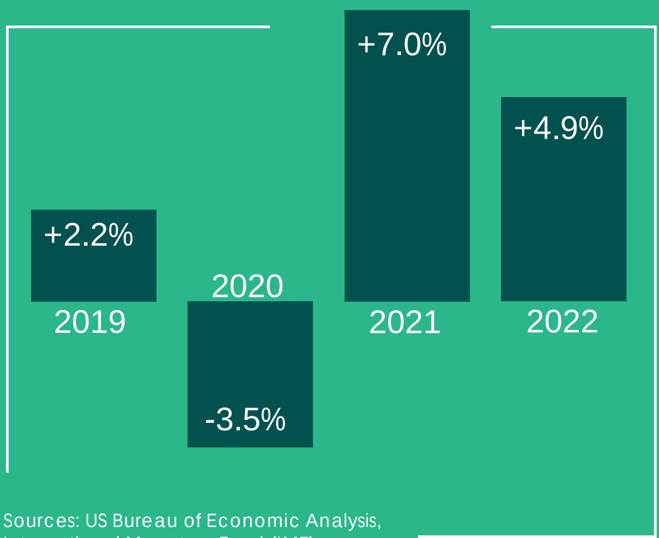
COTTON INCORPORATED'S | SUPPLY CHAIN INSIGHTS

BEYOND COVID
DEMAND & PRICES

SURGING ECONOMY

ESTIMATES FOR U.S. GDP GROWTH



Sources: US Bureau of Economic Analysis, International Monetary Fund (IMF)

U.S. GDP is estimated to have surpassed its pre-COVID peak in the second quarter.[1]

2X The growth rates expected in both 2021 and 2022 are more than double the rate of growth in 2019.[1,2]

The U.S. has not only recovered but is expected to enjoy strong growth into the future.[1,2]

U.S. APPAREL SPENDING

Year-over-year comparison distorted by COVID-driven shutdown orders last year.

With COVID, there was record contractions and record growth. This makes year-over-comparison against 2020 challenging.

Relative to 2019, apparel spending has been up 25% in recent months. Normal annual growth is near 3%, so there has been more growth than could have been expected without COVID.

Online sales have been a big part of that, but brick and mortar sales are up 15% vs 2019, which is an indication of wide-spread strength in consumer demand for clothing.[1,3]

What has been **feeding growth** in apparel spending?

STIMULUS

RISING WAGES

HIGHER SAVINGS

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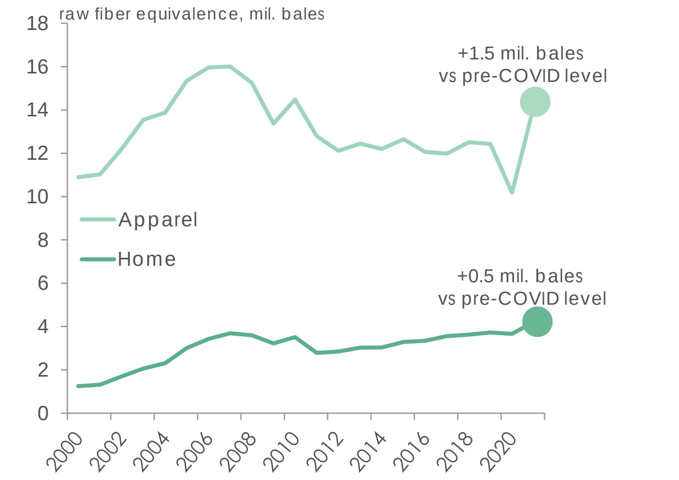
Sources: [1]US Bureau of Economic Analysis, [2]International Monetary Fund (IMF), [3]US Census, [4]USDA ERS, [5]Cotton Incorporated calculations, [6]Reuters, [7]Cotlook, and [8]US BLS.

STRONGER **CONSUMER** DEMAND = STRONGER **IMPORT** DEMAND = STRONGER **FIBER** DEMAND

COTTON IN U.S. APPAREL & HOME IMPORTS



Sources: US Census, USDA ERS, Cotton Incorporated calculations

2021 apparel imports have been the strongest since 2010, and home imports are set to post a new record. Even though imports have been increasing, retailer inventories have been falling. After reaching record highs during the pandemic, the clothing store inventory/sales ratio has fallen to a record low.

Despite high volumes of imports, a concern for many retailers is whether or not they might have enough inventory to keep up with consumer demand as we approach the important holiday sales period.[3]

SUPPLYCHAINPRICES

Throughout the supply chain there are a swirl of influences. While fiber and yarn prices have responded to stronger demand post-COVID, import costs and retail prices are still recovering from COVID-driven lows.[3-5, 7]

↑34%	↑30%	↓ 8%	↓1%
FIBER PRICES	YARN PRICES	IMPORT APPAREL PRICES	RETAIL APPAREL PRICES

DATA DESCRIBE THE PERCENTAGE CHANGE FOR THE LATEST AVAILABLE MONTHLY FIGURES RELATIVE TO JANUARY 2020.

FUTURE **FORECAST**

Increases in shipping costs and higher fiber and yarn prices can be expected to lift prices for imports and at retail.

Further into the future, price increases in raw materials and shipping may ease while the economy is expected to continue to grow at strong rates.

GOOD**NEWS**

U.S. economic growth is forecast to continue to be strong and consumers have a healthy appetite for apparel.

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