Executive Cotton Update

U.S. Macroeconomic Indicators & the Cotton Supply Chain

May 2026 www.cottoninc.com

Macroeconomic Overview: Impacts stemming from the Iran War continue to be a dominant concern for economies around the world. Markets in Asia are grappling with physical constraints on energy supply, while others, like the U.S., which have ample domestic energy production are still dealing with higher costs.

In the U.S., gasoline prices are a widely watched economic indicator. The latest weekly national average for gas was $4.45/gallon, which is the highest since the spike in 2022 (when prices set the highest recorded nominal terms – not inflation-adjusted) value of $4.87/gallon for the price series tracked by the U.S. Energy Information Administration. Before the conflict, in early 2026, average gasoline prices were below $3.00/gallon. Energy, like food, represents a non-discretionary category of consumer spending. As a necessity, when prices for energy or food increase, there can be less left over to spend on more discretionary categories, which can include textiles and apparel.

Tradeoffs imposed by higher prices for necessities can affect consumer attitudes, and consumer confidence had moved lower before the conflict. The Conference Board Index of Consumer Confidence® has been holding at levels near those registered during the COVID era since April 2025 (values for this index were lower that these levels around the financial crisis). A separate measure of consumer attitudes, the University of Michigan Index of Consumer Sentiment, set new record lows in the latest two readings (for April and May). Apart from these recent readings, the previous low was set in June 2022 (this value was lower than those for this index that were posted around the financial crisis). In June 2022, average gasoline prices set a record (non-inflation-adjusted terms).

Data on consumer spending are lagged relative to releases for consumer attitudes, with the latest readings for March. This may mean that the effects of the war have yet to be recorded in government spending data. Nonetheless, the downturns in indexes of consumer attitudes have been in place for some time (both indexes shifted lower in the spring of 2025), and there has not been a definitive downturn in consumer spending. Consumer spending on apparel has been particularly strong, with year-over-year growth at five percent or more in many months since the start of 2025. More recently, annual growth rates have slowed, but that is due in part to the difficulty comparing against the strong levels from one year ago.

Employment: The U.S. economy is estimated to have added +115,000 jobs in April. This was the second consecutive monthly gain over 100,000 jobs, which had not happened since the end of 2024. Revisions to previous months were mixed, with the figure for February decreasing (-23,000 to -156,000) and the figure for March increasing (+7,000 to +185,000). The current twelve-month average for job gains is now +21,000. For the twelve-month period ending in April 2025, growth averaged +80,000.

The unemployment rate was unchanged at 4.3% in April (was 4.4% in February). It has been between 4.0% and 4.5% since the middle of 2024. Levels below five percent are low by historical standards. Excluding the volatility around COVID, the current period below five percent is the longest since the 1960s.

Wage growth accelerated in April (from +3.4% in March to +3.6%). The twelve-month average is +3.8%. Wage growth has outpaced inflation for most of the months since 2023, but the prince inflator used by the Federal Reserve was higher in March.

Consumer Confidence & Spending: The Conference Board's Index of Consumer Confidence® was nearly unchanged month-over-month in March (+0.6 points to 92.8). It has been holding near this level since the first quarter of 2025.

Consumer spending decelerated in March, with overall expenditures decelerating month-over-month from +0.3% to +0.2% and year-over-year rates slowing from +2.7% to +2.1%. Spending on apparel decreased -0.6% month-over-month but was up +3.1% year-over-year - on top of a +6.9% annual rate of increase one year ago.

Consumer Prices & Import Data: The CPI for garments increased by one percent or more month-over-month for second consecutive time in March (up +1.8% month-over-month in February and up +1.0% month-over-month in March). Year-over-year, average retail prices were +3.2% higher. This is the strongest rate of annual increase since 2023. Current clothing prices levels are the highest since the 2000s, with the recent surge pulling prices farther away from the other recent period of higher clothing prices that was experienced in the early 2010s.

The tariff situation continues to evolve. After the Supreme Court ruled that IEEPA (International Emergency Economic Powers Act) did not justify many of the tariff increases in 2025, refunds are scheduled to start being issued May 12th (Customs and Boarder Protection's portal started processing applications April 20th). Immediately following the Supreme Court's decision, an alternate legal justification for tariffs (under Section 122 of the 1974 Trade Act) was used to implement 10 percentage point increases beyond 2024 levels. On May 7th, a trade court challenged the applicability of Section 122 for tariffs. However, these rare increases remain in effect, and an appeals process is underway.

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		

Executive Cotton Update

U.S. Macroeconomic Indicators & Cotton Prices
May 2026

Macroeconomic Data

Quarterly Data

	Recent Averages				Values in Recent Quarters				
	5-year	1-year	6-month	3-month	Q3 : 2025	Q4 : 2025	Q1 : 2026	Unit	Source
Growth in US Real GDP	3.0%	2.6%	0.5%	2.0%	4.4%	0.5%	2.0%	% Chg. Quarter/Quarter	Department of Commerce

Macroeconomic Series with Latest Data for April

	Recent Averages				Values in Recent Months				
	5-year	1-year	6-month	3-month	February	March	April		
ISM Index of Manufacuring Activity	51.1	49.9	51.1	52.6	52.4	52.7	52.7	Index, values over 50 indicate expansion	Institute for Supply Management
ISM Index of Non-Manufacturing Activity	54.7	52.5	54.0	54.6	56.1	54.0	53.6	Index, values over 50 indicate expansion	Institute for Supply Management
Consumer Confidence	103.8	94.4	92.0	92.0	91.0	92.2	92.8	Index, 1985=100	The Conference Board
Change in Non-Farm Payrolls	235.8	20.9	54.7	48.0	-156	185	115	Thousands of jobs	Bureau of Labor Statistics
Unemployment Rate	4.1%	4.3%	4.4%	4.3%	n/a	4.3%	4.3%	People looking for jobs/people wanting jobs	Bureau of Labor Statistics
US Interest Rates									
Federal Funds	3.5%	4.0%	3.7%	3.6%	3.6%	3.6%	3.6%	Interest rate	Federal Reserve
10-year Treasury Bill	3.6%	4.2%	4.2%	4.2%	4.1%	4.3%	4.3%	Interest rate	Federal Reserve

Macroeconomic Series with Latest Data for March

	Recent Averages				Values in Recent Months				
	5-year	1-year	6-month	3-month	January	February	March	Unit	Source
Index of Leading Economic Indicators	107.5	98.1	97.7	97.7	97.9	97.9	97.3	Index, 2016=100	The Conference Board
Housing Starts	1.5	1.4	1.4	1.4	1.4	1.4	1.5	Annual pace, millions of units	Department of Commerce
Existing Home Sales	4.6	4.1	4.1	4.0	4.0	4.1	4.0	Annual pace, millions of units	National Association of Realtors

Industrial & Textile Data

Industrial & Textile Series with Latest Data for March

	Recent Averages				Values in Recent Months				
	5-year	1-year	6-month	3-month	January	February	March	Unit	Source
US Industrial Production	100.7	101.5	101.6	101.9	100.3	100.1	101.8	Index, 2002=100	Federal Reserve
Polyester Fiber PPI	149.6	155.9	155.3	153.6	153.6	153.6	153.6	Index, December 2003=100	Bureau of Labor Statistics

Industrial & Textile Series with Latest Data for February

	Recent Averages				Values in Recent Months				
	5-year	1-year	6-month	3-month	December	January	February	Unit	Source
Bale Equivalence of US Cotton Yarn & Fabric Exports	2.7	1.7	1.6	1.4	1.3	1.3	1.5	million 480lb bales	USDA ERS

Industrial & Textile Series with Latest Data for March

	Recent Averages				Values in Recent Months				
	5-year	1-year	6-month	3-month	January	February	March	Unit	Source
US Textile Mill Inventory/Shipments Ratio	1.63	1.70	1.73	1.75	1.75	1.74	1.76	Ratio	Department of Commerce

Retail Data

Retail Series with Latest Data for March

	Recent Averages				Values in Recent Months				
	5-year	1-year	6-month	3-month	January	February	March	Unit	Source
US Real Consumer Spending									
All Goods and Services	4.0%	2.4%	2.2%	2.4%	2.3%	2.7%	2.1%	% Chg. Year/Year	Department of Commerce
Clothing	8.1%	6.0%	5.1%	3.6%	3.5%	4.3%	3.1%	% Chg. Year/Year	Department of Commerce
Consumer Price Indices	5-year	1-year	6-month	3-month	January	February	March		
Overall	#N/A	#N/A	2.7%	2.8%	2.4%	n/a	3.3%	% Chg Year/Year	Bureau of Labor Statistics
Clothing	#N/A	#N/A	1.8%	3.3%	1.7%	n/a	3.7%	% Chg. Year/Year	Bureau of Labor Statistics

Retail Series with Latest Data for February

	Recent Averages				Values in Recent Months				
	5-year	1-year	6-month	3-month	December	January	February	Unit	Source
Retail Inventory/Sales Ratio									
Clothing and Clothing Accessory Stores	2.6	2.3	2.3	2.3	2.2	2.2	2.1	Value of inventory over value of sales	Department of Commerce
Clothing Wholesalers	2.4	2.1	2.1	2.0	2.0	2.2	2.1	Value of inventory over value of sales	Department of Commerce

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Executive Cotton Update

Daily Cotton Price and Currency Data
May 2026

Daily Cotton Price Data	Recent Averages				Averages over Recent Months				
	5-year	1-year	6-month	3-month	February	March	April	Unit	Source
NY Nearby	85.1	66.1	66.7	69.3	62.4	66.8	74.9	cents/pound	ICE
A Index	96.8	77.6	77.4	80.0	74.1	77.2	86.4	cents/pound	Cotlook

Daily Currency Data	Recent Averages				Averages over Recent Months				
	5-year	1-year	6-month	3-month	February	March	April	Unit	Source
Dollar Trade Weighted Exchange Index	120.7	122.3	120.0	118.9	118.2	119.5	119.1	Index, January 1997=100	Federal Reserve
Asian Currencies									
Chinese Renminbi	6.96	7.16	6.97	6.89	6.94	6.90	6.83	Chinese Renminbi/US dollar	Reuters
Indian Rupee	82.38	85.51	90.63	91.66	90.67	91.75	92.58	Indian Rupee/US dollar	Reuters
Japanese Yen	139.71	149.59	156.44	157.58	156.86	157.60	158.29	Japanese Yen/US dollar	Reuters
Pakistani Rupee	248.76	281.25	279.93	279.42	279.88	279.33	279.05	Pakistani Rupee/US dollar	Reuters
North & South American Currencies									
Brazilian Real	5.29	5.34	5.30	5.20	5.23	5.28	5.10	Brazilian Real/US dollar	Reuters
Canadian Dollar	1.34	1.38	1.38	1.37	1.36	1.36	1.38	Canadian dollar/US dollar	Reuters
Mexican Peso	19.00	18.38	17.88	17.52	17.31	17.80	17.43	Mexican Peso/US dollar	Reuters
European Currencies									
British Pound	0.78	0.77	0.75	0.74	0.73	0.75	0.74	British Pound/US dollar	Reuters
Euro	0.91	0.90	0.86	0.85	0.85	0.86	0.86	Euro/US dollar	Reuters
Swiss Franc	0.89	0.86	0.79	0.78	0.78	0.78	0.79	Swiss Franc/US dollar	Reuters
Turkish Lira	26.61	34.67	43.33	44.06	43.61	44.07	44.50	Turkish Lira/US dollar	Reuters

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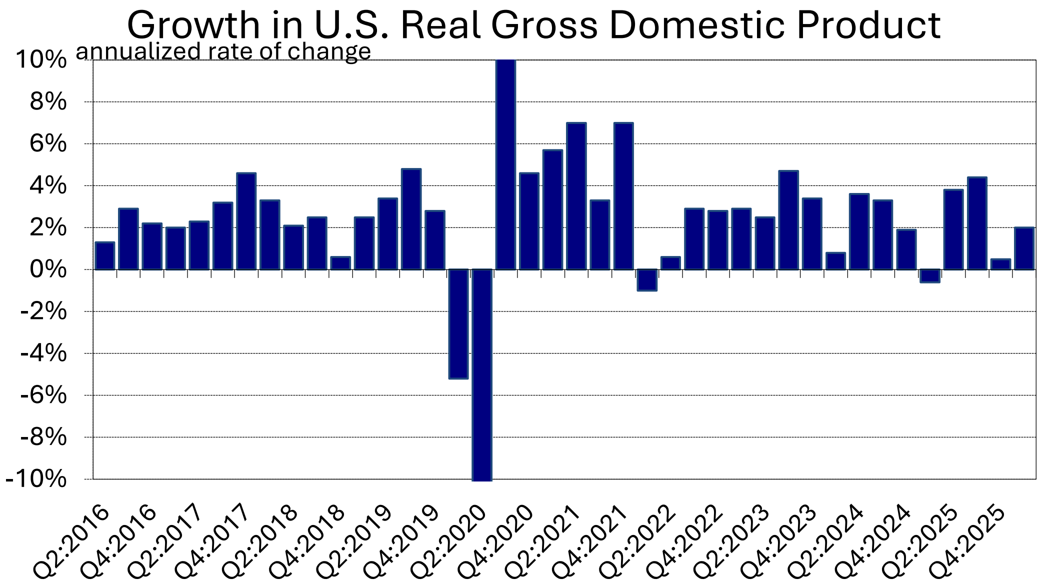
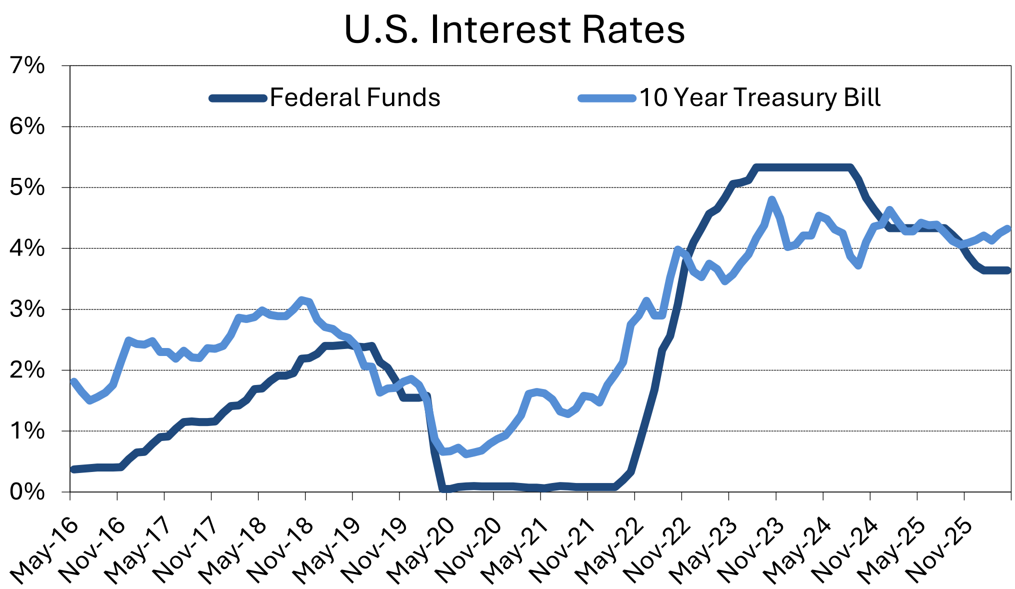


Source: Department of Commerce

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



Source: Department of Commerce

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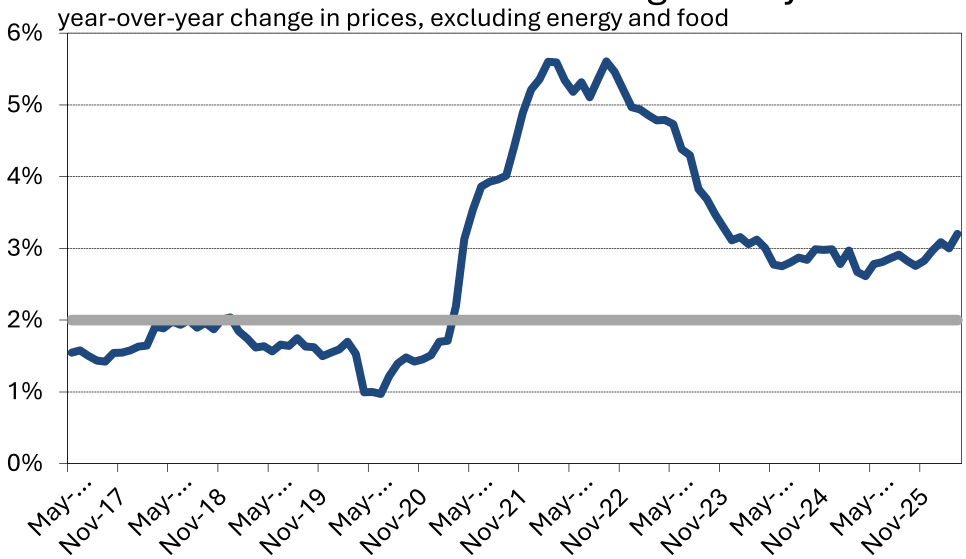
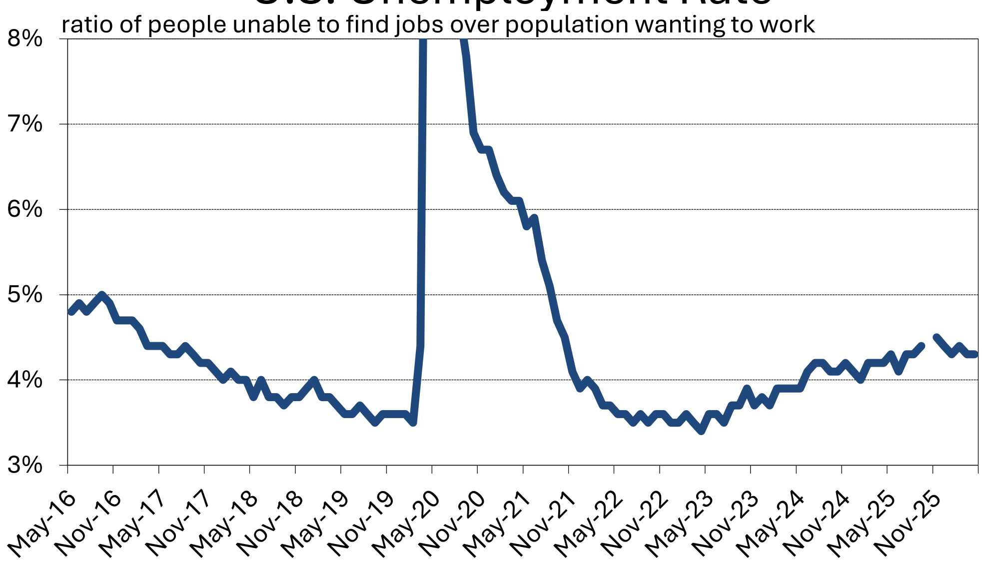
U.S. Inflation - Core Measure Targeted by the Fed



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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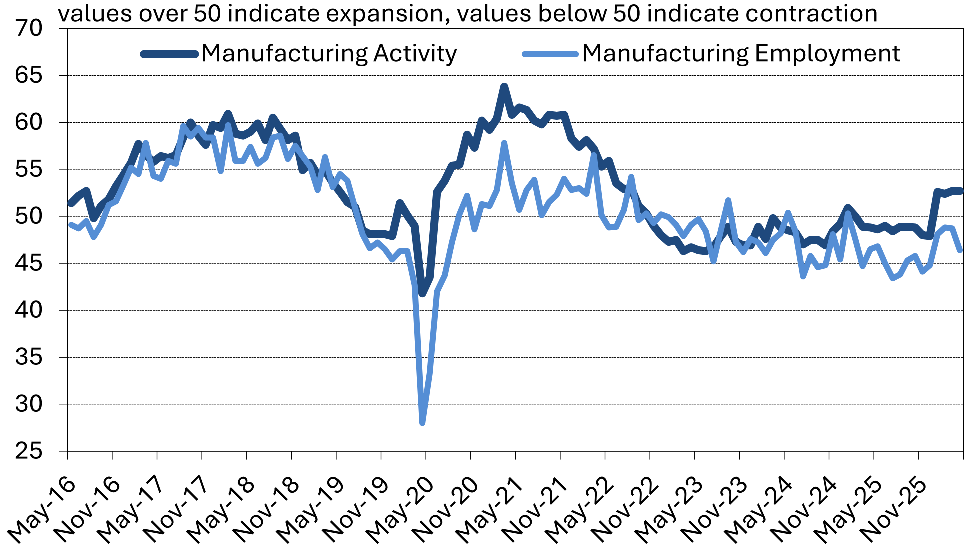
ISM Index of Manufacturing Activity

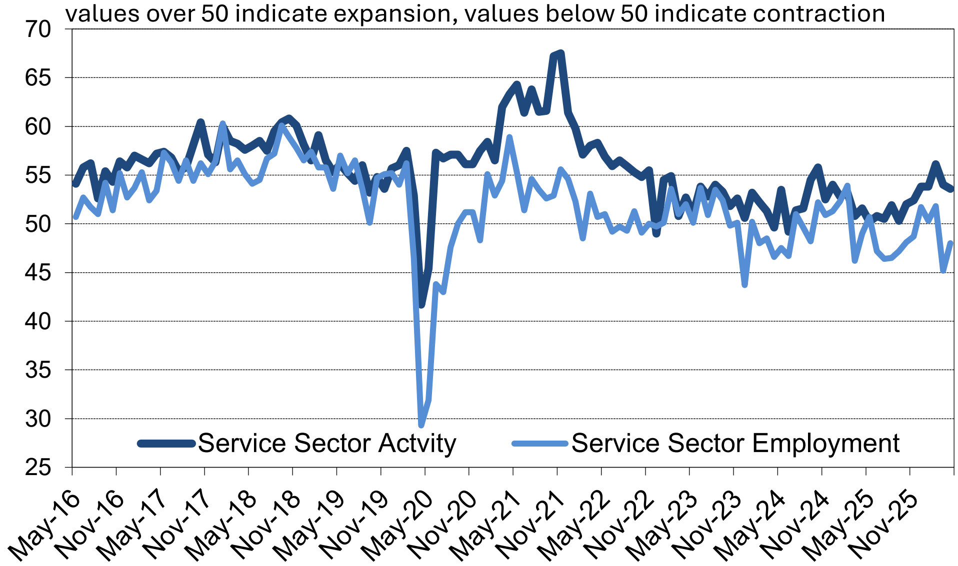
values over 50 indicate expansion, values below 50 indicate contraction



Source: Institute for Supply Chain Management

ISM Index of Non-Manufacturing Activity

values over 50 indicate expansion, values below 50 indicate contraction



Source: Institute for Supply Chain Management

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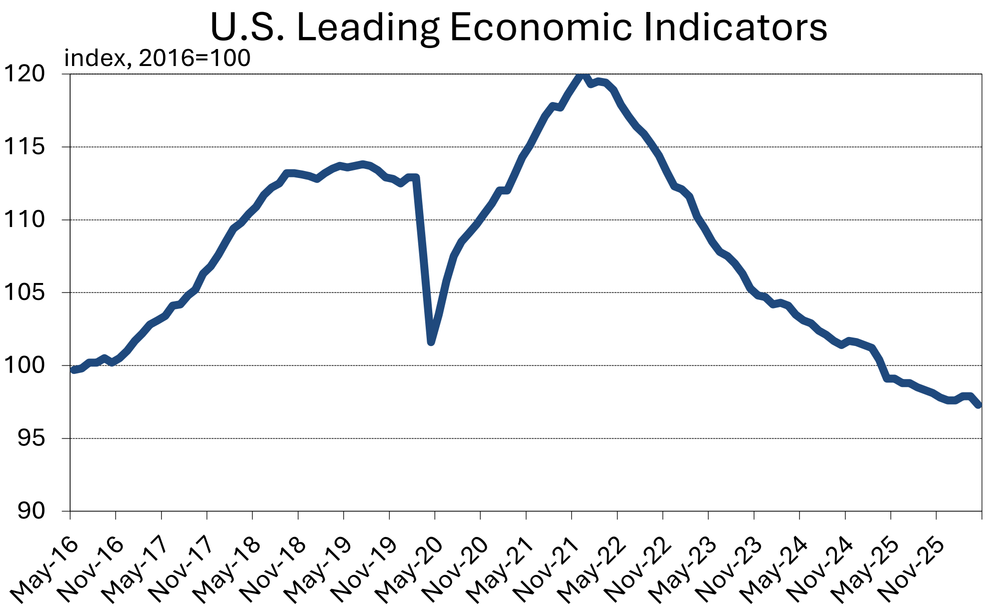
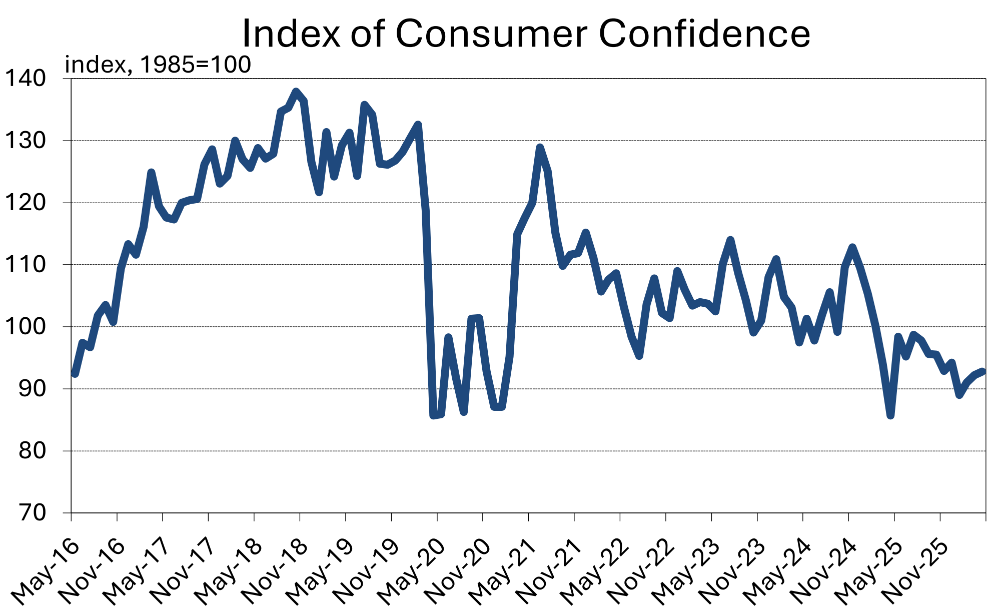


Source: The Conference Board



Source: The Conference Board

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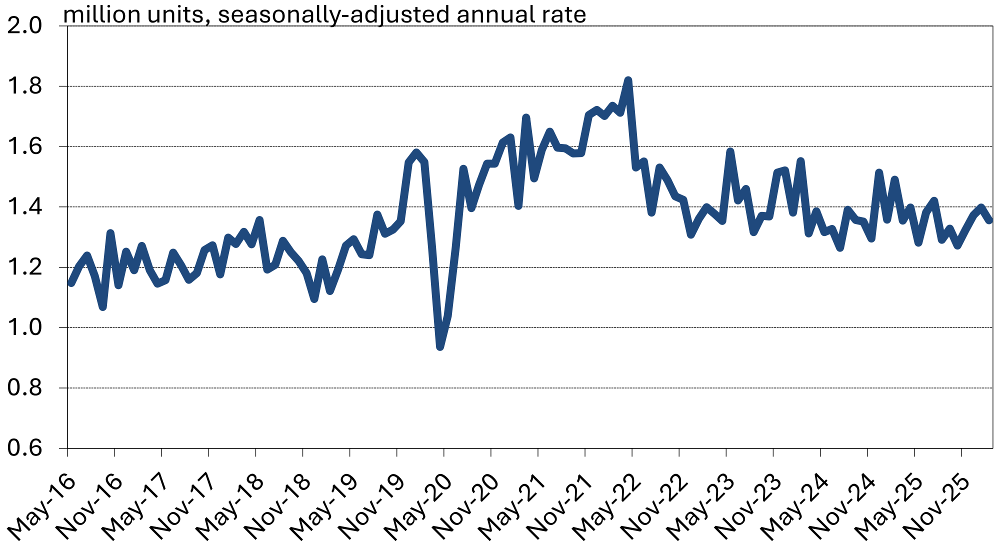
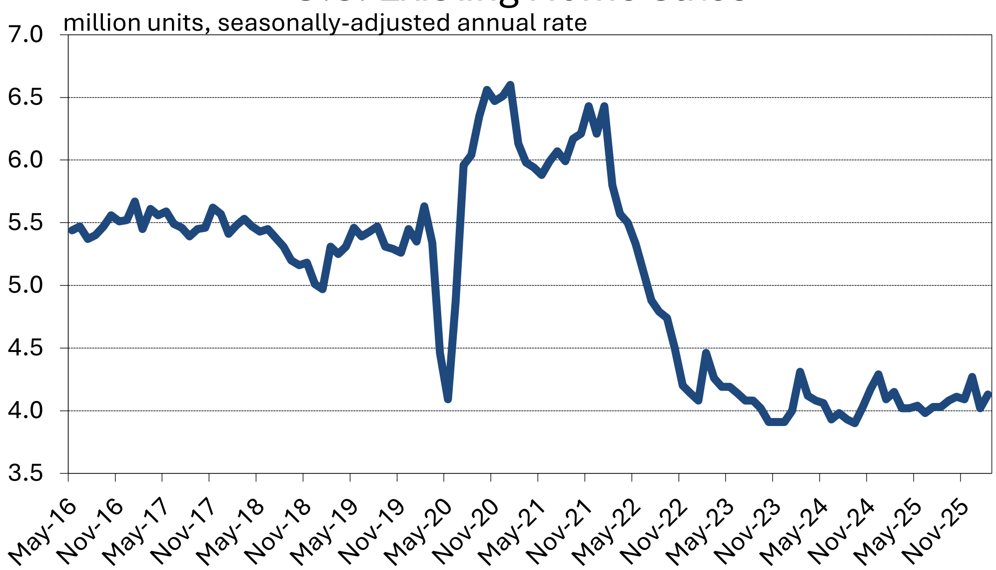
U.S. Housing Starts



Source: Department of Commerce

U.S. Existing Home Sales



Source: Department of Commerce

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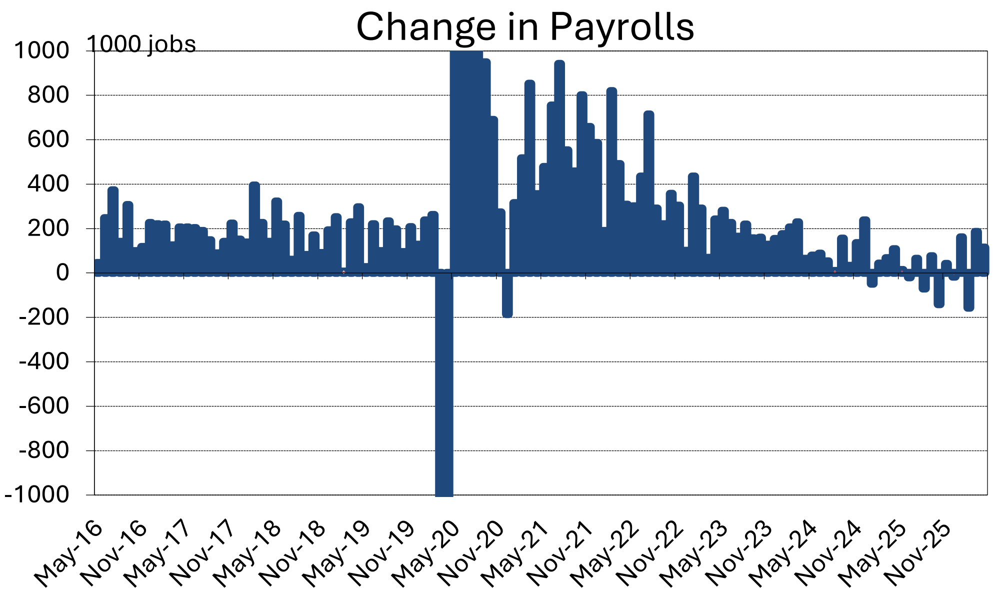
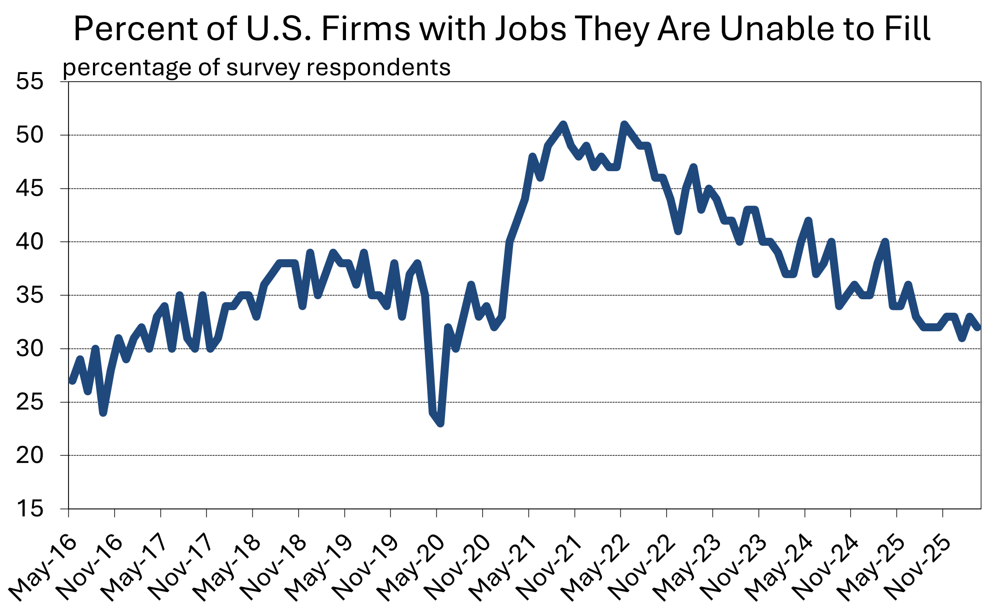


Source: Bureau of Labor Statistics

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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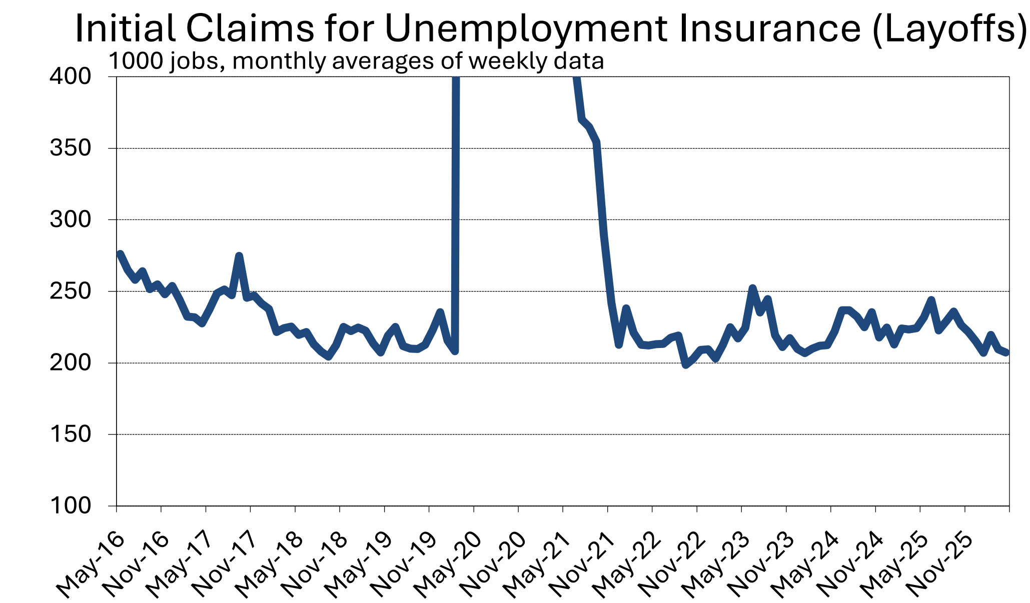
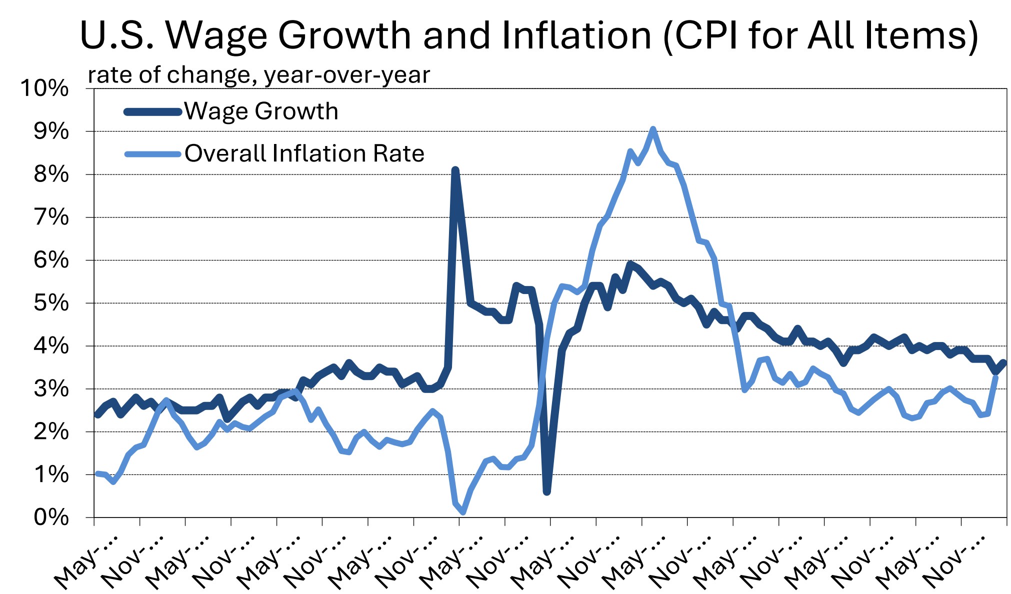


Source: Department of Labor

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



Source: Bureau of Labor Statistics

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Source: Bureau of Economic Analysis

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

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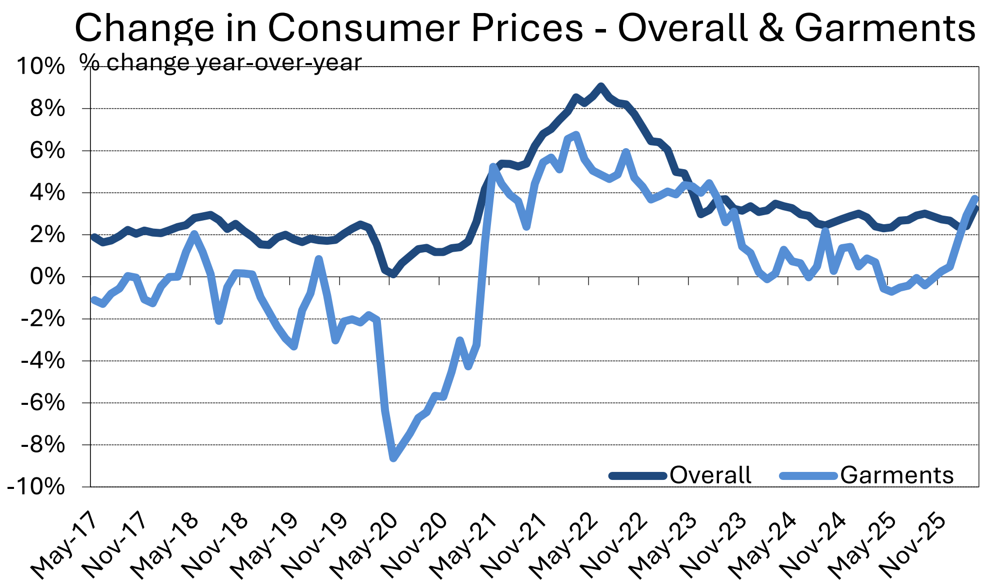
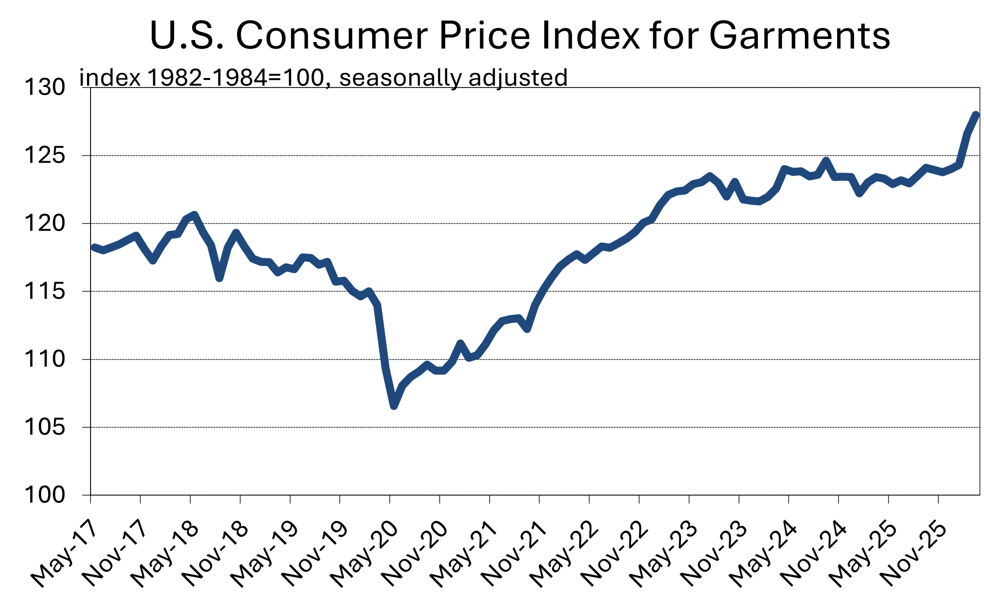


Source: Bureau of Labor Statistics



Source: Bureau of Labor Statistics

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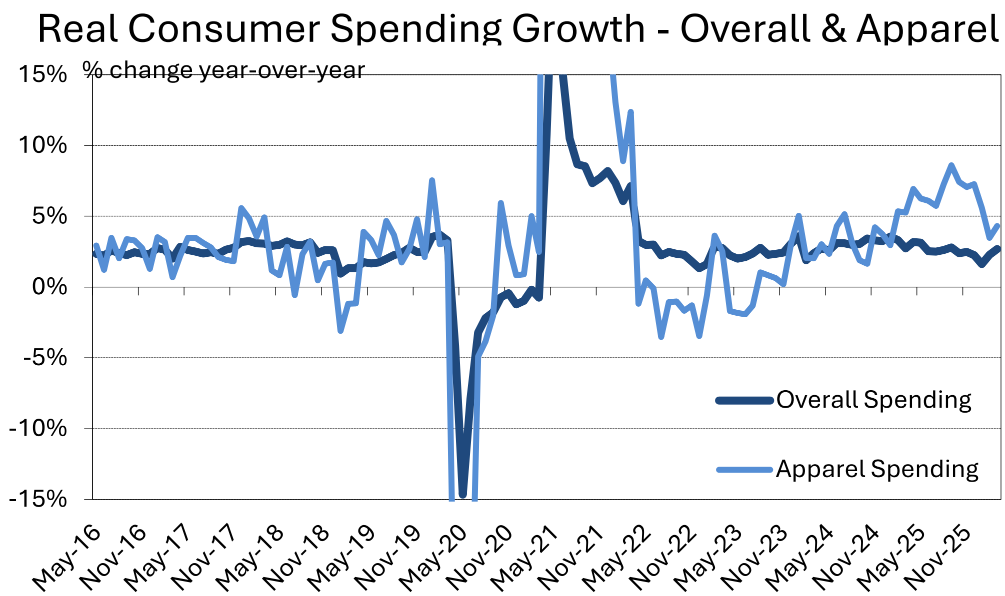

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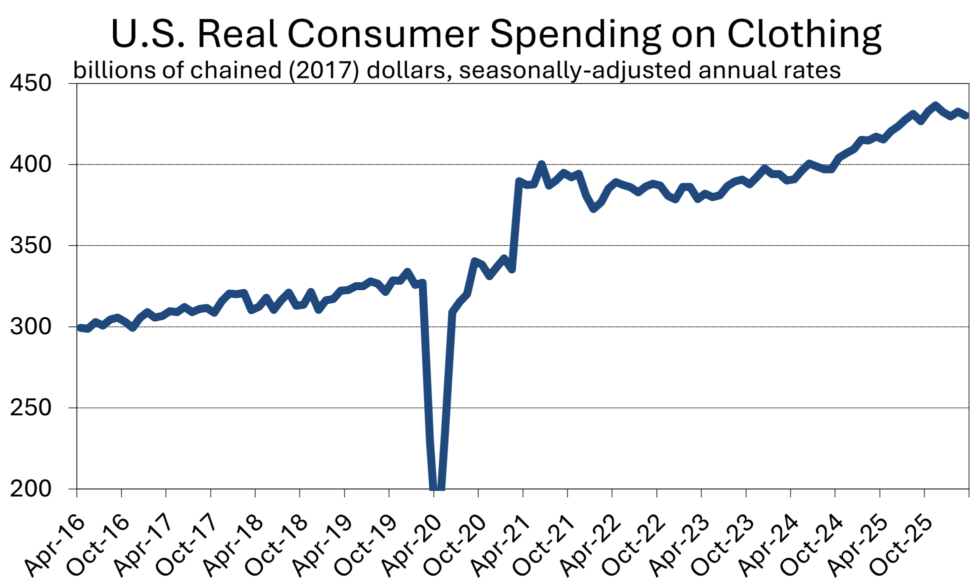

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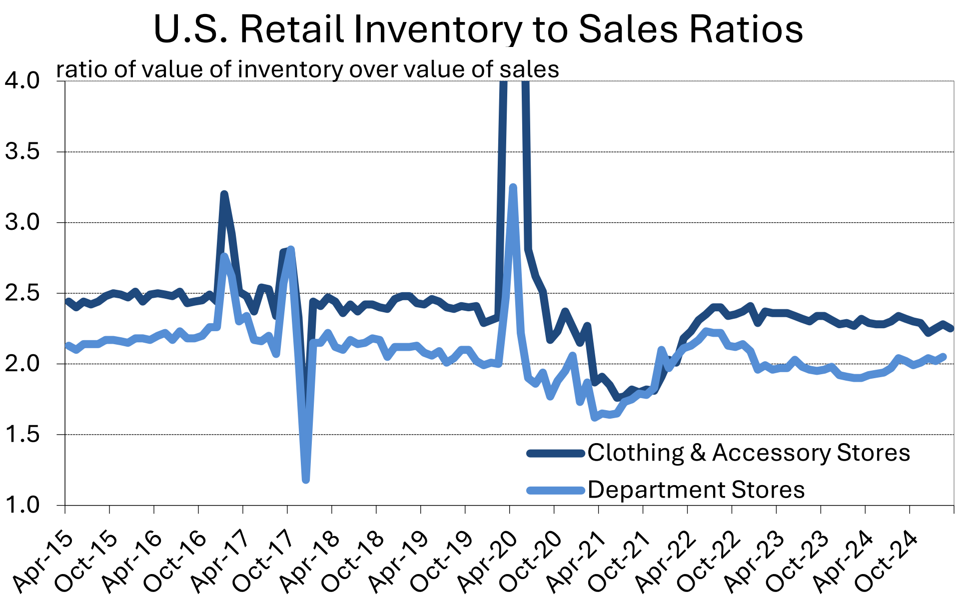

Source: Department of Commerce

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

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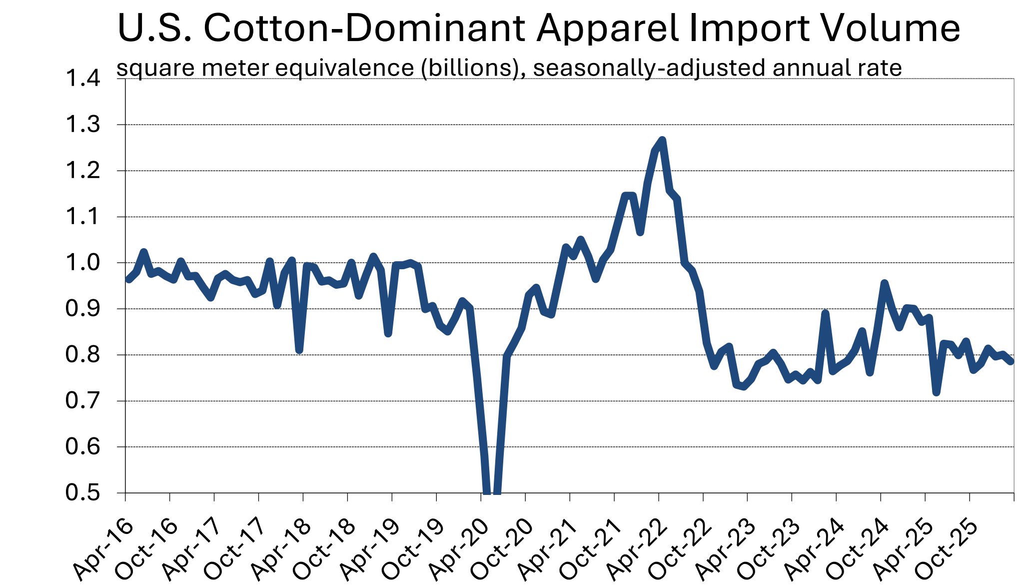
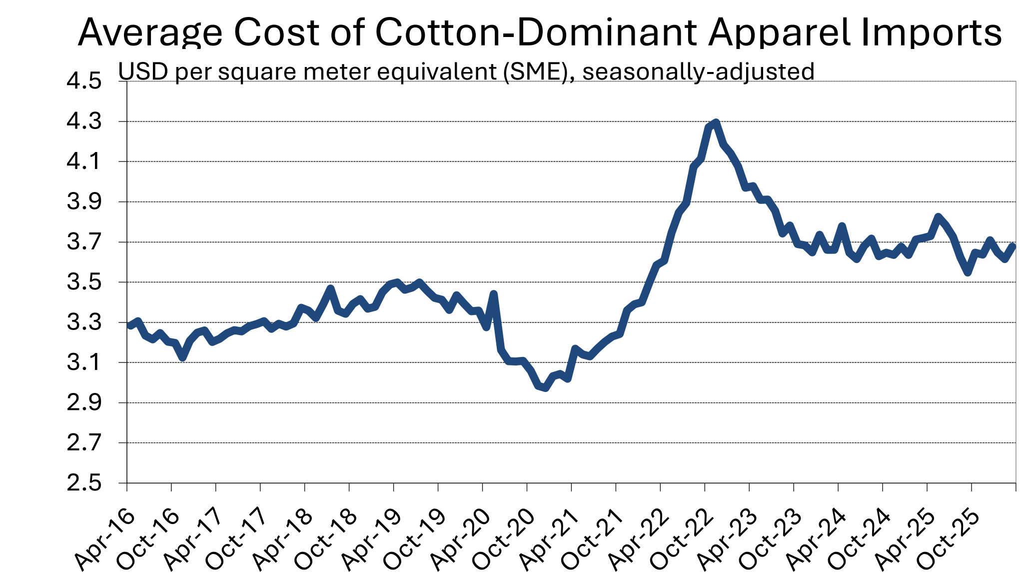


Source: OTEXA, seasonal-adjsutment by Cotton Incorporated



Source: OTEXA, seasonal-adjsutment by Cotton Incorporated

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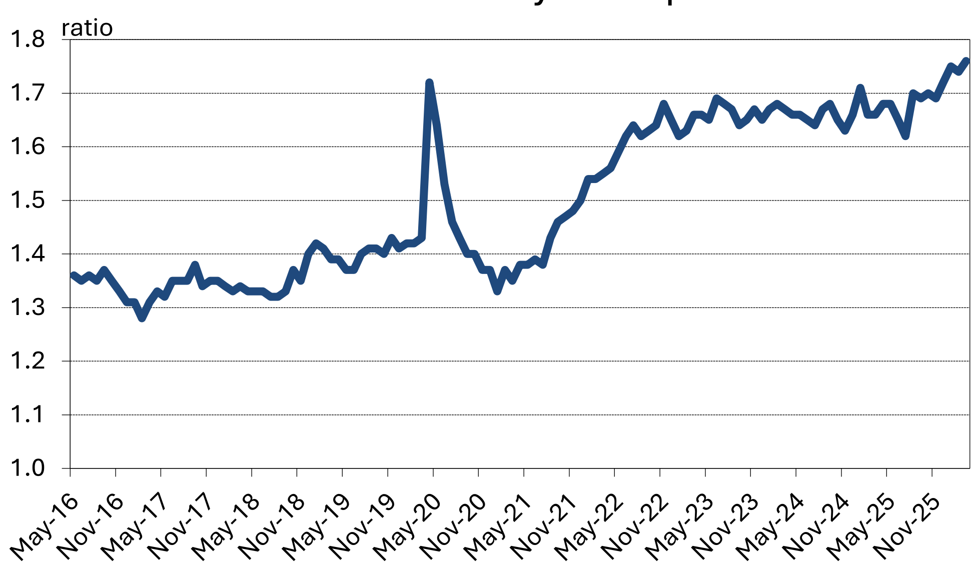
U.S. Industrial Production - Overall & Textiles

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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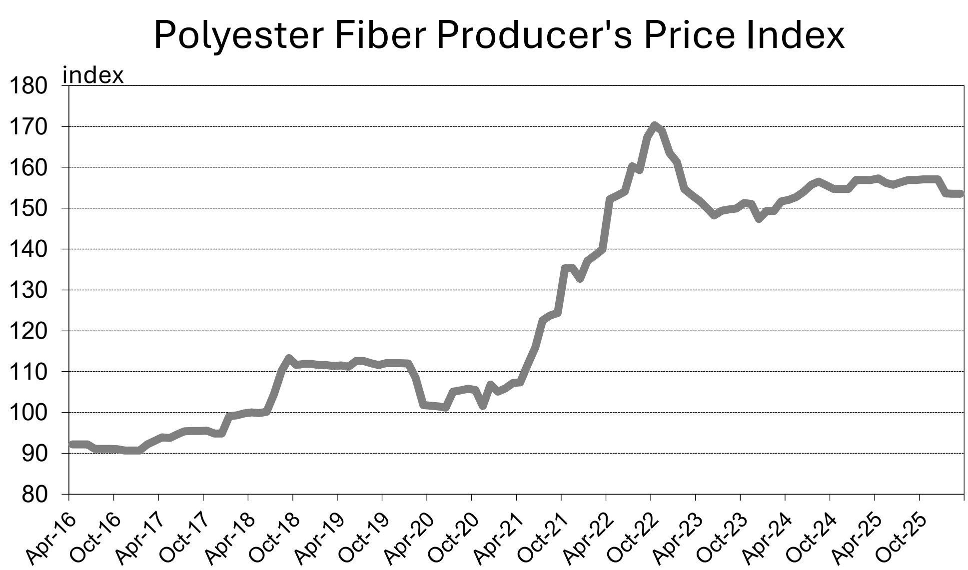
Source: USDA



Source: Bureau of Labor Statistics

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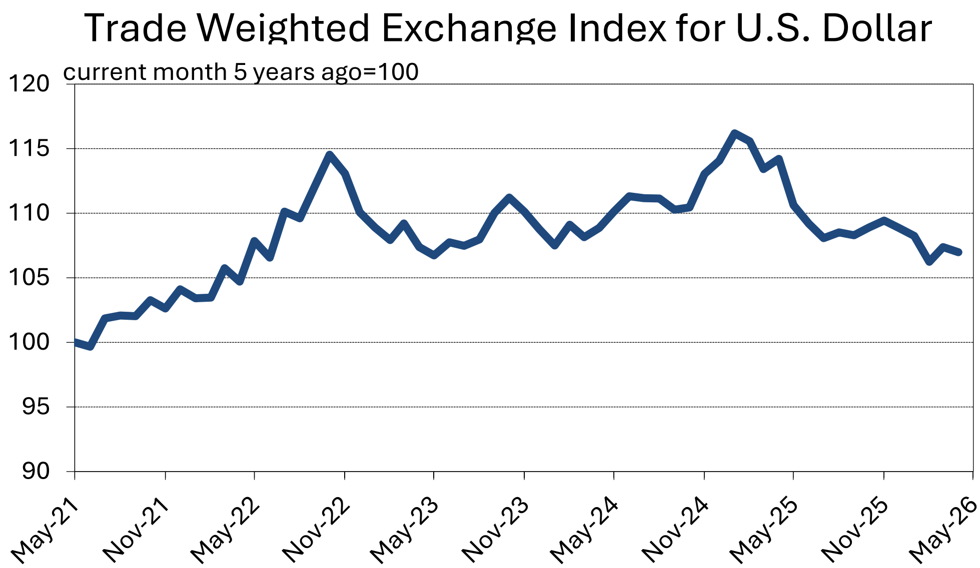
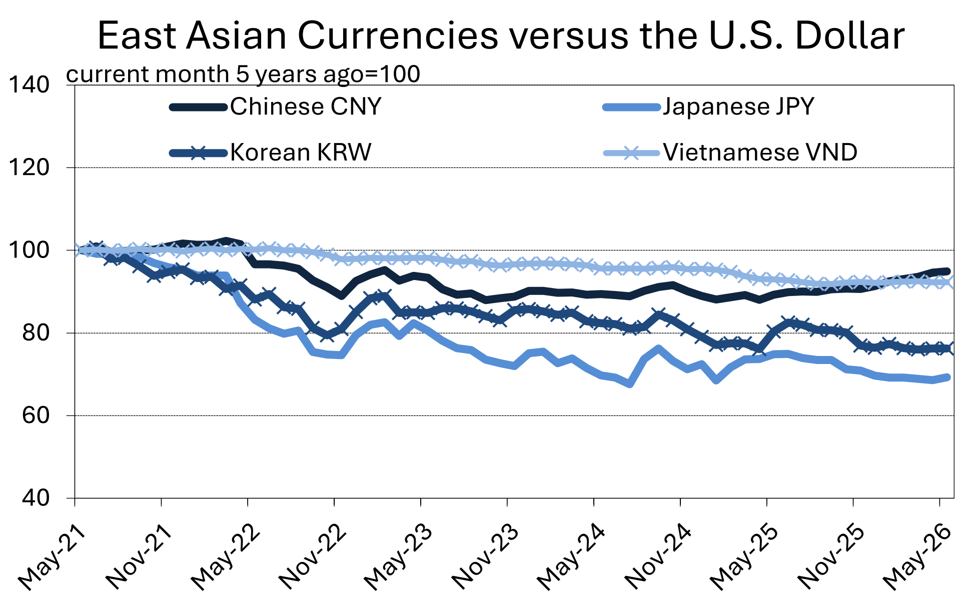


Source: Federal Reserve



Source: Reuters

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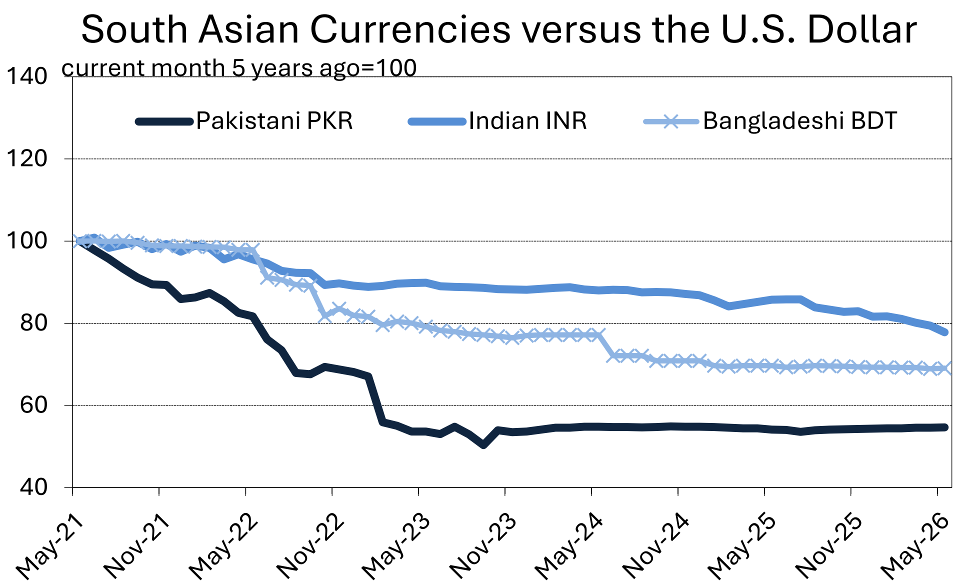
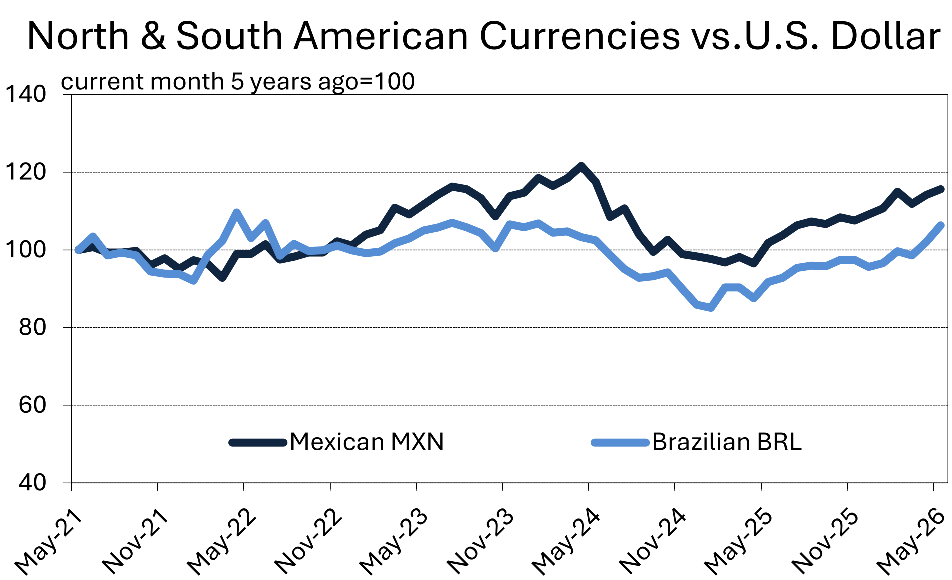


Source: Reuters



Source: Reuters

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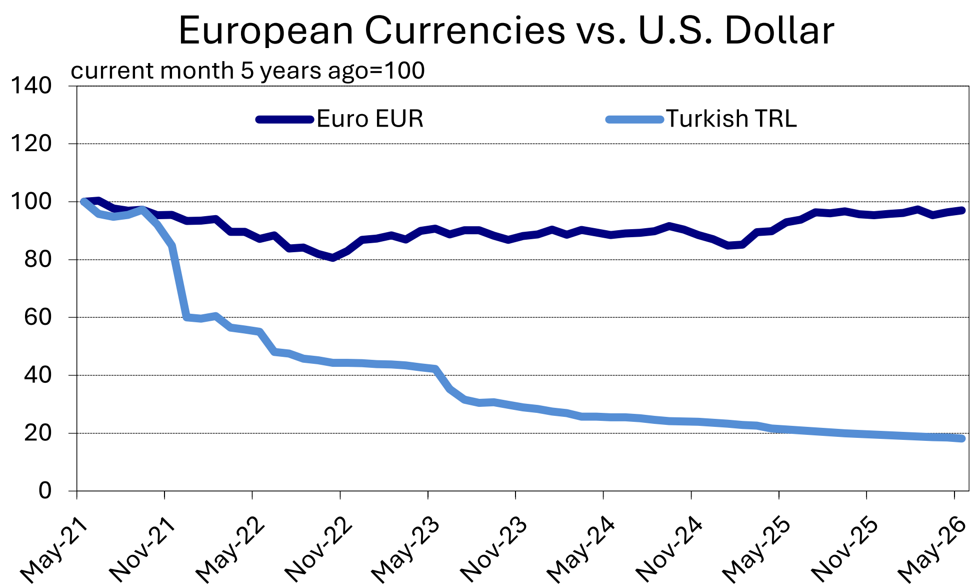
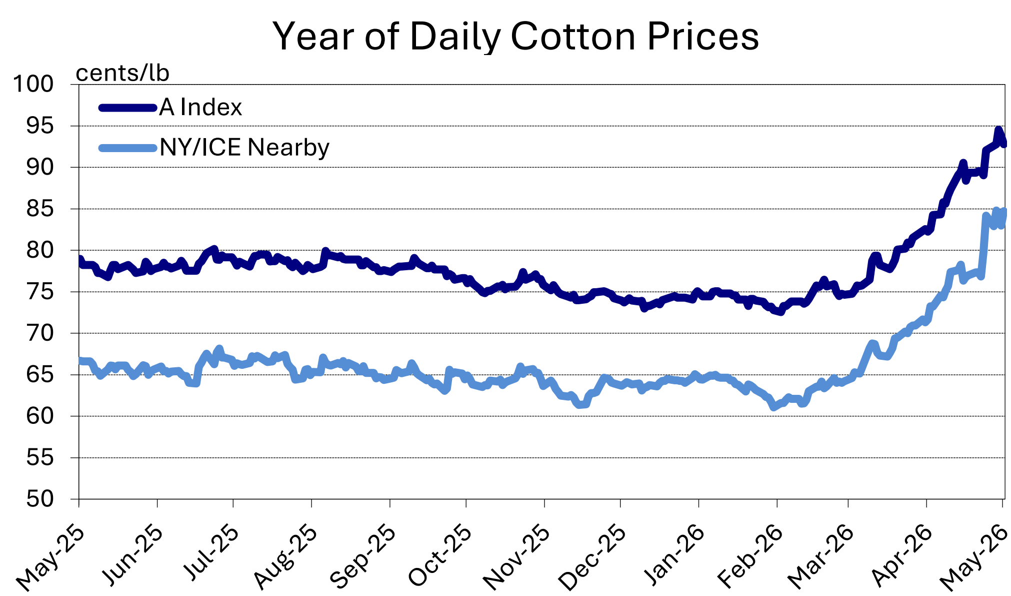


Source: Reuters



Sources: Cotlook, Reuters

Note: For more information on cotton supply, demand, and prices, please refer to [the Monthly Economic Letter.]

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