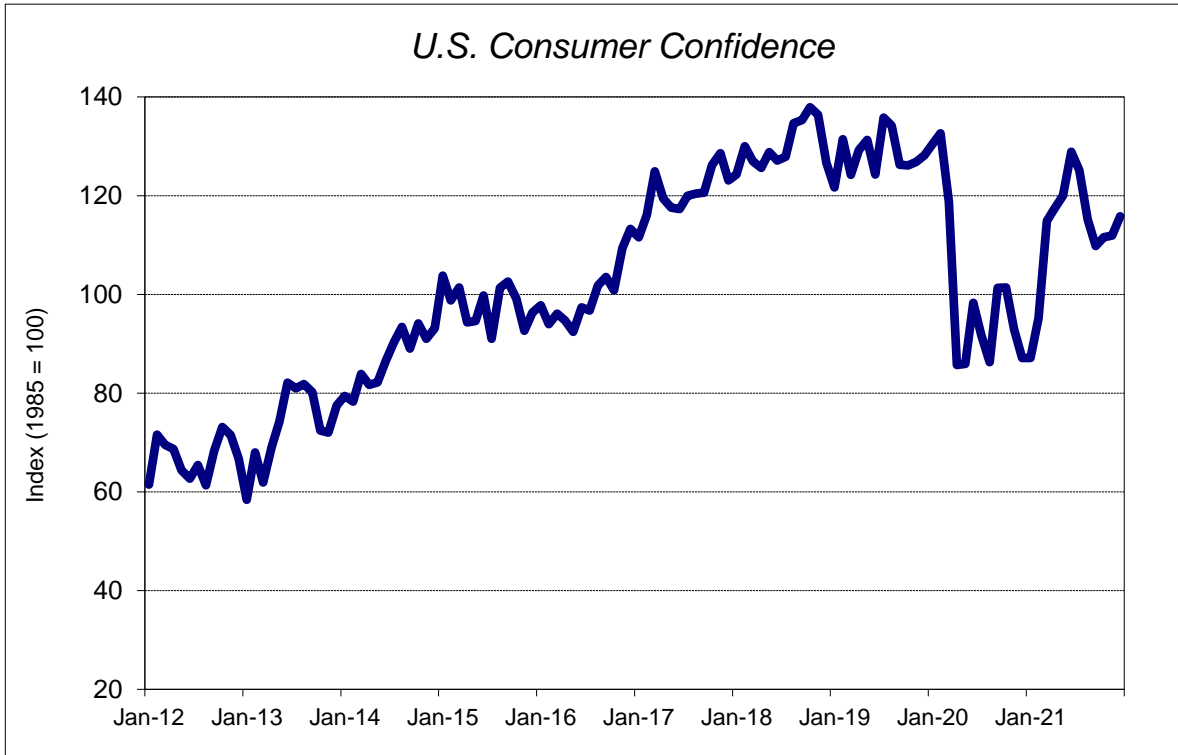
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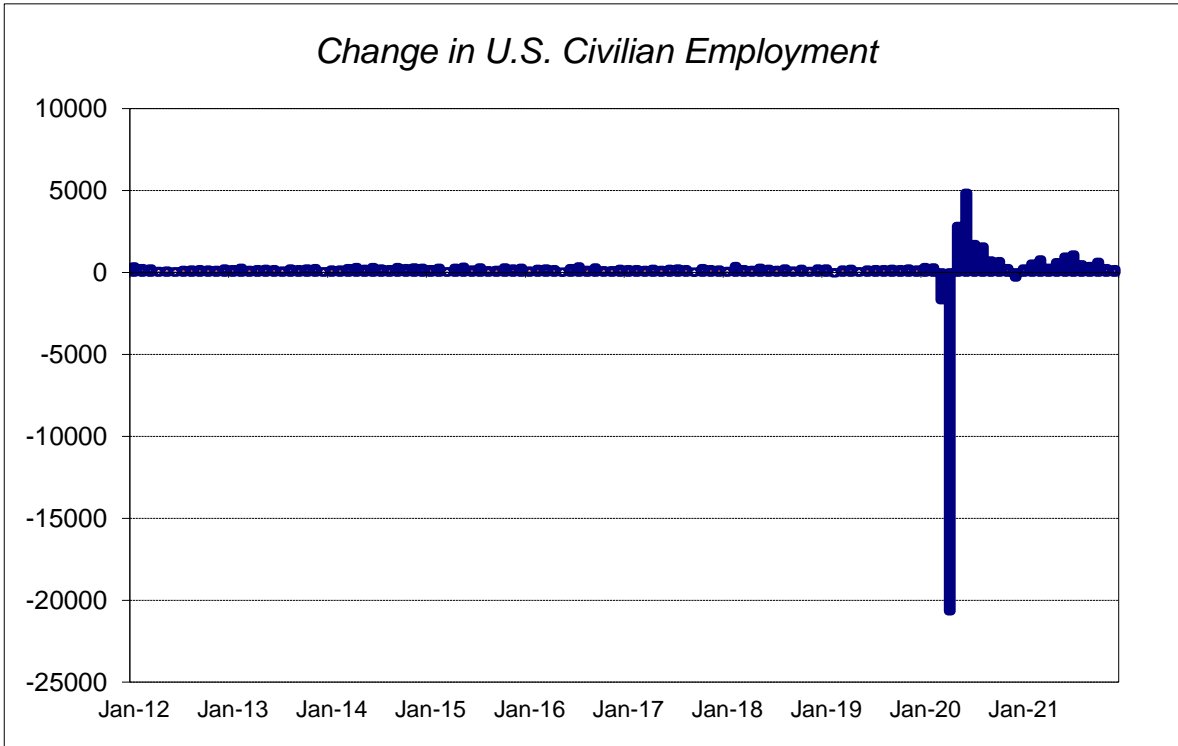
Source: The Conference Board



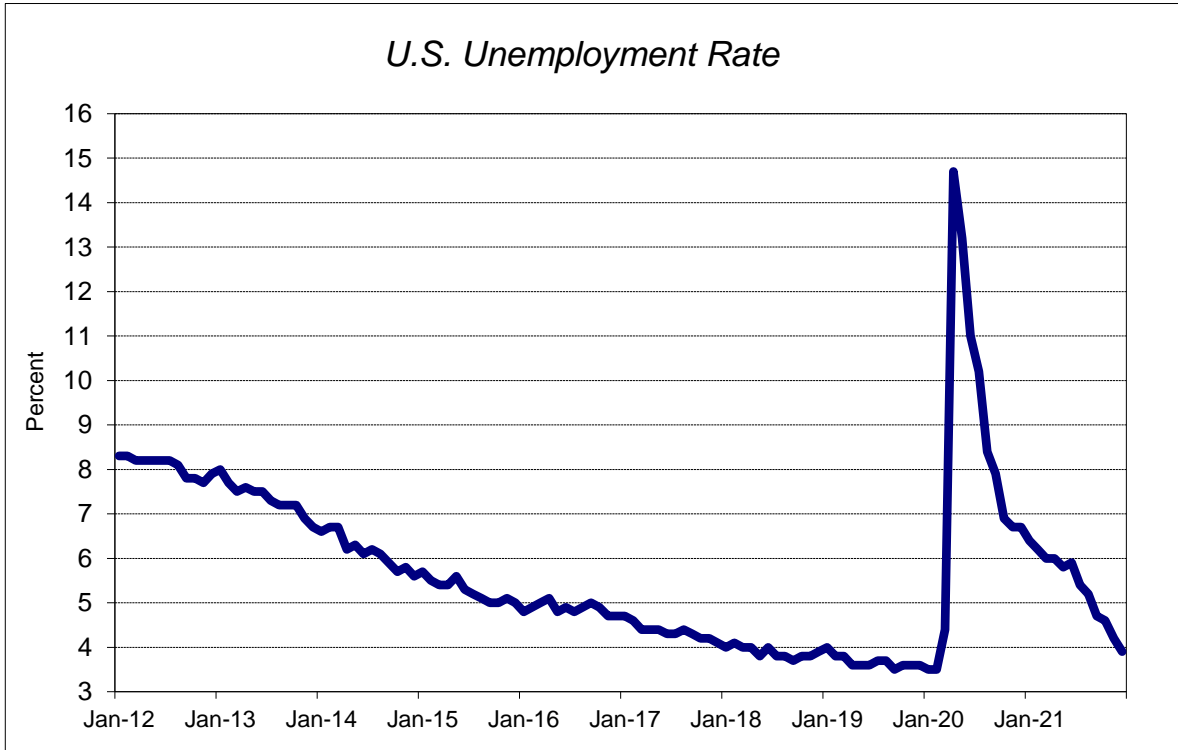
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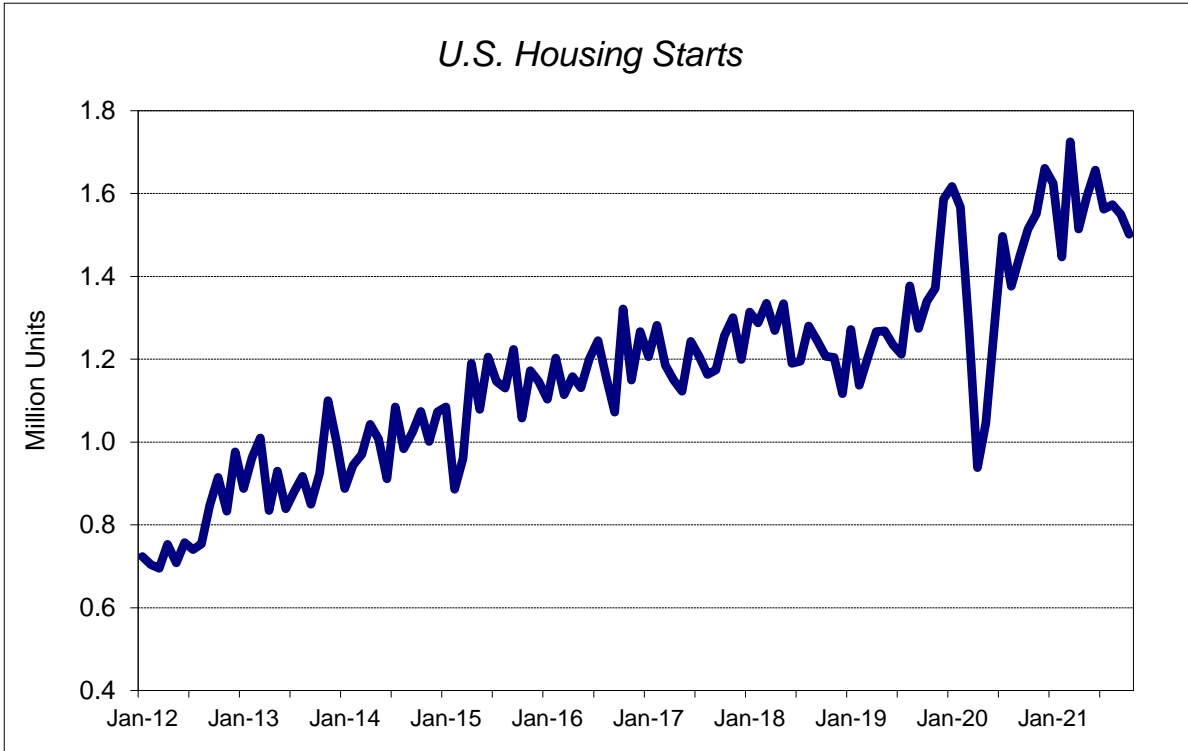
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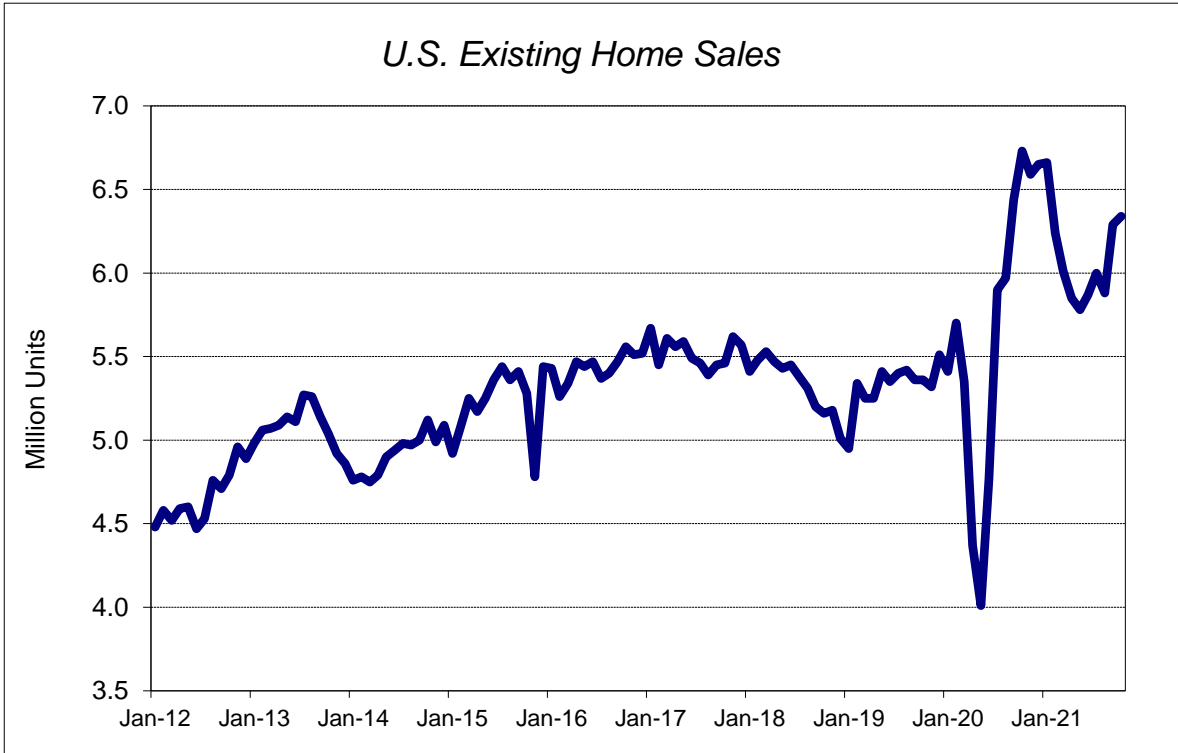
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Seasonally Adjusted Annual Rate; Source: Department of Commerce

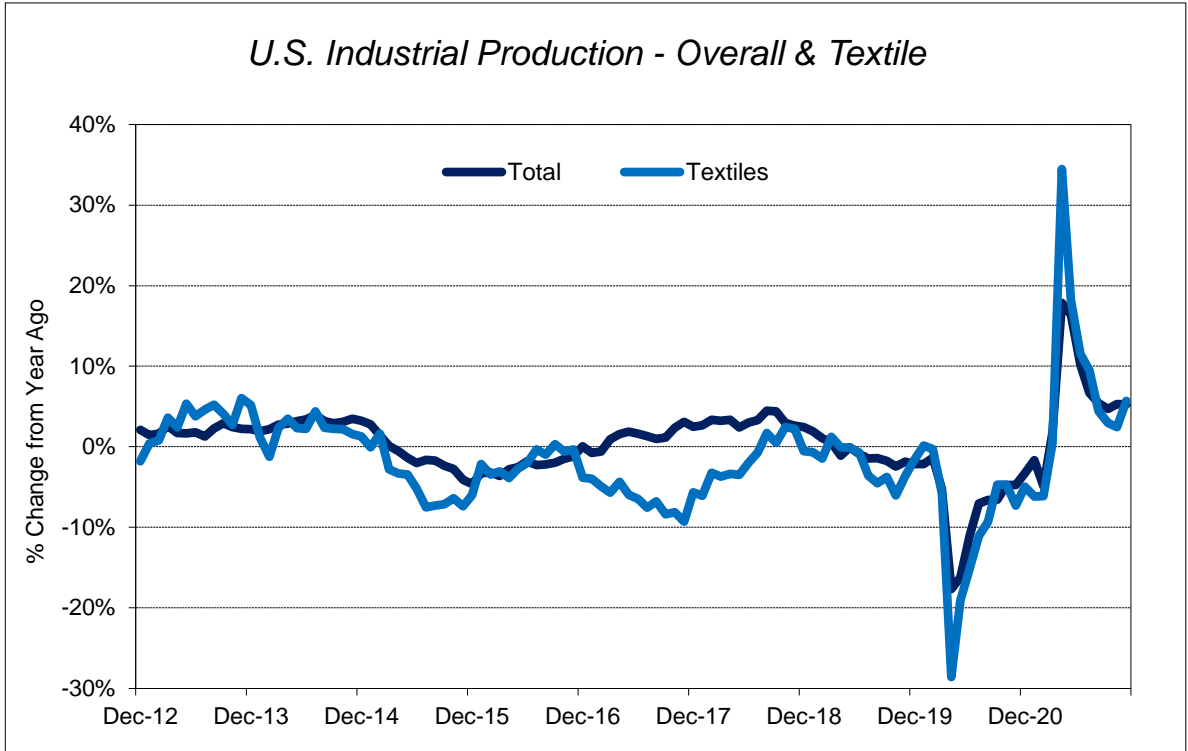


Seasonally Adjusted Annual Rate; Source: National Association of Realtors

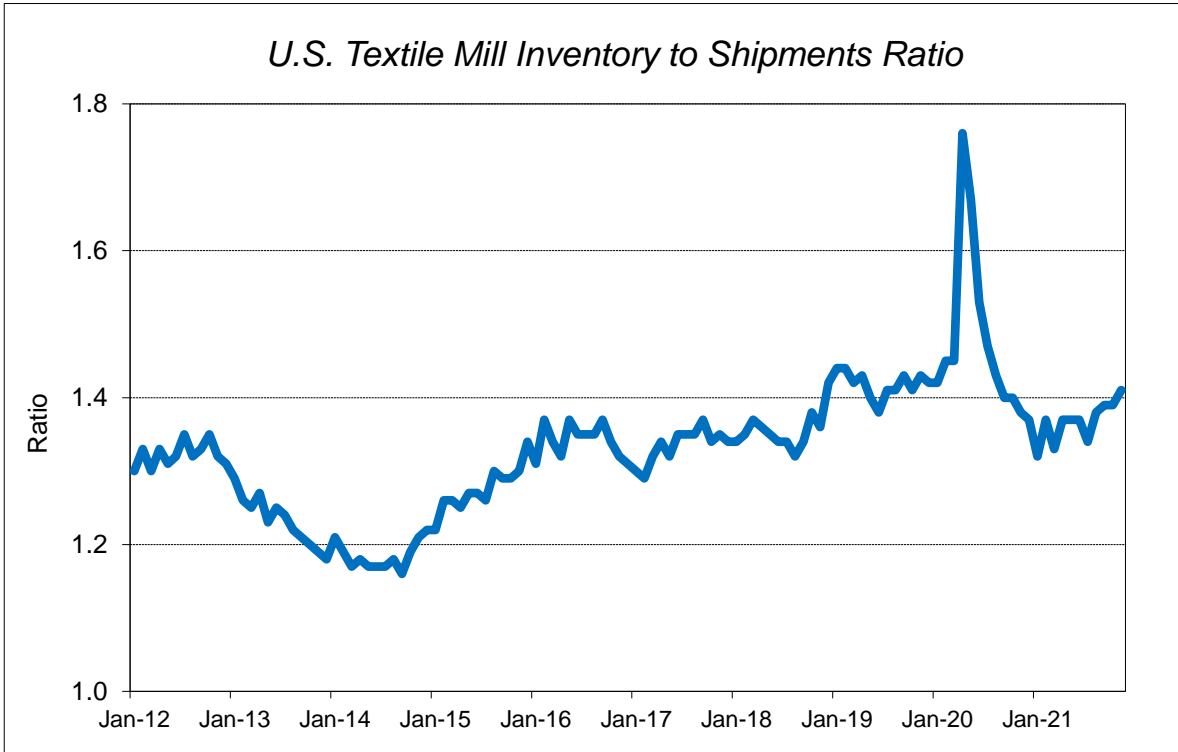
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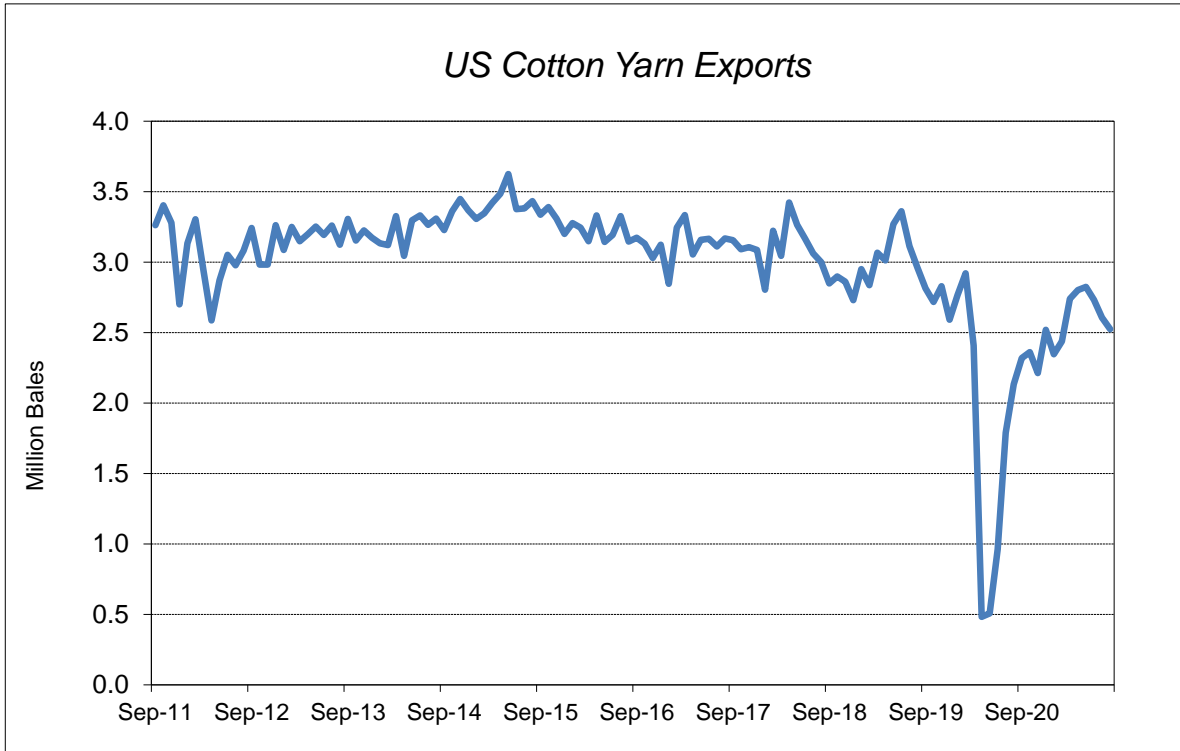
Source: Federal Reserve. Historical data revised to 1997 baseline.



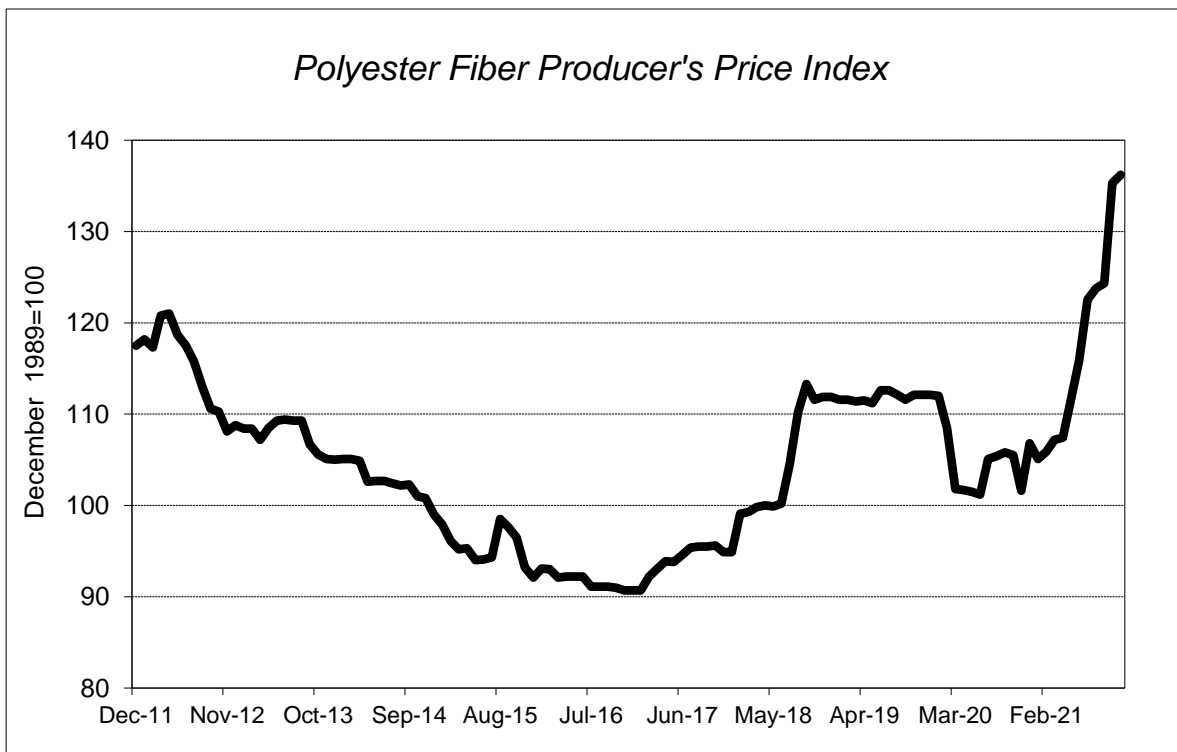
Seasonally Adjusted; Source: Department of Commerce

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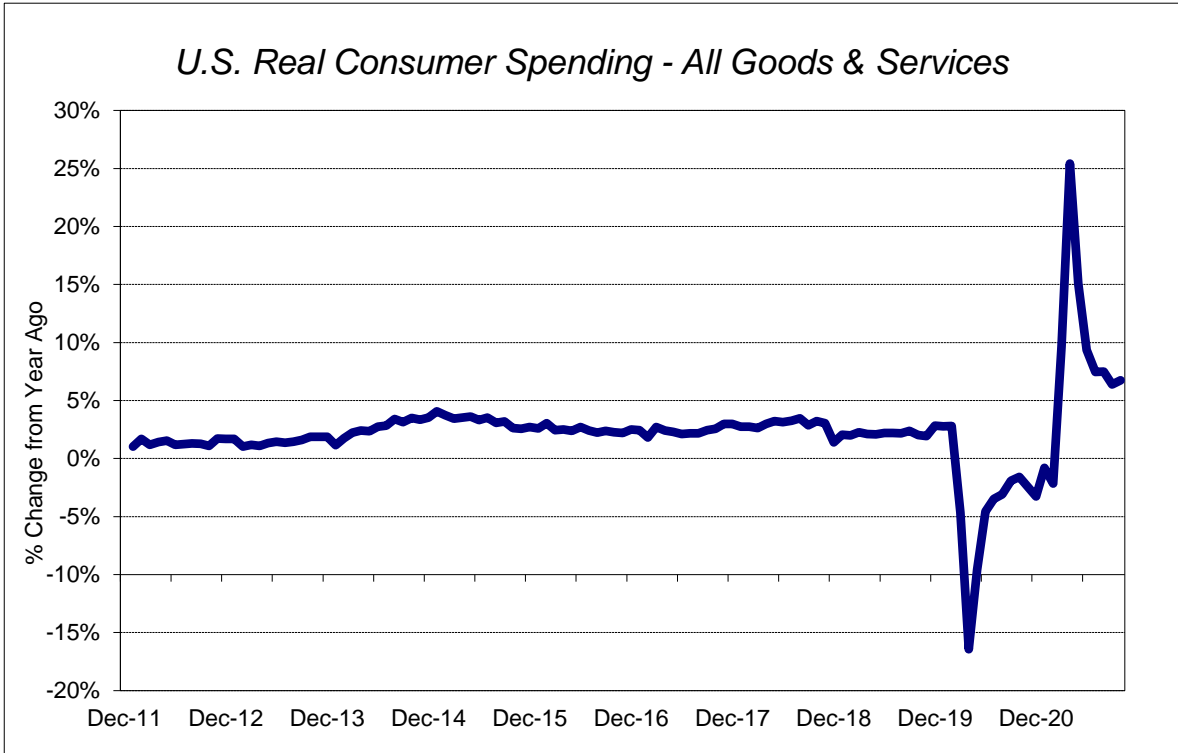
Seasonally Adjusted Annual Rate  
 Source: USDA ERS



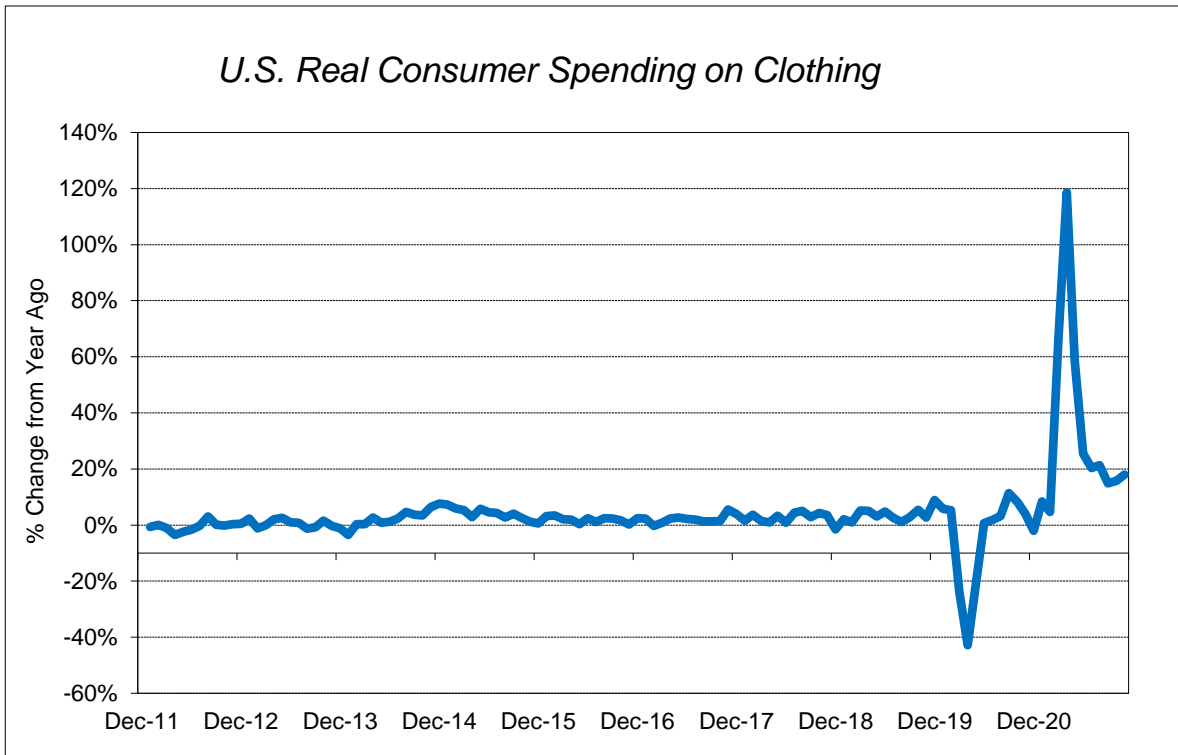
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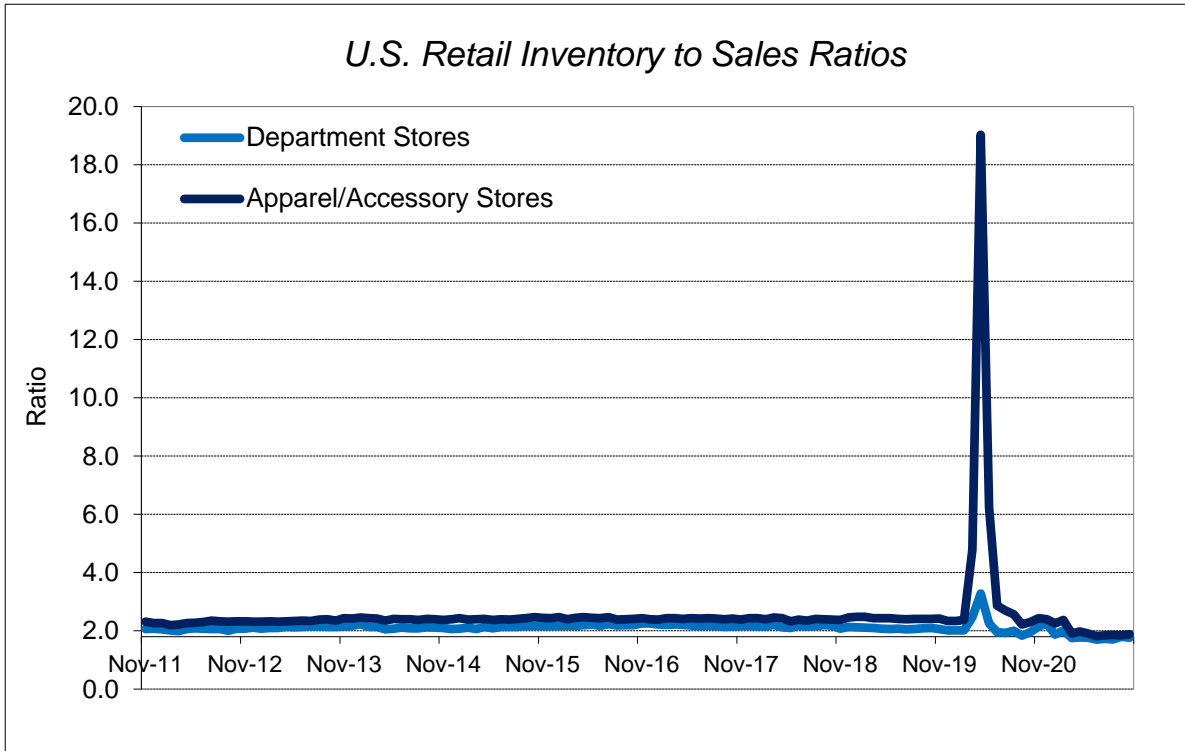
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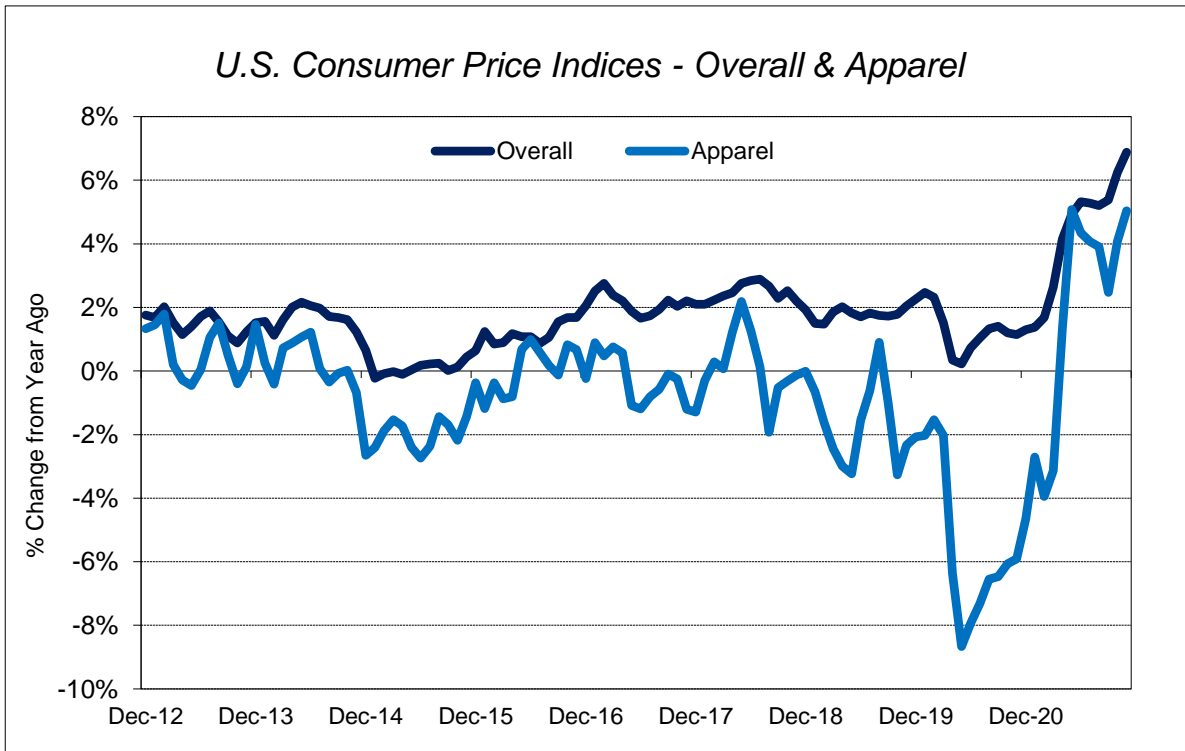
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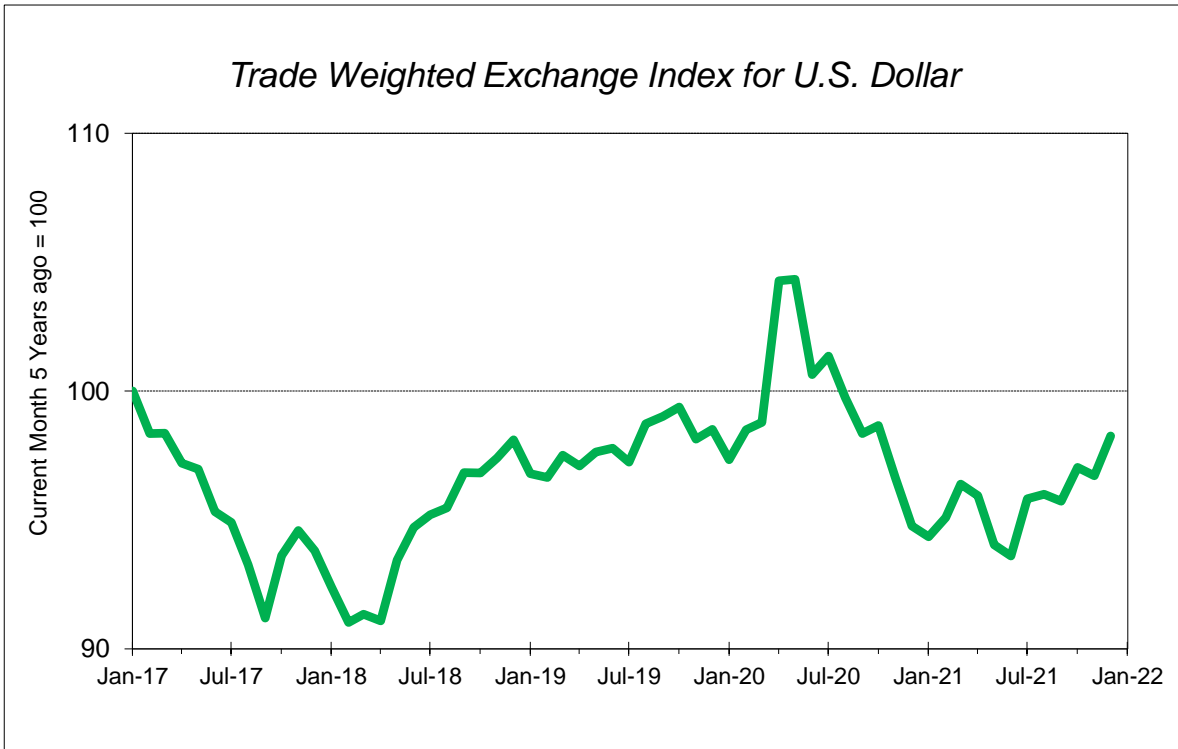
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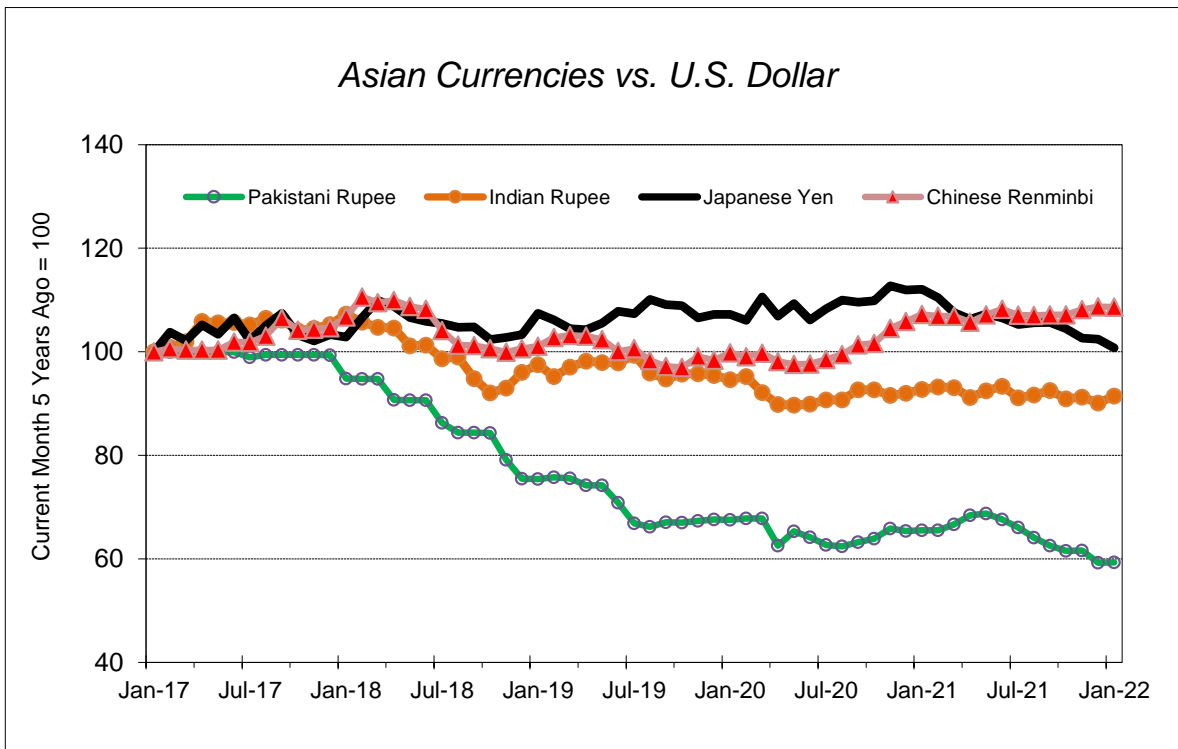
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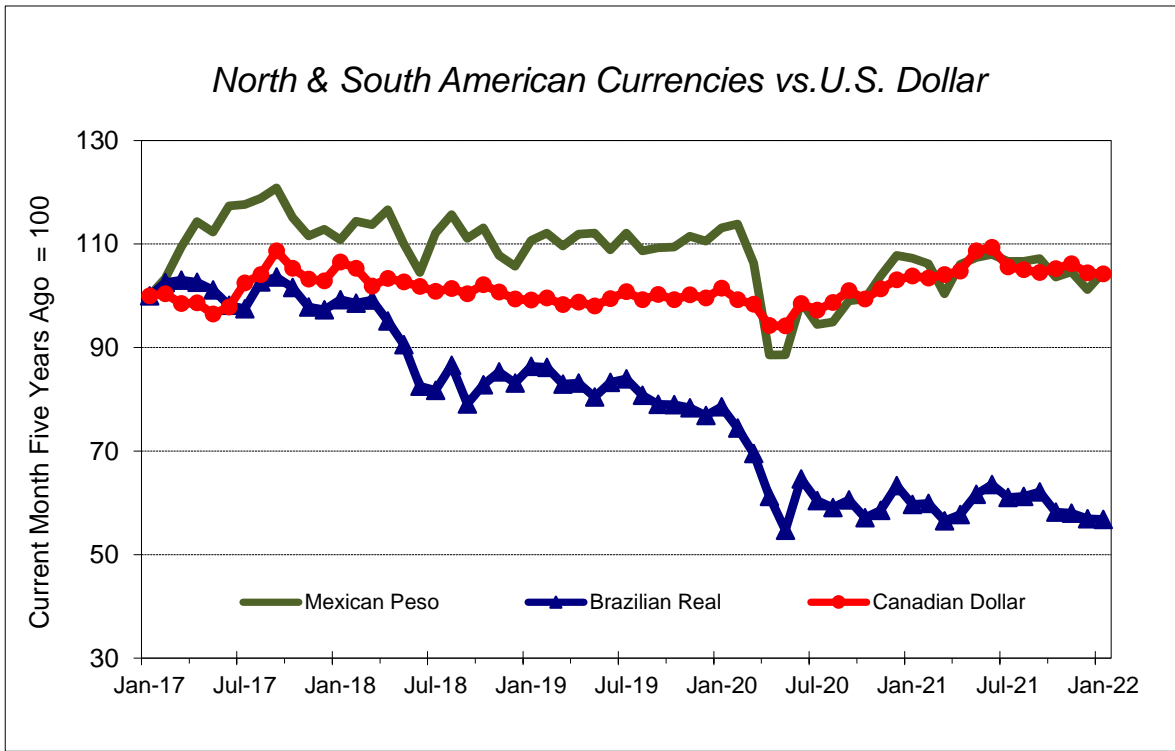
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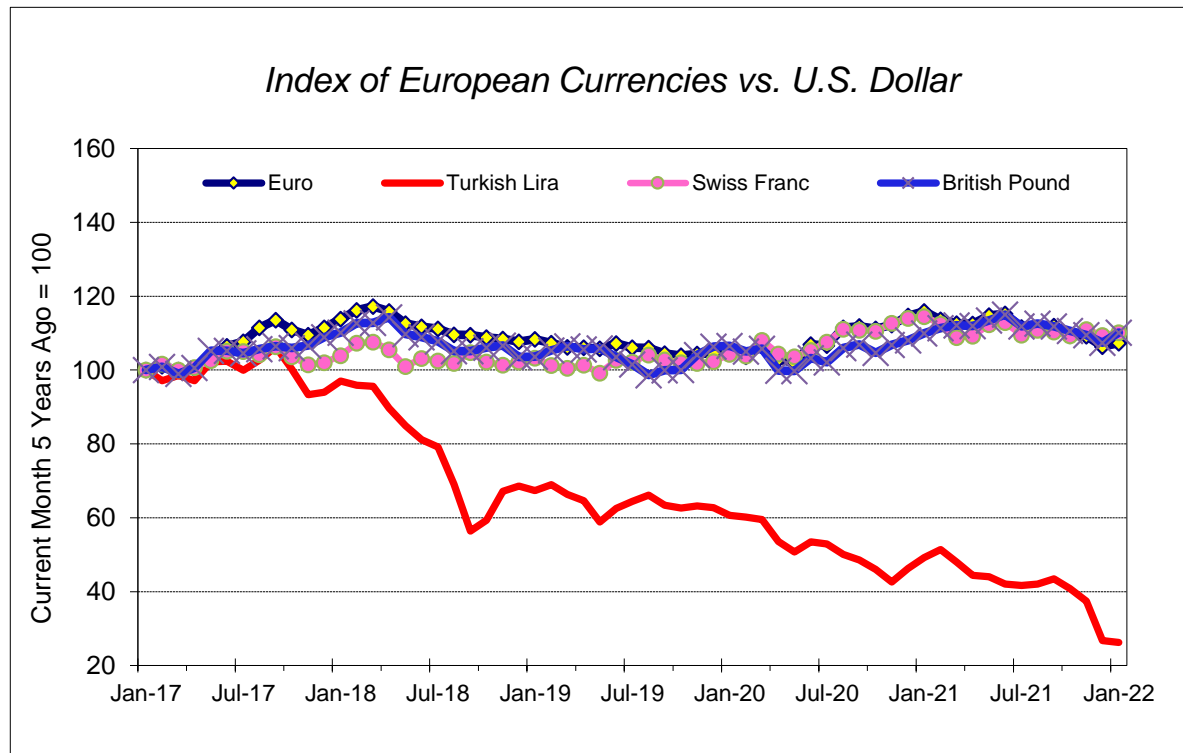
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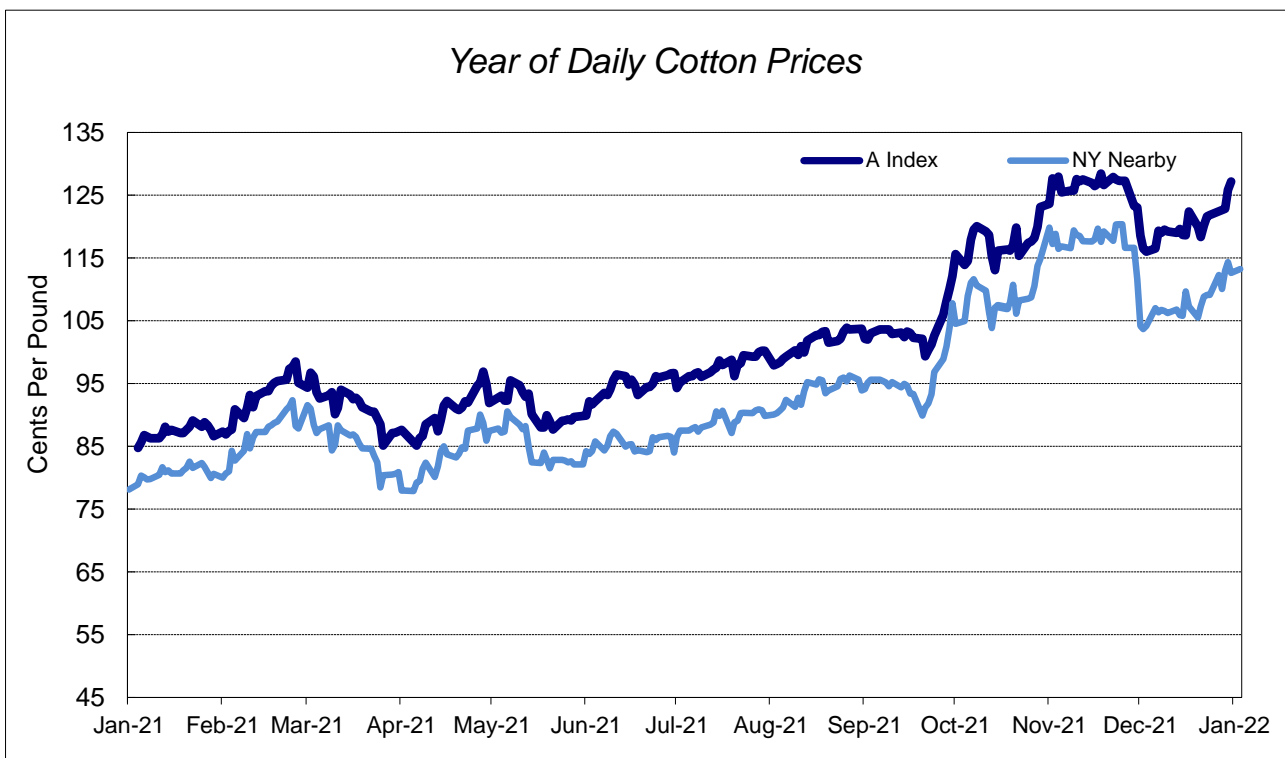
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## U.S. Balance Sheet

million 480 lb. bales	2017/18	2018/19	2019/20	2020/21	2021/22	2021/22
					November	December
Beginning Stocks	2.8	4.2	4.9	7.3	3.2	3.2
Production	20.9	18.4	19.9	14.6	18.2	18.3
Imports	0.0	0.0	0.0	0.0	0.0	0.0
Supply	23.7	22.6	24.8	21.9	21.4	21.4
Mill-Use	3.2	3.0	2.2	2.4	2.5	2.5
Exports	16.3	14.8	15.5	16.4	15.5	15.5
Demand	19.5	17.8	17.7	18.8	18.0	18.0
Ending Stocks	4.2	4.9	7.3	3.2	3.4	3.4
Stocks/Use Ratio	21.5%	27.2%	41.0%	16.8%	18.9%	18.9%



Sources: ICE Futures U.S. & Cotton Outlook

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