

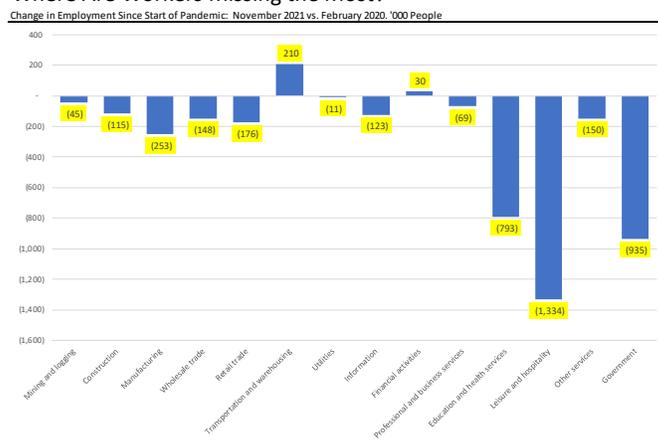
November **employment data released this morning was disappointing** but not entirely surprising. Economists polled ahead of the report were expecting some 550k jobs added to the payrolls in November, and some forecasts were far higher than that. Instead, the Bureau of Labor Statistics report said **only 210k new jobs were added last month**. The unemployment rate was down to a surprising 4.2% from 4.6% the previous month while the participation rate was up 0.2 points to 61.8%. The number of people on payrolls in November was estimated at 148.6 million, **3.9 million less than before the start of the pandemic**. The chart to the right shows how that shortfall of 3.9 million jobs is distributed across various industries. By far the biggest declines have come in leisure/hospitality, government and education/health services. **COVID and structural issues are clearly at play here, with more baby boomers retiring early and some workers moving away from customer facing jobs**. Economists thought that higher pay and benefits, as well as expiration of unemployment benefits, would induce more people to return to the labor force. That did not happen to the degree expected. Only 23k new jobs were added in leisure and hospitality, an industry that employs some 15.6 million people. Restaurants are part of this category and they continue to struggle to fill positions. Retaining workers has become increasingly difficult, forcing them to raise pay to stay competitive. The flip side of this is that menu prices continue to move higher and the resulting food inflation appears to be impacting sales volume. Livestock producers care about volume sales not dollar sales at foodservice. If restaurants are buying fewer cases of beef that means fewer head of livestock and a shrinking business for ranchers and producers.

In October some 4.4 million people quit their jobs, an all time record high. We will not get the November numbers until next week. **It appears that some people are shifting from lower pay to higher paying jobs**. For instance, there were 50k new jobs added to transportation and warehousing in November following 60k new jobs added in October. However, retail trade saw the loss of 20k jobs and only 31k new jobs were added in manufacturing. The increasing competition for workers has resulted in significant increases in wages, which could further fuel inflation. **Meat packers have experienced their share of higher labor costs, something that eventually gets passed down to producers in the form of lower bids for livestock and passed up to consumers in the form of higher costs for meat**. According to BLS data, average weekly earning of production and non supervisory employees in animal slaughtering and processing operations in October was up 10% from the previous year and 19% higher than in January 2020. Weekly earnings for production and non supervisory employees as limited service restaurants in October were 15% higher than the previous year and 18% higher than in January 2020.

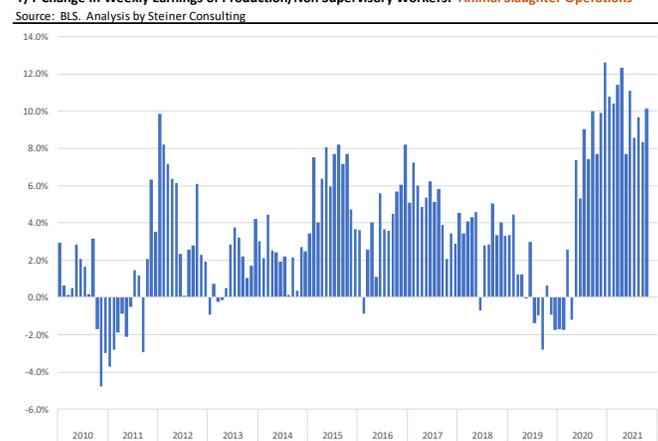
USA Civilian Participation Rate in Labor Force



Where Are Workers Missing the Most?



Y/Y Change in Weekly Earnings of Production/Non Supervisory Workers. Animal Slaughter Operations



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