



COTTON INCORPORATED'S SUPPLY CHAIN INSIGHTS COTTON, APPAREL, & INFLATION



After decades of relative price stability, consumers are grappling with a surge in inflation after COVID and the war in Ukraine. While prices for apparel have not moved far beyond their pre-COVID levels, budgets available for spending on clothes are being impacted by price increases for non-discretionary goods and services.

IT HAS BEEN A VOLATILE WORLD

Trade dispute & tariffs



After the trade dispute realigned trade flows, orders were slashed with COVID.

COVID & lockdowns



Stimulus & spending surge



A surge in consumer demand with stimulus made it difficult for retailers to keep shelves stocked, especially with the shipping crisis.

Shipping crisis



Inflation



Elevated order volumes that were placed to keep up with consumers and to compensate for shipping issues are arriving in ports while concerns about consumer demand are flaring.

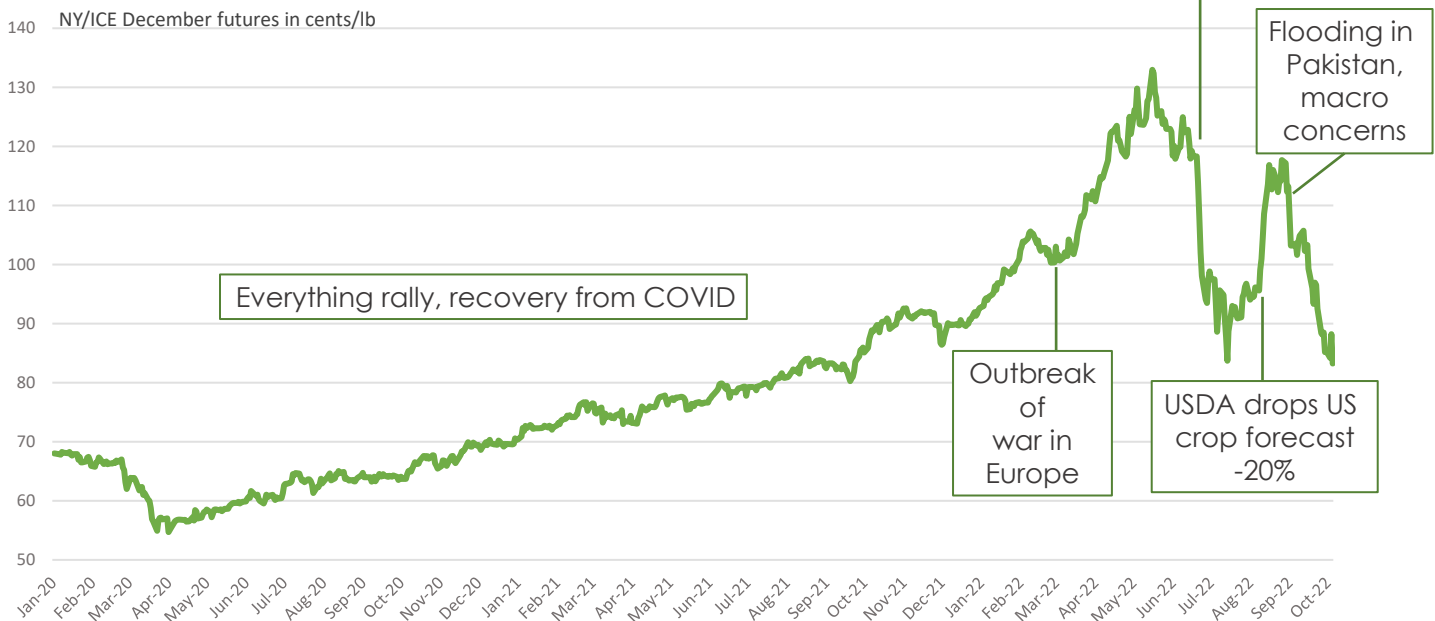
War in Europe



Higher interest rates & slower growth



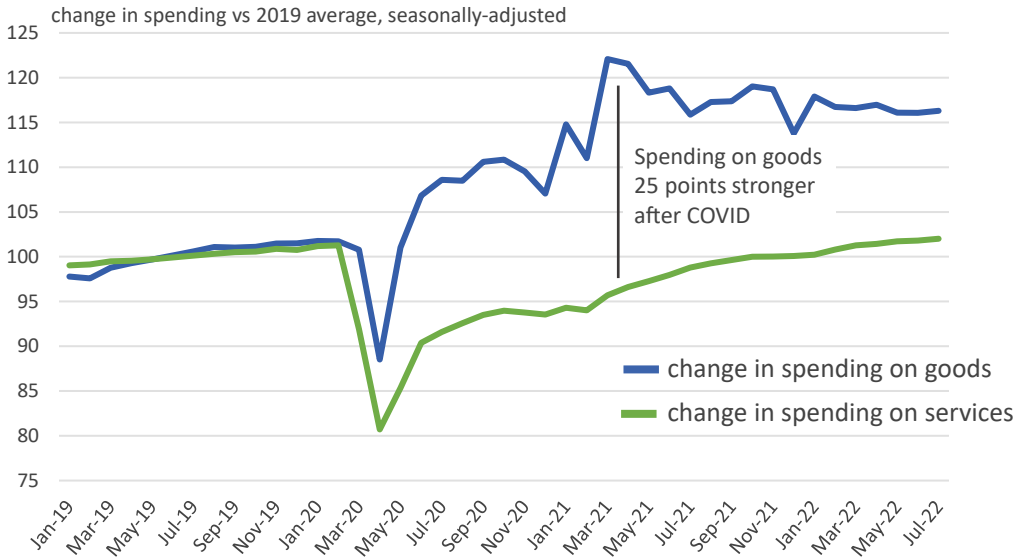
CONTRIBUTING TO VOLATILITY IN THE COTTON MARKET



REBALANCING DOWNSTREAM DEMAND

Concerns about having product on shelves evolved into concerns about inventory accumulation.

SPENDING ON GOODS SURGED AFTER THE PANDEMIC

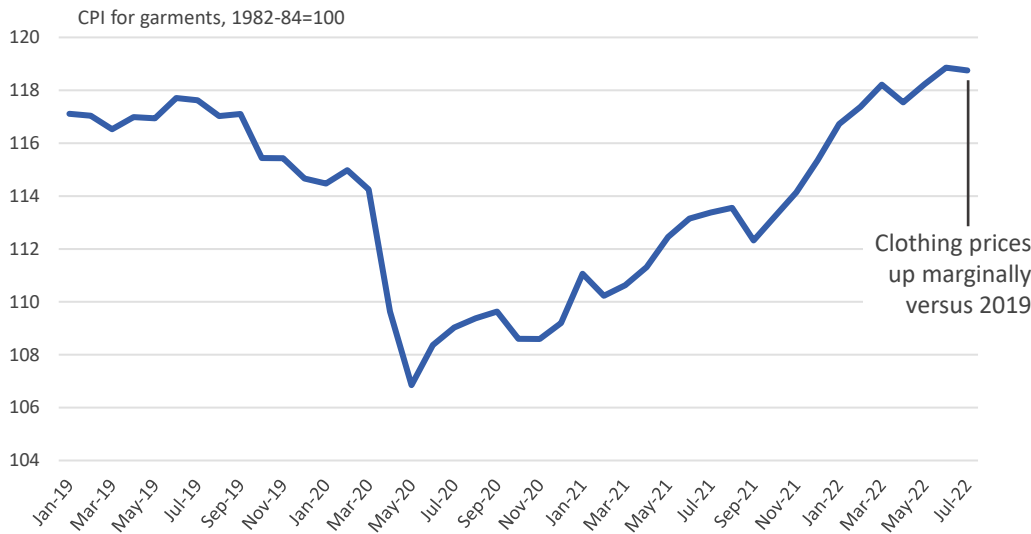


Consumer spending patterns have changed, with stimulus supporting increased spending on goods.

The shipping crisis made it difficult for retailers to keep up with consumer demand.

As the effect of stimulus dollars wanes and consumers spend more on services, demand for goods like apparel could slow.

PRICE INCREASES FOR NECESSITIES OUTPACE CHANGES IN CLOTHING PRICES



Retail apparel prices have been higher year-over-year, but most of those gains were due to reflating to make up for the collapse with the onset of COVID.

Inflation in prices for other spending categories may sap income available for clothing purchases.

CONSUMER SPENDING & INFLATION

BUDGET SHARE		PRICE CHANGE
2%	APPAREL LESS FOOTWEAR	2%
33%	SHELTER	12%
18%	TRANSPORTATION	28%
13%	FOOD	20%
8%	MEDICAL CARE	11%
5%	UTILITIES	27%
5%	RECREATION	9%
3%	EDUCATION	7%
4%	COMMUNICATION	2%

Not only does lodging, food, and energy represent much larger shares of consumer spending, these categories have also seen stronger price increases.

Higher prices for spending categories outside of apparel could pinch income and challenge growth in consumer apparel spending.

