



## Declining Consumer Confidence Will Slow Cotton Consumption and Trade

Date Posted: 1 November 2019

### Executive Summary

**Highlights from the November 2019 Cotton This Month include:**

- The US-China trade war is dragging down both the global economy and international cotton trade
- In 2019/20, India is projected to lead the world in production despite low yields
- With production expected to grow by 1 million tonnes, and consumption projected to remain flat, prices will be under heavy pressure throughout the year

### **Declining Consumer Confidence Will Slow Cotton Consumption and Trade**

Due to slowing mill use and cotton imports in China — largely the result of the ongoing economic burden of the US-Sino trade war — both global cotton consumption and trade are expected to decline in 2019/20. Current projections estimate production in the coming year at 26.7 million tonnes, consumption at 26.2 million tonnes and overall trade at 8.8 million tonnes.

India is expected to lead the world in overall cotton production at 6 million tonnes, despite the country's low yields of 440 kg/ha, among the world's lowest and considerably below the global average of 780 kg/ha. Similarly, China is projected to be the world's top consumer at 8.05 million tonnes despite that figure being a 2% decrease from 2018/19. Both Mexico and Pakistan are expected to increase their imports, however, by 48% (to 141,000 tonnes) and 8% (to 711,000 tonnes), respectively.

The Secretariat's current price projection for the year-end average of the Cotlook A Index has been revised to 75.5 cents per pound this month.

**World Cotton Supply and Demand**

|                  | 2017/18        |        | 2018/19        |        | 2019/20        |        |
|------------------|----------------|--------|----------------|--------|----------------|--------|
|                  | Million Tonnes | Change | Million Tonnes | Change | Million Tonnes | Change |
| Beginning Stocks | 18.48          | 0.00   | 18.69          | -0.02  | 18.22          | -0.07  |
| Production       | 26.68          | 0.00   | 25.69          | -0.06  | 26.70          | -0.12  |
| Supply           | 45.16          | 0.00   | 44.38          | -0.08  | 44.92          | -0.19  |
| Consumption      | 26.35          | -0.02  | 26.13          | -0.04  | 26.20          | -0.27  |
| Exports          | 9.10           | 0.00   | 9.24           | 0.00   | 8.84           | -0.43  |
| Ending Stocks    | 18.69          | -0.02  | 18.22          | -0.07  | 18.73          | 0.08   |

#### ICAC Price Projections

Season-average Cotlook A Index (US cents per pound).

| Projections | Previous Month |          | This Month |          |
|-------------|----------------|----------|------------|----------|
|             | Range          | Midpoint | Range      | Midpoint |
| 2019/20*    | 63-94          | 77       | 63-90      | 76       |

\*The price projection for 2019/20 is based on the ending stocks-to-mill use ratio in the world-less-China in 2017/18 (estimate), 2018/19 (estimate) and 2019/20 (projection), on the ratio of Chinese net imports to world imports in 2018/19 (estimate) and 2019/20 (projection), and the average price in 2018/19. The projection reflects a 95% confidence interval.