News Release
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FOR IMMEDIATE RELEASE
December 9, 2021

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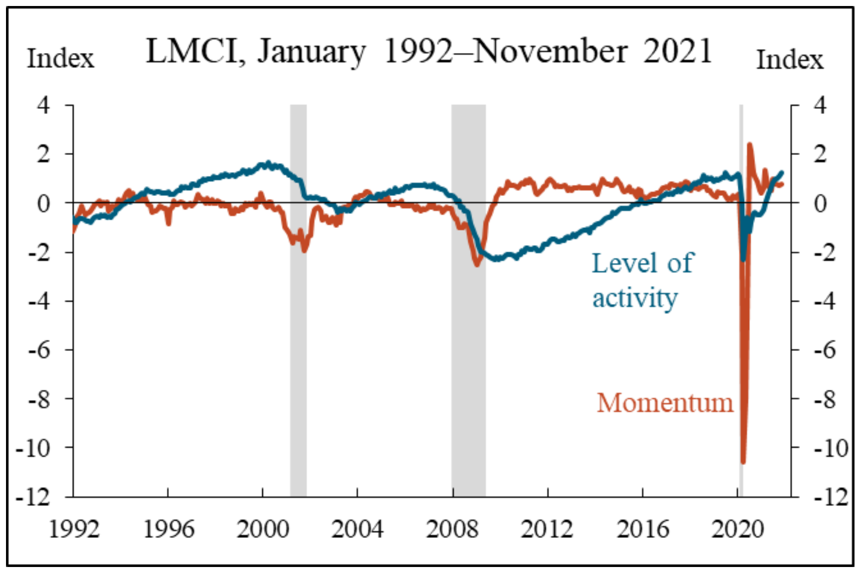
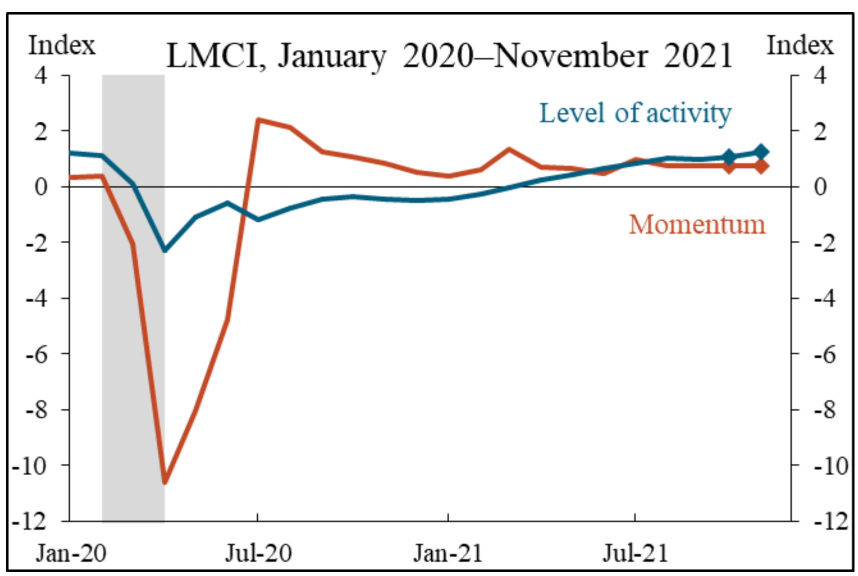
The KC Fed LMCI suggests the level of activity increased in November, while momentum was little changed.

The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest the level of activity increased in November, while momentum was little changed. The level of activity indicator increased by 0.17 in November from 1.06 to 1.24. Meanwhile, the momentum indicator was little changed in November at 0.75. Both indicators remained above their longer-run averages in November.





These readings likely do not fully describe the state of the labor market at the end of November, as many of the input data series reflect conditions early in the month. In particular, the series do not include COVID-19 developments that occurred later in the month. For example, data from the Bureau of Labor Statistics' Household Survey are from the reference period of November 7 through November 13. Additionally, the most recent data from the Job Openings and Labor Turnover Survey (JOLTS) are for October. Therefore, labor market developments in the latter half of November, including the labor market response to recent COVID-19 developments, will likely show up in the December 2021 LMCI readings.

The level of activity indicator has increased by 0.82 since May. The table to the right shows the five labor market variables that made the largest contributions to this increase. Overall, 16 variables made a positive contribution to the change in the activity indicator over the last six months, one variable made no contribution, and seven variables made a negative contribution. The largest positive contributor to the level of activity was job leavers as a percent of total unemployed. In November, job leavers made up 12.5 percent of the unemployed compared with 8.4 percent in May. This means that an increased percentage of unemployed people left their jobs voluntarily rather than being fired. In fact, the second largest positive contributor to the level of activity was the decrease in job losers (fired workers) 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 7.0 over the last six months from 110.2 in May to 103.2 in November. 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 November 2021**
Job leavers	Announced job cuts (Challenger-Gray-Christmas)
Job losers	Expected job availability (U of Michigan)
Job flows from U to E	Aggregate weekly hours
Quits rate	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 November 2021. The momentum indicator was 0.75 in November. Overall, 18 variables made a positive contribution to momentum in November, and six variables made a negative contribution. The largest positive contributor was announced job cuts (Challenger-Gray-Christmas). In November, the series reported nine job cuts per 100,000 members of the labor force, the lowest reading in over 30 years. 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 1.5 percent from August to November, 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.