News Release

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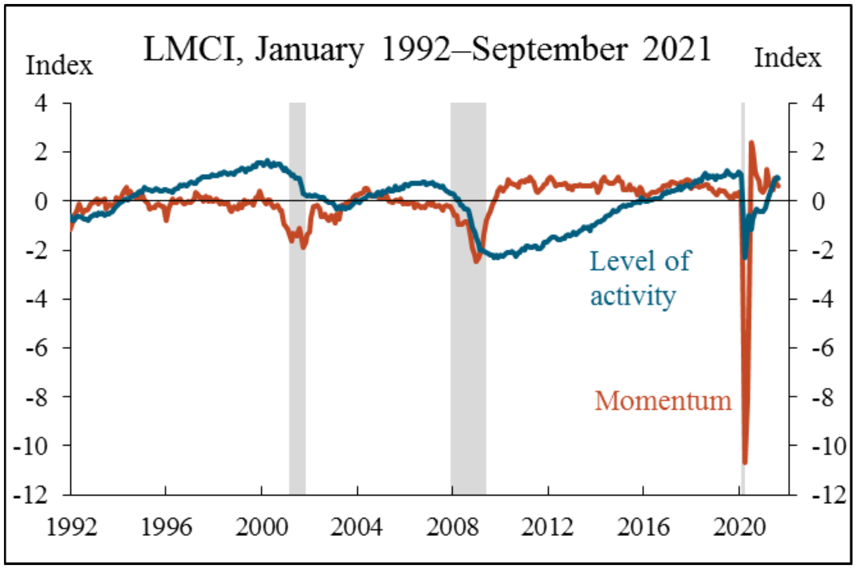
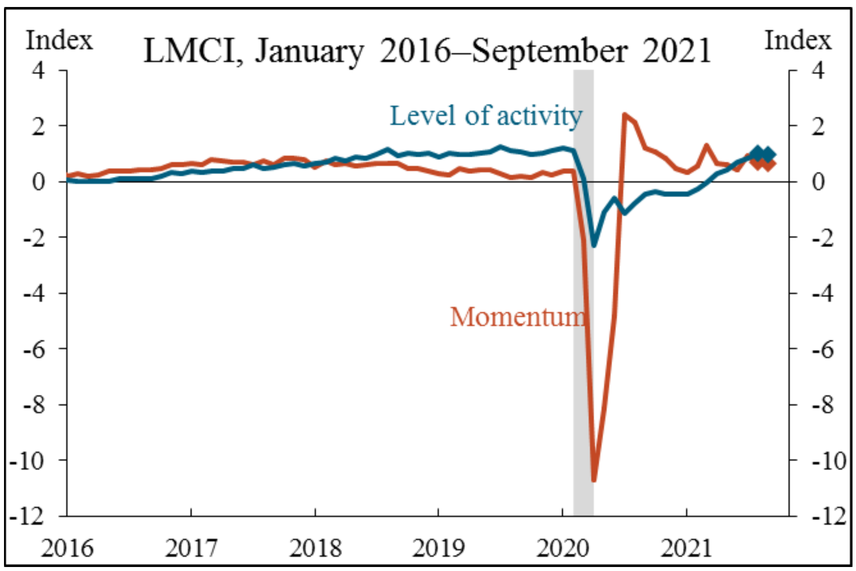
The KC Fed LMCI suggests the level of activity declined slightly in September, while momentum was little changed.

The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest the level of activity declined slightly in September, while momentum was little changed. The level of activity indicator decreased by 0.06 in September from 1.00 to 0.94. This is the first decline in the level of activity indicator since December 2020. Meanwhile, the momentum indicator was little changed in September at 0.62. Both indicators remained above their longer-run averages in September.





These readings likely do not fully describe the state of the labor market at the end of September, 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 that occurred later in the month. For example, data from the Bureau of Labor Statistics' Household Survey are from the reference period of September 12 through September 18. Additionally, the most recent data from the Job Openings and Labor Turnover Survey (JOLTS) are for August. Therefore, labor market developments in the latter half of September, including the labor market response to recent COVID-19 developments, will likely show up in the October 2021 LMCI readings.

Even factoring in this month's decline, the level of activity indicator has increased by 0.98 since March. The table to the right shows the five labor market variables that made the largest contributions to this increase. 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 Conference Board's job availability index. The index increased by 32.3 over the last six months from 110.2 in March to 142.5 in September. Index values greater than 100 indicate that more people believe jobs are plentiful than believe they are hard to get. The largest negative contributor to the level of activity was the Conference Board's expected job availability index. The index decreased by 19.4 over the last six months from 120.6 in March to 101.2 in September, the lowest reading since March 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. These two series show that workers have remained optimistic about the labor market over the past six months, but their expectations about the short-term outlook have moderated recently.

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 September 2021**
Job availability index (Conference Board)	Expected job availability (U of Michigan)
Job losers	Announced job cuts (Challenger-Gray-Christmas)
Quits rate	Aggregate weekly hours
Average hourly earnings	Unemployed 27 or more weeks
Job leavers	Private nonfarm payroll employment

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 September 2021. The momentum indicator was 0.62 in September. Overall, 16 variables made a positive contribution to momentum in September, and eight variables made a negative contribution. The largest positive contributor was the University of Michigan's expected job availability index. The index came in at 22 in September. In the September survey, 43 percent of respondents believed that unemployment would decrease in the next year, while 35 percent expected it would stay the same, and 21 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 1.7 percent from June to September, 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. Wage growth was more broad-based in September than in other recent months, moderating in the leisure and hospitality sector while increasing in a number of other major industries. To the extent 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.