

US Economy and Food Industry Recap

Executive Summary

High levels of inflation persist at both the producer and consumer levels compared to historical norms, despite some evidence of slowing. Concerning food at home, inflation has been decelerating since August 2022.

Overall, the labor market continues to show signs of strength. Wage growth remains strong, especially for the middle class, which may impact protein consumption habits in the future.

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Key findings

- The consumer price index for meats, poultry, fish, and eggs in February 2023 decreased 0.1 percent from January– the first month-over-month decrease since December 2021.
- Total non-farm job openings in February 2023 declined 6 percent month over month to 9.9 million jobs in February 2023 – the first month with less than 10 million openings since May 2021.
- The 12-month moving average median wage growth for the second quartile outpaced that of the first quartile for the second straight month.
- Foodservice and drinking place sales decreased 2.2 percent from January 2023 to February 2023 – totaling \$92.7 billion.



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Is Consumer Inflation Slowing?

The February CPI data was in line with consensus expectations. On a year-over-year basis, the all-items index increased 6 percent, while the core index (excluding food and energy) increased 5.5 percent this February. The year-over-year increase in the all-items index has continued to slow from June 2022 numbers.

Concerning food, the food at home index and food away from index increased by 10.1 percent and 8.4 percent, respectively, from February 2022 to February 2023. The year-over-year rate of increase in the food-at-home index has continued to slow since August 2022. On a month-over-month basis, the meat, poultry, fish, and egg index decreased 0.1 percent—the first month-over-month decrease since December 2021.

Considered the Federal Reserve Bank's favored inflation metric, the month-over-month increase in the overall personal consumption index cooled in February 2023 – increasing only 0.2 percent from January 2023. However, food expenditures increased 7.2 percent year over year in February 2023 – the most significant increase since January 2022.

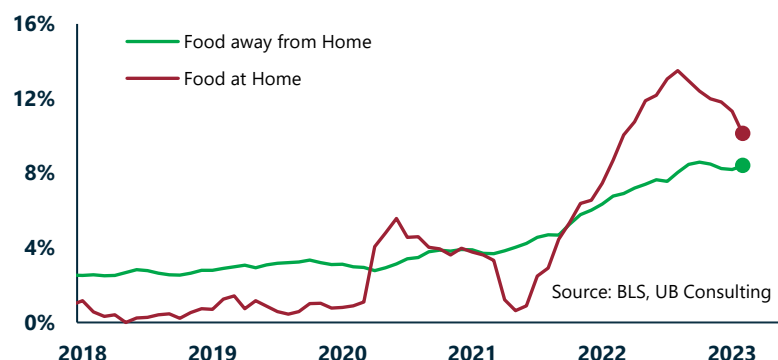
The Job Market Remains Strong

The jobs market continues to show signs of strength despite some recent corrections. According to the Job Openings and Labor Turnover Survey (JOLTS report), total non-farm job openings in February 2023 declined 6 percent month over month to 9.9 million jobs in February 2023, the first month with less than 10 million job openings since May 2021. In February 2022, total hires declined 2.6 percent month over month to 6.2 million hires. Concerning the accommodation and food services sector, job openings declined 17.4 percent year over year to 1.3 million openings in March 2023. The unemployment rate in February 2023 was 3.6 percent, approximately 5.3 percent below year-ago levels. The labor participation rate for prime-age workers (ages 25 to 54) was 83.1 percent in February 2023. The rate was 1.2 percent higher compared to February 2018, a pre-pandemic baseline.

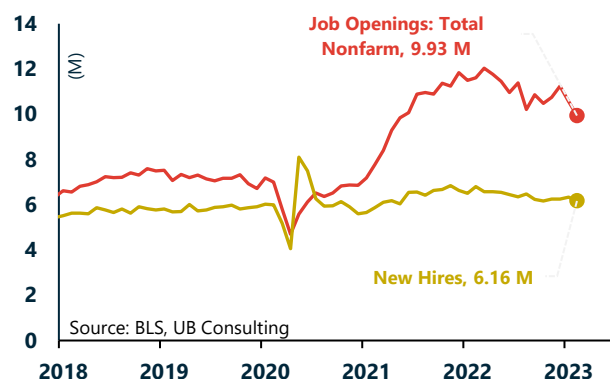
Inflation Metrics - Feb'23	MoM %Δ	YoY %Δ
CPI, All Items	▲ 0.37%	▲ 5.99%
CPI, excluding Energy & Food	▲ 0.45%	▲ 5.53%
CPI, Food at Home	▲ 0.25%	▲ 10.13%
CPI, Food away from Home	▲ 0.63%	▲ 8.41%
CPI, Meats, Poultry, Fish, and Eggs	▼ 0.10%	▲ 6.73%
PPI, Final Demand	▼ 0.15%	▲ 4.59%
PPI, Finished Goods Less Foods and Energy	▲ 0.36%	▲ 6.79%
PCE, All Items	▲ 0.15%	▲ 7.60%
PCE, excluding Energy & Food	▲ 0.30%	▲ 4.60%
PCE, Food	▲ 0.68%	▲ 7.20%

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

CPI Inflation Rate for All Urban Consumers



Job Openings. vs New Hires



Labor Market	Feb '23	MoM %Δ	Feb '23	YoY %Δ	Feb '22
Unemployment Rate	3.6%	▲ 5.9%	3.4%	▼ 5.3%	3.8%
Labor Force Participation Rate, Prime Age Workers	83.1%	▲ 0.5%	82.7%	▲ 1.0%	82.3%
Job Openings: Total Nonfarm (Thousands of Persons)	9,931	▼ 6.0%	10,563	▼ 14.4%	11,601
Job Openings: Accommodation and Food Services (Thousands of Persons)	1,275	▼ 8.9%	1,400	▼ 17.4%	1,543
Hires: Total Nonfarm (Thousands of Persons)	6,163	▼ 2.6%	6,327	▼ 9.4%	6,800
All Employees, Food Manufacturing (Thousands of Persons)	1,725	▼ 0.1%	1,726	▲ 2.9%	1,676
All Employees, Accommodation and Food Services (Thousands of Persons)	14,106	▲ 0.6%	14,021	▲ 6.1%	13,294
All Employees, Food Services and Drinking Places (Thousands of Persons)	12,231	▲ 0.6%	12,161	▲ 5.6%	11,583
Average Hourly Earnings of All Employees, Total Private	\$33.09	▲ 0.2%	\$33.01	▲ 4.6%	\$31.63

Source: BLS, BEA, UB Consulting. Data is not seasonally adjusted.

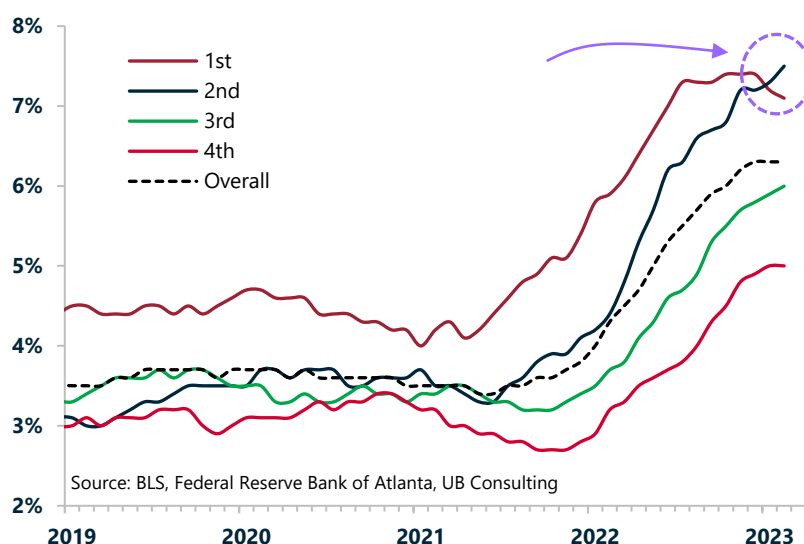
Wages Grow for the 2nd Income Quartile

As last month's report mentioned, wages continue to be a significant factor in analyzing the economy – especially when analyzing the lower income quartiles. The 12-month moving average for the 2nd quartile outpaced that of the 1st quartile for the second straight month in February 2023 – suggesting increased wages for the middle class.

In February 2023, the personal saving rate was 4.6 percent, increasing 2.2 percent from year-ago levels. After remaining unchanged from December 2022 to January 2023, the rate increased by 4.5 percent month over month in February 2023. Currently, the savings rate sits approximately 51.6 percent below the February 2019 rate.

Given the current inflationary environment, consumers might reduce spending, especially in the bottom quartile. Within the protein complex, this may mean switching to lower-priced products; however, current data still suggest strong demand for higher-priced products.

Monthly Median Wage Growth by Quartile, 12-Mo MA



Income & Savings

	Feb '23	MoM %Δ	Jan '23	YoY %Δ	Feb '22
Personal Saving Rate	4.6%	▲ 4.5%	4.4%	▲ 2.2%	4.5%
Real Disposable Personal Income: Per Capita	\$46,682	▲ 0.2%	\$46,606	▲ 2.8%	\$45,428
Consumer Loans: Credit Cards and Other Revolving Plans, All Commercial Banks (Billions)	\$955.96	▲ 1.0%	\$946.89	▲ 16.9%	\$817.48

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

	Mar '23	MoM %Δ	Feb '23	YoY %Δ	Mar '22
Bank Prime Loan Rate	7.8%	▲ 1.2%	7.7%	▲ 132.3%	3.4%

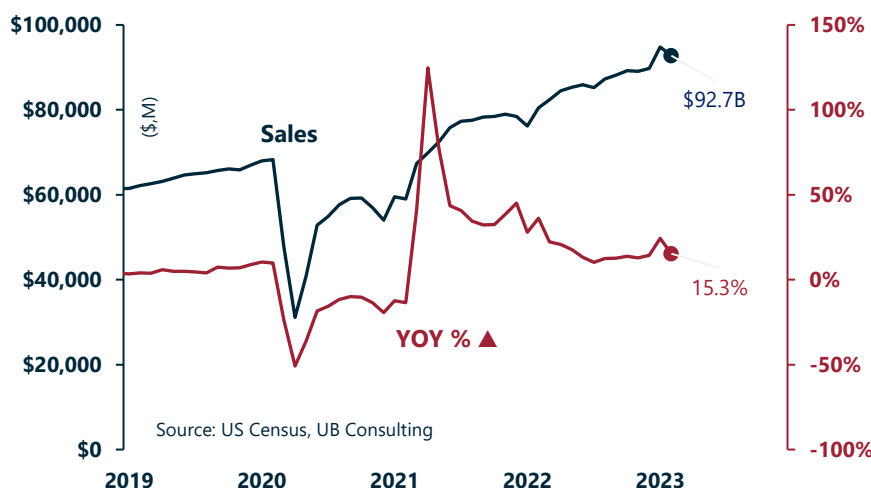
Source: Board of Governors of the Federal Reserve System, UB Consulting. Data is not seasonally adjusted and represents a monthly average.

Robust Retail Sales Data

According to the Bureau of Economic Analysis (BEA) advanced retail data, total trade decreased 0.1 percent month over month in February 2023 to \$605.1 billion. Despite decreasing on a month-over-month basis, sales increased 4 percent from February 2022.

Concerning food, sales at food service and drinking places increased by 15.3 percent to \$92.7 billion in February 2023. Sales decreased by 2.2 percent from January 2023 to February 2023.

Advanced Retail Sales: Food Services and Drinking Places



Advanced Retail Sales

	Feb '23	MoM %Δ	Jan '23	YoY %Δ	Feb '22
Total Trade	\$605,136	▼ 0.1%	\$605,893	▲ 4.0%	\$581,700
Food and Beverage Stores	\$81,014	▲ 0.5%	\$80,618	▲ 5.5%	\$76,824
Food Services and Drinking Places	\$92,740	▼ 2.2%	\$94,789	▲ 15.3%	\$80,463

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

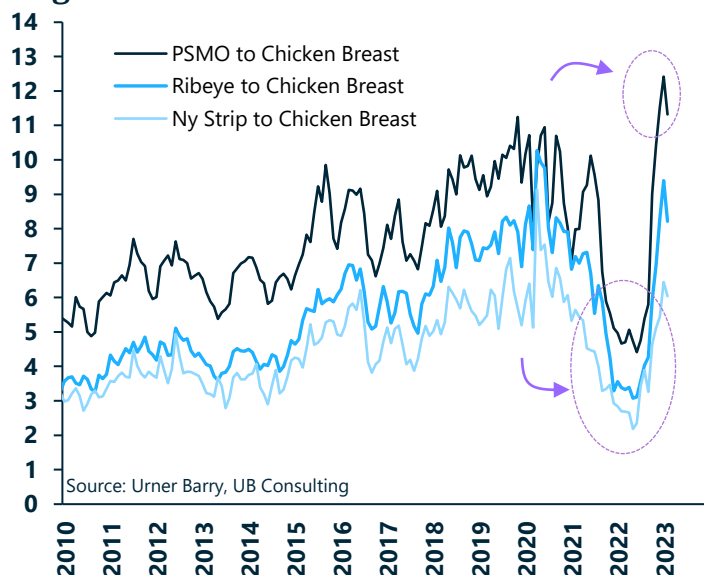
Wholesale Beef to Chicken Price Ratios

With respect to wholesale prices, high-priced beef items have registered record all-time seasonal highs for several months now, possibly suggesting robust and persistent demand.

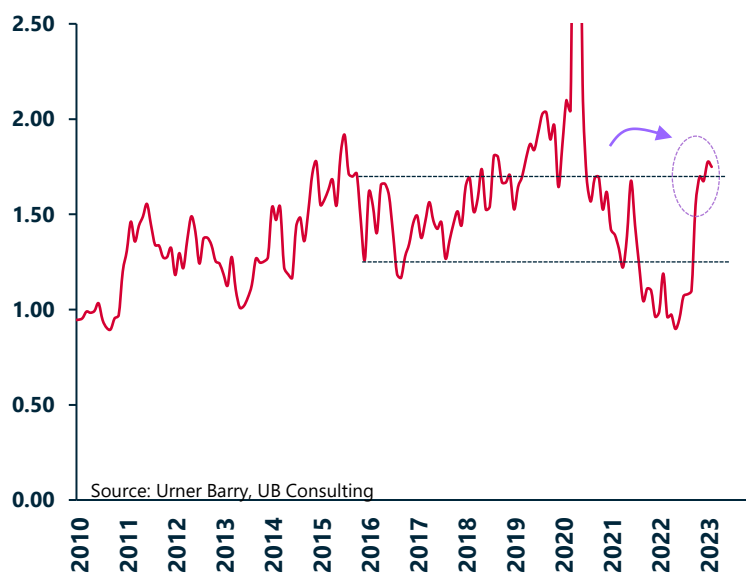
On the other hand, within the poultry complex, the chicken breast market endured large swings in price, ranging from nominal all-time lows to all-time highs over the last few years.

To quantify swings in supply and demand, we have created a ratio between the prices of several beef items to chicken breasts. Given the historically high prices for chicken breasts in 2021 and 2022, the ratio contracted to levels not seen in years, despite relatively high price levels for beef items.

High-Priced Beef to Chicken Breast Ratios



Ground Beef to Chicken Breast Ratio



On a **seasonally and inflation-adjusted** basis, the average ratio from:

	Avg 2016 -2018	Avg 2020 -2022	Feb-23
Ribeye to Chicken Breast	6.39	6.31	8.22
PSMO to Chicken Breast	8.36	7.88	11.32
Ny Strip to Chicken Breast	5.09	4.80	6.04

The ratio, however, acted much differently compared to lower-priced beef items.

	Avg 2016 -2018	Avg 2020 -2022	Feb-23
Ground Beef to Chicken Breast	1.51	1.55	1.75

Fundamentally, if demand is assumed constant, the recent increase in production for chicken and a decrease in beef production could explain the current movement in ratios for high-priced cuts. However, this can not be said for ground beef. Shifts in the ground beef ratio have not mirrored that of the high-priced item ratios. Other factors are certainly at play. But one can imply that consumers may still be willing and able to spend on higher-priced items and have yet to switch to lower-priced proteins.

Currently, these theories are pure speculation. In the coming reports, we will test this relationship in greater detail.