News Release
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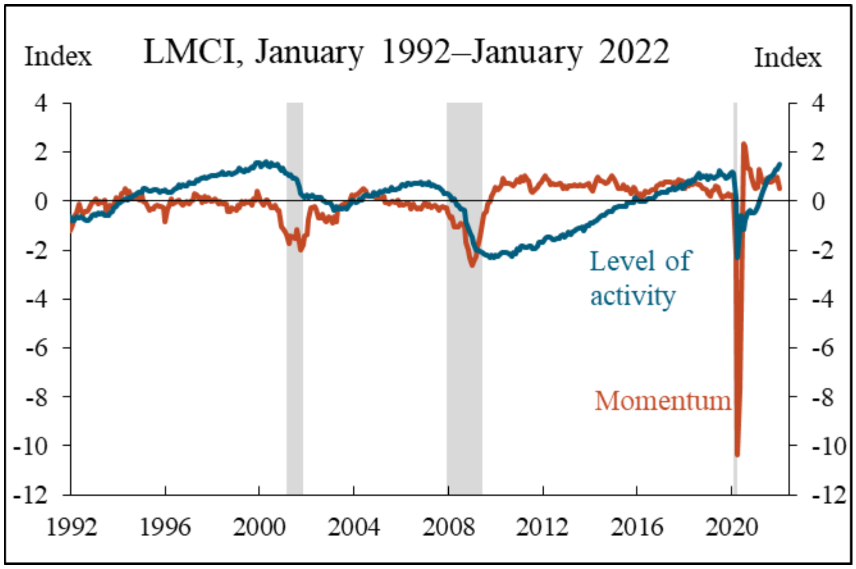

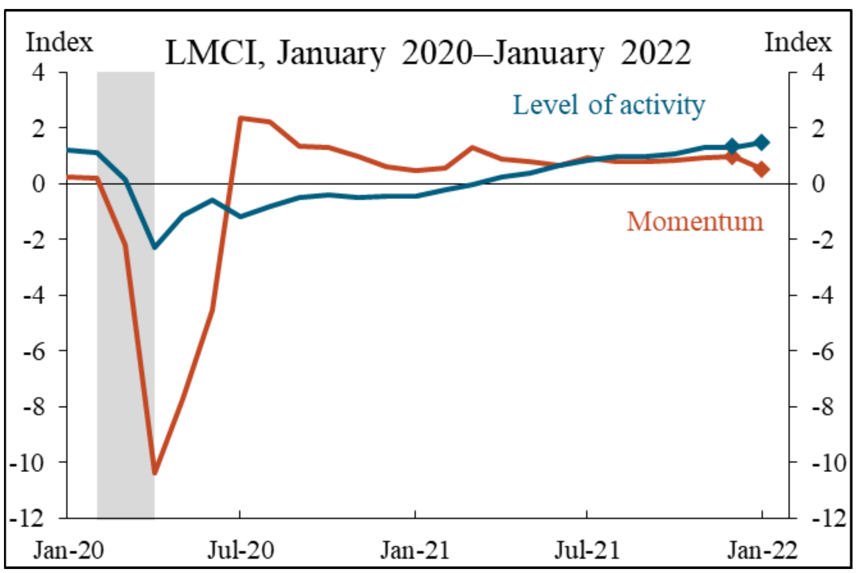

The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest the level of activity increased in January, while momentum decelerated. The level of activity indicator increased by 0.17 in January from 1.31 to 1.48. Meanwhile, the momentum indicator decreased by 0.45 in January from 0.97 to 0.52. Both indicators remained above their longer-run averages in January.

These readings likely do not fully describe the state of the labor market at the end of January, 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 new 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 January 9 through January 15. Additionally, the most recent data from the Job Openings and Labor Turnover Survey (JOLTS) are for December 2021. Therefore, labor market developments in the latter half of January, including the labor market response to recent COVID-19 developments, will likely show up in the February 2022 LMCI readings.

The level of activity indicator has increased by 0.64 since July 2021. The table to the right shows the five labor market variables that made the largest contributions to this increase. Overall, 17 variables made a positive contribution to the change in the activity indicator over the last six months, 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 January, job leavers made up 14.5 percent of the unemployed compared with 10.8 percent in July 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 JOLTS hires rate. January data for this series are not yet available, but 4.6 percent of the employed were hired in December 2021, down from 5.0 percent in July 2021. Although the hires rate has decreased slightly over the last six months, it is still well above the pre-pandemic average of 4.0 percent. Overall, both of these contributors indicate a tight labor market, where job opportunities are plentiful.

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

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 January 2022. The momentum indicator was 0.52 in January. Overall, 17 variables made a positive contribution to momentum in January, and seven variables made a negative contribution. The largest positive contributor was announced job cuts (Challenger-Gray-Christmas). In January, the series reported 12 job cuts per 100,000 members of the labor force. The pre-pandemic average was 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 1.9 percent from October 2021 to January 2022, 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, during the pandemic higher wage growth has likely been a consequence of constrained labor supply. The typical relationship between wage growth and future employment growth may not hold, as higher wage growth may ease these supply constraints and increase employment. Thus, labor market momentum may not weaken in the coming months.