News Release

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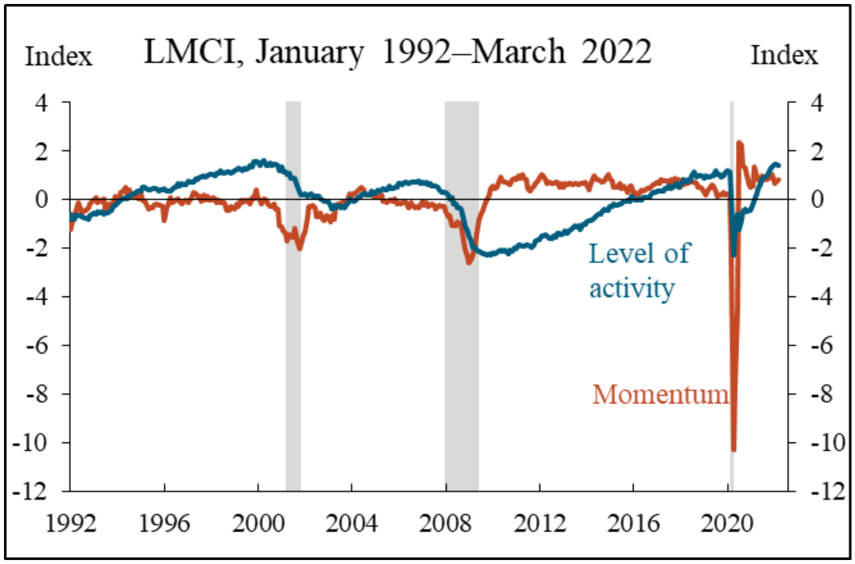
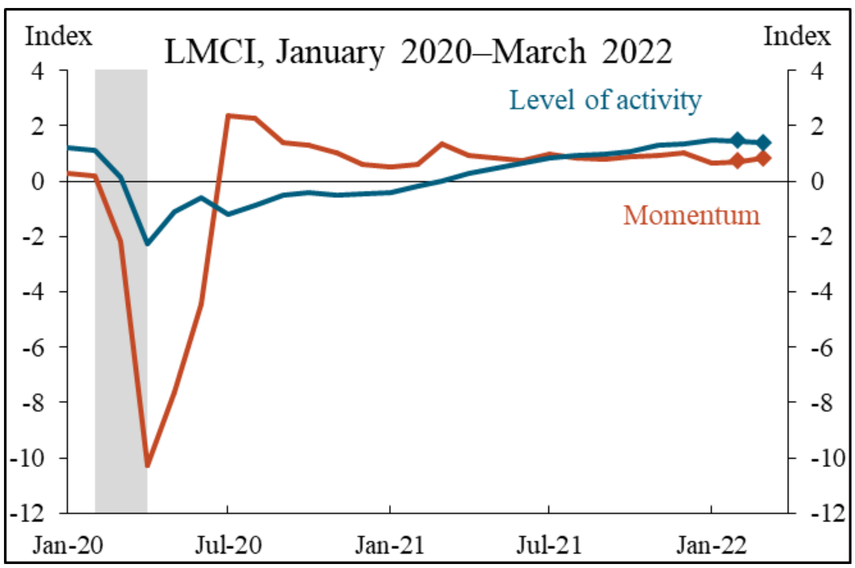
The KC Fed LMCI suggests the level of activity declined slightly from historically high levels and momentum accelerated moderately in March.

The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest the level of activity declined slightly and momentum accelerated moderately in March. The level of activity indicator decreased by 0.07 in March from 1.46 to 1.39, but remained at a historically high level. Meanwhile, the momentum indicator increased by 0.12 in March from 0.70 to 0.82. Both indicators remained above their longer-run averages in March.





These readings likely do not fully describe the state of the labor market at the end of March, 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 March 6 through March 12. Additionally, the most recent data from the Job Openings and Labor Turnover Survey (JOLTS) are for February. Therefore, labor market developments in the latter half of March will likely show up in the April 2022 LMCI readings.

The level of activity indicator has increased by 0.43 since September 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 flows from unemployment to employment as a percentage of total unemployed, also known as the job finding rate. In March, 30 percent of workers who were unemployed in the previous month became employed compared with 24 percent in September 2021. The largest negative contributor to the level of activity was the percentage of firms planning to increase employment (NFIB). In March, 20 percent of surveyed firms reported plans to increase employment, down from 26 percent in September 2021. However, 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 finding 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 March 2022**
Job flows from U to E	Manufacturing employment index (ISM)
Job leavers	Announced job cuts (Challenger-Gray-Christmas)
Unemployed 27 or more weeks	Expected job availability (U of Michigan)
Job losers	Private nonfarm payroll employment
Unemployment rate (U3)	Aggregate weekly hours

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 March 2022. The momentum indicator was 0.82 in March. Overall, 18 variables made a positive contribution to momentum in March, and six variables made a negative contribution. The largest positive contributor was ISM's manufacturing employment index. In March, the index came in at 56.3 compared with 50.9 in September. Readings above 50 signal expansion in employment while readings below 50 signal contraction. The largest negative contributor to momentum was the three-month percent change in average hourly earnings for production and nonsupervisory employees. Average hourly earnings rose by 1.2 percent from December 2021 to March 2022, well above the series average of 0.8 percent. Historically, higher wage growth is negatively correlated with the LMCI's momentum indicator because higher wage growth is often associated with slower employment growth in subsequent months. However, the typical relationship between the momentum indicator and wage growth may not hold during this labor market recovery: 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.