

US Economy and Food Industry Recap

Executive Summary

The economy has illustrated mixed signals thus far into 2023. Inflation has remained persistently high compared to historical norms. The labor market has been resilient with low unemployment rate figures. Despite the strong wage growth, wages have not kept up with the rate of inflation.

Key findings

- The consumer price index for meats, poultry, fish, and eggs in January 2023 increased 8 percent from year-ago levels – the largest increase since November 2022.
- In January 2023 the unemployment rate was 3.4 percent – the lowest figure in 53 years.
- The 12-month moving average median wage growth for the first quartile decelerated in January 2023, while the second quartile accelerated further.
- Foodservice and drinking place sales increased 7.2 percent from December 2023 to January 2023 – totaling \$95.45 billion.

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Persistent Inflation

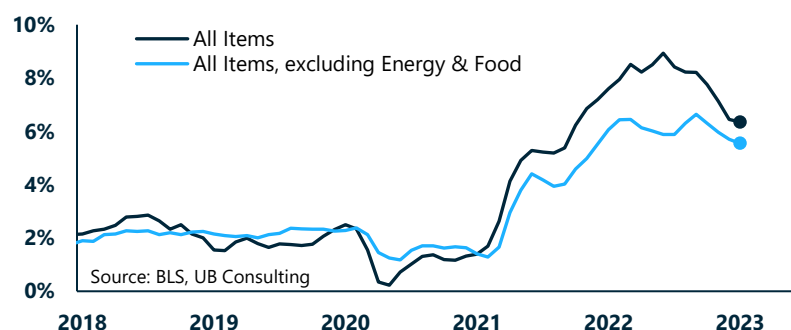
The January 2022 CPI report published higher rates than the consensus had expected. On a seasonally adjusted basis, the all-items index in January 2023 increased 6.3 percent year-over-year, while the core index (excluding energy and food) increased 5.5 percent year-over-year. In spite of the increases, the overall trend continues to show decelerating inflation at the consumer level.

Food continued to be one of the driving factors for the all-items increase. Despite slowing from August 2022, the food-at-home index rose 11.3 percent year-over-year in January 2023. The meats, poultry, fish, and egg index increased 8 percent year-over-year. The index's year-over-year rate has been rising since November 2022. We suspect that the HPAI complications within the egg market have put additional upward pressures on the index. The January report highlighted that the price of eggs increased 70.1 percent year-over-year on an unadjusted basis.

Inflation Metrics - Jan'23	MoM %Δ	YoY %Δ
CPI, All Items	▲ 0.52%	▲ 6.35%
CPI, excluding Energy & Food	▲ 0.41%	▲ 5.55%
CPI, Food at Home	▲ 0.42%	▲ 11.32%
CPI, Food away from Home	▲ 0.62%	▲ 8.20%
CPI, Meats, Poultry, Fish, and Eggs	▲ 0.72%	▲ 8.05%
PPI, Final Demand	▲ 0.66%	▲ 6.03%
PPI, Finished Goods Less Foods and Energy	▲ 0.74%	▲ 7.42%
PCE, All Items	▲ 1.76%	▲ 7.92%
PCE, excluding Energy & Food	▲ 0.57%	▲ 4.71%
PCE, Food	▲ 0.34%	▲ 4.71%

Source: BLS, BEA, UB Consulting. Data is seasonally adjusted.

CPI Inflation Rate for All Urban Consumers

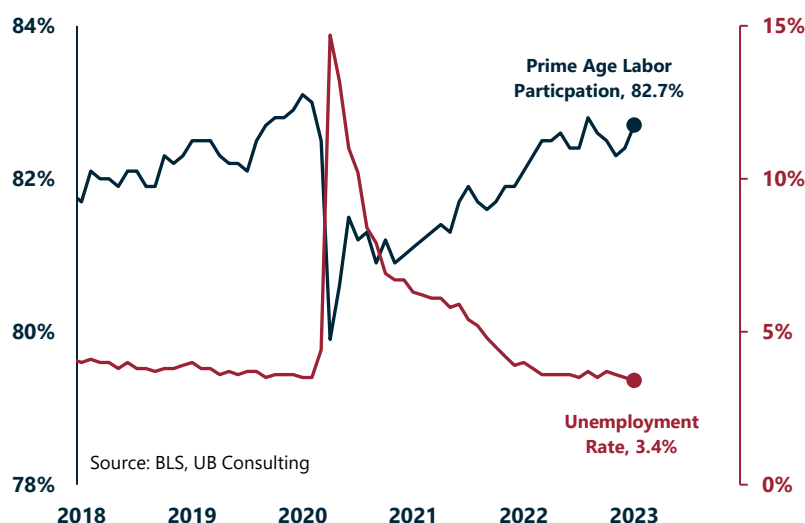


The Job Market Remains Strong

Consistent with much of 2022, the jobs market has remained strong through the beginning months of 2023. The unemployment rate in January 2023 was approximately 15 percent below year-ago levels, while the labor force participation rate for prime-age workers (ages 25 – 54) hovered about 0.7 percent above year-ago levels. It is important to note that the unemployment rate in January 2023 was 3.4 percent – the lowest rate in 53 years.

Job openings have remained historically elevated. Concerning the accommodation and food services sector, the number of openings was 1.48 million in January 2023.

Prime Age Labor Force Part. vs Unemployment Rate



Labor Market

	Jan '23	MoM %Δ	Dec '22	YoY %Δ	Jan '22
Unemployment Rate	3.4%	▼ 2.9%	3.5%	▼ 15.0%	4.0%
Labor Force Participation Rate, Prime Age Workers	82.7%	▲ 0.4%	82.4%	▲ 0.7%	82.1%
Job Openings: Total Nonfarm (Thousands of Persons)	10,824	▼ 3.6%	11,234	▼ 5.8%	11,487
Job Openings: Accommodation and Food Services (Thousands of Persons)	1,475	▼ 12.2%	1,679	▼ 2.8%	1,518
Hires: Total Nonfarm (Thousands of Persons)	6,372	▲ 1.9%	6,251	▼ 1.9%	6,496
All Employees, Food Manufacturing (Thousands of Persons)	1,726	▲ 0.4%	1,719	▲ 3.5%	1,668
All Employees, Accommodation and Food Services (Thousands of Persons)	14,035	▲ 0.8%	13,922	▲ 6.6%	13,161
All Employees, Food Services and Drinking Places (Thousands of Persons)	12,173	▲ 0.8%	12,075	▲ 6.1%	11,471
Average Hourly Earnings of All Employees, Total Private	\$33.03	▲ 0.3%	\$32.93	▲ 4.4%	\$31.63

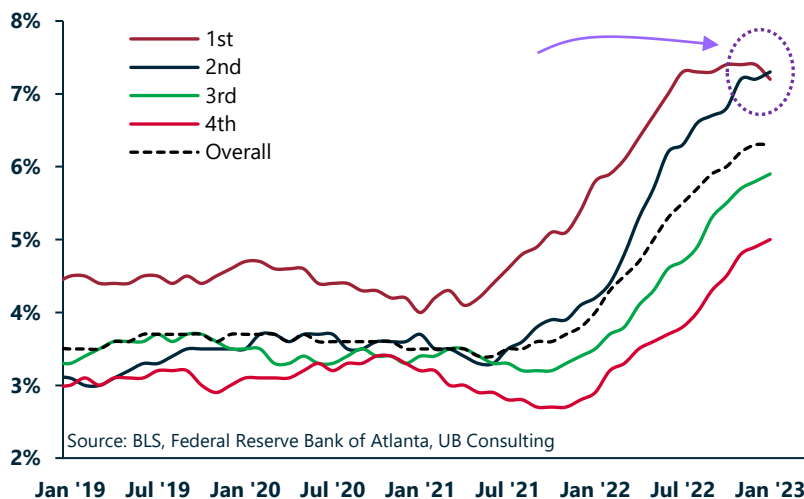
Source: BLS, BEA, UB Consulting. Data is seasonally adjusted.

Wages Continue to Grow

Wages continue to be a primary factor in analyzing the economy. They have grown significantly, especially for the bottom percentiles, and the stickiness has been evident within the data. Despite these increases, wage growth for the bottom quartile has slowed in recent months, possibly signaling a cutback in future spending. The 12-month moving average for the 1st quartile was 7.2 percent in January 2023 – decreasing from 7.4 percent in December 2022. In 2018 and 2019, the average growth was 4.2 percent.

Consumer credit card delinquencies in Q4 2022 illustrated increases, albeit from the record-low rates in 2021 and the early part of 2022. A continued trend here could impact future spending habits further.

Monthly Median Wage Growth by Quartile, 12-Mo MA



Income & Savings

	Jan '23	MoM %Δ	Dec '22	YoY %Δ	Jan '22
Personal Saving Rate	4.7%	▲ 4.4%	4.5%	-	4.7%
Real Disposable Personal Income: Per Capita	\$46,536	▲ 1.4%	\$45,915	▲ 2.3%	\$45,470
Consumer Loans: Credit Cards and Other Revolving Plans, All Commercial Banks (Billions)	\$946.89	▲ 1.4%	\$933.90	▲ 17.1%	\$808.85

Source: Board of Governors of the Federal Reserve System, BEA, UB Consulting. Data is seasonally adjusted. Consumer loan data represents a monthly average.

	Feb '23	MoM %Δ	Jan '23	YoY %Δ	Feb '22
Bank Prime Loan Rate	7.7%	▲ 3.2%	7.5%	▲ 138.2%	3.3%

Source: Board of Governors of the Federal Reserve System, UB Consulting. Data is not seasonally adjusted and represents a monthly average.

Robust Retail Sales Data

According to the Bureau of Economic Analysis (BEA) advanced retail data, total trade increased 2.3 percent month over month in January 2023 to \$601.5 billion.

The increase found in sales at food service and drinking places was considered a significant contributor to the overall growth. From a month-over-month perspective, sales increased 7.2 percent to \$95.5 billion in January 2023. Sales hovered approximately 25.2 percent above year-ago levels.

Advanced Retail Sales: Food Services and Drinking Places



Advanced Retail Sales

	Jan '23	MoM %Δ	Dec '22	YoY %Δ	Jan '22
Total Trade	\$601,529	▲ 2.3%	\$587,878	▲ 3.9%	\$578,937
Food and Beverage Stores	\$81,311	▲ 0.1%	\$81,248	▲ 6.2%	\$76,585
Food Services and Drinking Places	\$95,453	▲ 7.2%	\$89,047	▲ 25.2%	\$76,217

Source: USCB, UB Consulting. Units of measure in millions of dollars. Data is seasonally adjusted.

Salmon Leads the Center of the Plate Proteins in MoM % chg. Increases

When adjusted for inflation to 2018, the average wholesale price for farmed salmon and beef increased by 9.5 percent and 6.8 percent in January 2023 from December 2022. The chicken index rose 2.3 percent month over month in January 2023, while the pork carcass cutout value decreased by 4 percent.

Despite the increase from December 2022 into January 2023, the farmed salmon index decreased approximately 2 percent from year-ago levels. In 2022, salmon demand was elevated compared to historical norms. Prices reached record levels for both producers and consumers.

Real Wholesale Prices, Indexed

