News Release

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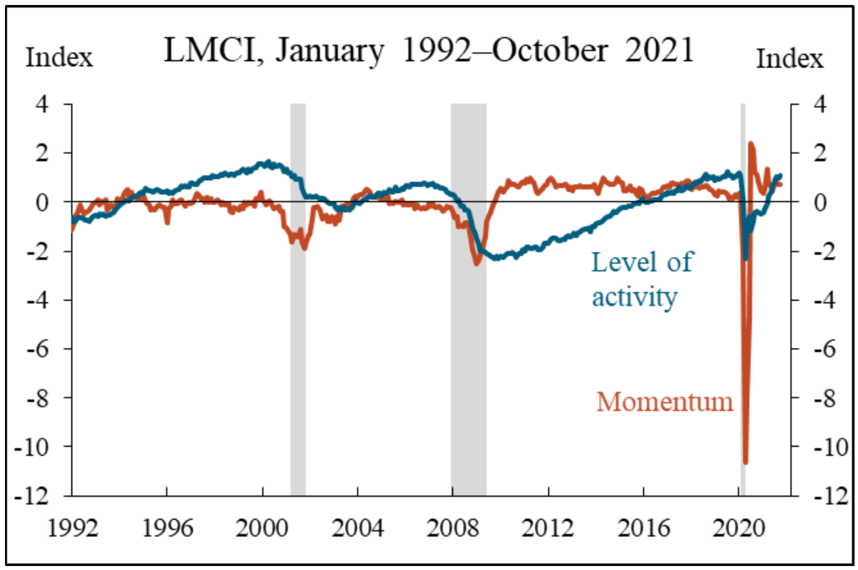
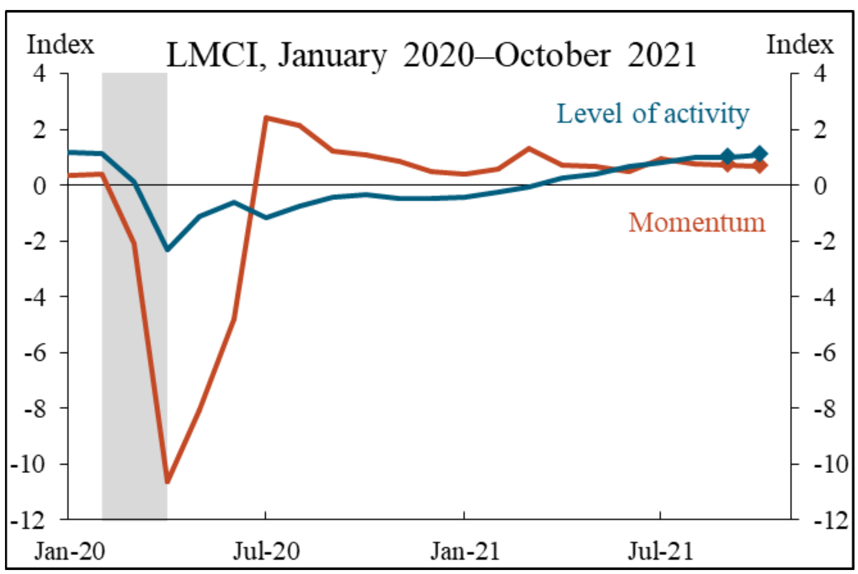
The KC Fed LMCI suggests the level of activity increased modestly in October, while momentum was little changed.

The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest the level of activity increased modestly in October, while momentum was little changed. The level of activity indicator increased by 0.09 in October from 1.01 to 1.10. Meanwhile, the momentum indicator was little changed in October at 0.72. Both indicators remained above their longer-run averages in October.



These readings likely do not fully describe the state of the labor market at the end of October, as many of the input data series reflect conditions early in the month. In particular, the series do not include the effects of the decline in COVID-19 cases or the expansion of COVID vaccine booster eligibility that occurred later in the month. For example, data from the Bureau of Labor Statistics' Household Survey are from the reference period of October 10 through October 16. Additionally, the most recent data from the Job Openings and Labor Turnover Survey (JOLTS) are for September. Therefore, labor market developments in the latter half of October, including the labor market response to recent COVID-19 developments, will likely show up in the November 2021 LMCI readings.



The level of activity indicator has increased by 0.84 since April. The table to the right shows the five labor market variables that made the largest contributions to this increase. Overall, 18 variables made a positive contribution to the change in the activity indicator over the last six months, and six variables made a negative contribution. The largest positive contributor to the level of activity was job losers as a percent of total unemployed. In October, job losers made up only 50.9 percent of the unemployed compared with 64.5 percent in April. This means that a greater percentage of unemployed people entered the labor force or left their jobs voluntarily rather than being fired. In fact, the second largest positive contributor to the level of activity was voluntary job leavers as a percent of total unemployed. The largest negative contributor to the level of activity was the Conference Board's expected job availability index. The index decreased by 10.2 over the last six months from 117.3 in April to 107.1 in October. Index values greater than 100 indicate that more people believe there will be more jobs six months from now than believe there will be fewer jobs. Although this series does show a moderation in worker expectations over the last six months, the index still suggests workers expect a tight labor market in the coming months.

Largest Contributions to the LMCI

Contributions to the increase in the *level of activity* indicator over the last six months	**Positive contributions to the *momentum* indicator in October 2021**
Job losers	Expected job availability (U of Michigan)
Job leavers	Announced job cuts (Challenger-Gray-Christmas)
Unemployed 27 or more weeks	Private nonfarm payroll employment
Job availability index (Conference Board)	Labor force participation rate
Unemployment rate (U3)	Unemployed 27 or more weeks

Note: Contributions are ordered from largest in absolute value to smallest.

The table also shows the five variables that made the largest positive contributions to the momentum indicator in October 2021. The momentum indicator was 0.72 in October. Overall, 18 variables made a positive contribution to momentum in October, and six variables made a negative contribution. The largest positive contributor was the University of Michigan's expected job availability index. The index came in at 11 in October. In the October survey, 37 percent of respondents believed that unemployment would decrease in the next year, while 36 percent expected it would stay the same, and 26 percent believed it would increase. The largest negative contributor to momentum was the three-month percent change in average hourly earnings for production and non-supervisory employees. Average hourly earnings rose by 1.6 percent from July to October, well above the series average of 0.8 percent. Typically, higher wage growth is negatively related with momentum because it is often associated with slower employment growth in subsequent months. However, to the extent higher wage growth brings people back to work following the pandemic, this historical relationship may break down. Thus, labor market momentum may in fact strengthen in the coming months.