News Release
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FOR IMMEDIATE RELEASE
September 9, 2021

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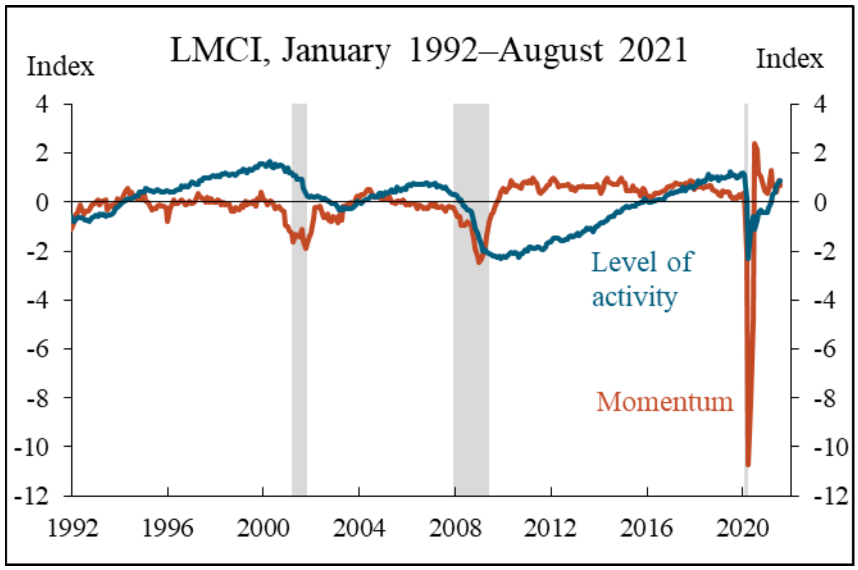
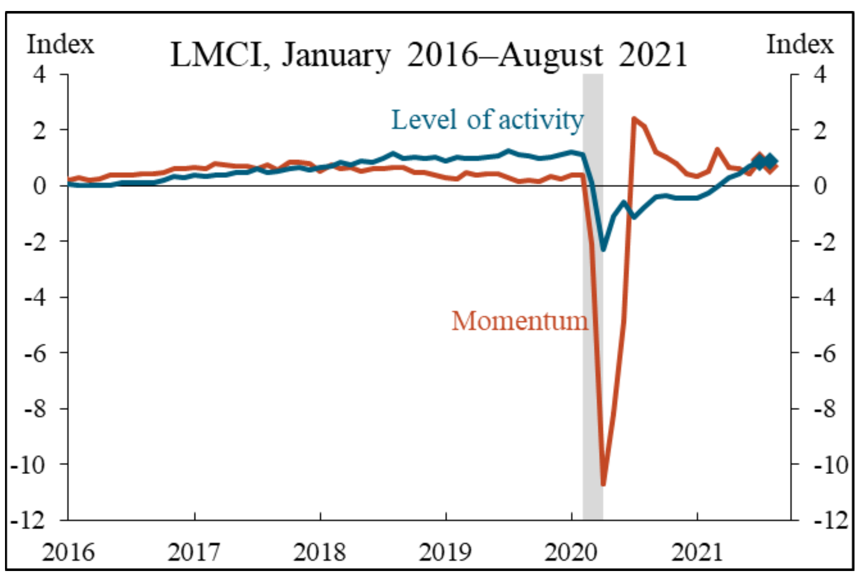
The KC Fed LMCI suggests the level of activity increased modestly in August while momentum decelerated.

The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest the level of activity increased modestly in August while momentum decelerated. The level of activity indicator increased by 0.05 in August from 0.83 to 0.88. This recent increase builds on a six-month period of strong growth, with the level of activity increasing 1.31 since its January reading of −0.43. Meanwhile, the momentum indicator decreased by 0.22 in August from 0.90 to 0.68. Both indicators remained above their longer-run averages in August.





These readings likely do not fully describe the state of the labor market at the end of August, as many of the input data series reflect conditions early in the month. In particular, the series do not include the effects of the increase in COVID-19 cases or the tightening of some states' COVID-19 restrictions that occurred later in the month. For example, data from the Bureau of Labor Statistics' Household Survey are from the reference period of August 8 through August 14. Additionally, the most recent data from the Job Openings and Labor Turnover Survey (JOLTS) are for July. Therefore, labor market developments in the latter half of August, including the labor market response to recent COVID-19 developments, will likely show up in the September 2021 LMCI readings.

The table to the right shows the five labor market variables that made the largest contributions to the increase in the activity indicator over the last six months. The activity indicator increased by 1.12 since February. Overall, 20 variables made a positive contribution to the change in the activity indicator over the last six months. Meanwhile, only four variables made a negative contribution—the same number as last month but still historically low. The largest positive contributor to the level of activity was the net percent of firms planning to increase employment (NFIB). The series increased by 14 percentage points over the last six months from 18 percent in February to 32 percent in August, the highest reading in the history of the series. The largest negative contributor to the level of activity was the Conference Board's expected job availability index. The index decreased by 4.7 over the last six months from 109.1 in February to 104.4 in August, the lowest reading since November 2020. 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.

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 August 2021**
Percent of firms planning to increase employment (NFIB)	Announced job cuts (Challenger-Gray-Christmas)
Job availability index (Conference Board)	Expected job availability (U of Michigan)
Job losers	Unemployed 27 or more weeks
Job leavers	Private nonfarm payroll employment
Quits rate	Percent of firms planning to increase employment (NFIB)

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 August 2021. The momentum indicator was 0.68 in August. Overall, 15 variables made a positive contribution to momentum in August, and nine variables made a negative contribution. The largest positive contributor was announced job cuts (Challenger-Gray-Christmas). In August, the series reported 10 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 May to August, well above the series average of 0.8 percent. Higher wage growth is negatively associated with momentum because it is often associated with slower employment growth in subsequent months. Although average hourly earnings increased from May to August in almost all major industries, wage growth was particularly strong in the leisure and hospitality sector, with wages rising 4.8 percent over the last three months and 12.8 percent over the last 12 months. To the extent that the recent rise in average hourly earnings reflects one-time signing bonuses, this negative contribution may be transitory, and labor market momentum may thereby strengthen in the coming months.