News Release
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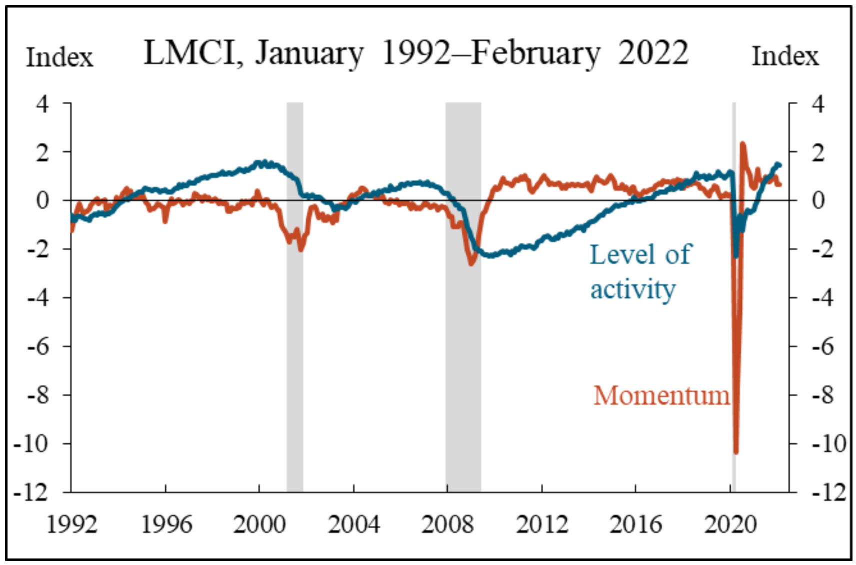
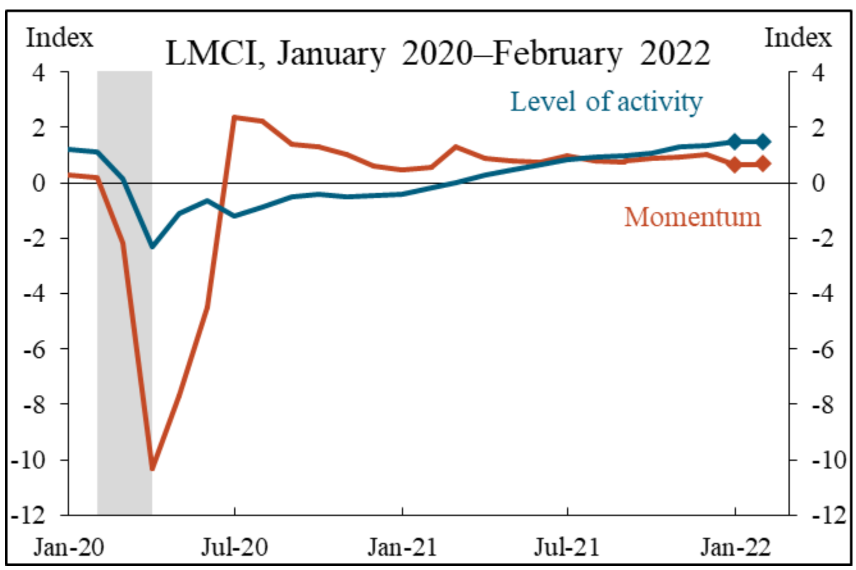
The KC Fed LMCI suggests the level of activity and momentum were little changed in February.

The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest the level of activity and momentum were little changed in February. The level of activity indicator remained at 1.48 in February while the momentum indicator came in at 0.67. Both indicators remained above their longer-run averages in February.





These readings likely do not fully describe the state of the labor market at the end of February, as many of the input data series reflect conditions early in the month. For example, data from the Bureau of Labor Statistics' Household Survey are from the reference period of February 6 through February 12. Additionally, the most recent data from the Job Openings and Labor Turnover Survey (JOLTS) are for January. Therefore, labor market developments in the latter half of February will likely show up in the March 2022 LMCI readings.

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 February 2022**
Job leavers	Announced job cuts (Challenger-Gray-Christmas)
Job flows from U to E	Private nonfarm payroll employment
Unemployed 27 or more weeks	Temporary help employment
Unemployment rate (U3)	Expected job availability (U of Michigan)
Job losers	Labor force participation rate

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

The level of activity indicator has increased by 0.54 since August 2021. The table to the right shows the five labor market variables that made the largest contributions to this increase. Overall, 15 variables made a positive contribution to the change in the activity indicator over the last six months, and nine variables made a negative contribution. The largest positive contributor to the level of activity was job leavers as a percent of total unemployed. In February, job leavers made up 15.1 percent of the unemployed compared with 10.1 percent in August 2021. This means that an increased percentage of unemployed people left their jobs voluntarily rather than being fired. The largest negative contributor to the level of activity was the percent of firms planning to increase employment (NFIB). In February, 19 percent of surveyed firms reported plans to increase employment, down from 32 percent in August 2021. However, the August reading was the highest ever recorded, and the February reading is still well-above the pre-pandemic average of 10 percent. Overall, both of these contributors indicate a tight labor market in which job opportunities are plentiful.

The table also shows the five variables that made the largest positive contributions to the momentum indicator in February 2022. The momentum indicator was 0.67 in February. Overall, 18 variables made a positive contribution to momentum in February, and six variables made a negative contribution. The largest positive contributor was announced job cuts (Challenger-Gray-Christmas). In February, firms announced 9 job cuts per 100,000 members of the labor force, well below the pre-pandemic average of 44 job cuts per 100,000 members of the labor force. 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 November 2021 to February 2022, well above the series average of 0.8 percent. Historically, higher wage growth is negatively related with the LMCI’s momentum indicator because higher wage growth is often associated with slower employment growth in subsequent months. However, this typical relationship between the momentum indicator and wage growth may not hold right now: labor supply has been constrained during the pandemic, and higher wage growth may bring back workers and increase employment. Thus, true momentum in the labor market may in fact be stronger than what the momentum indicator suggests.