



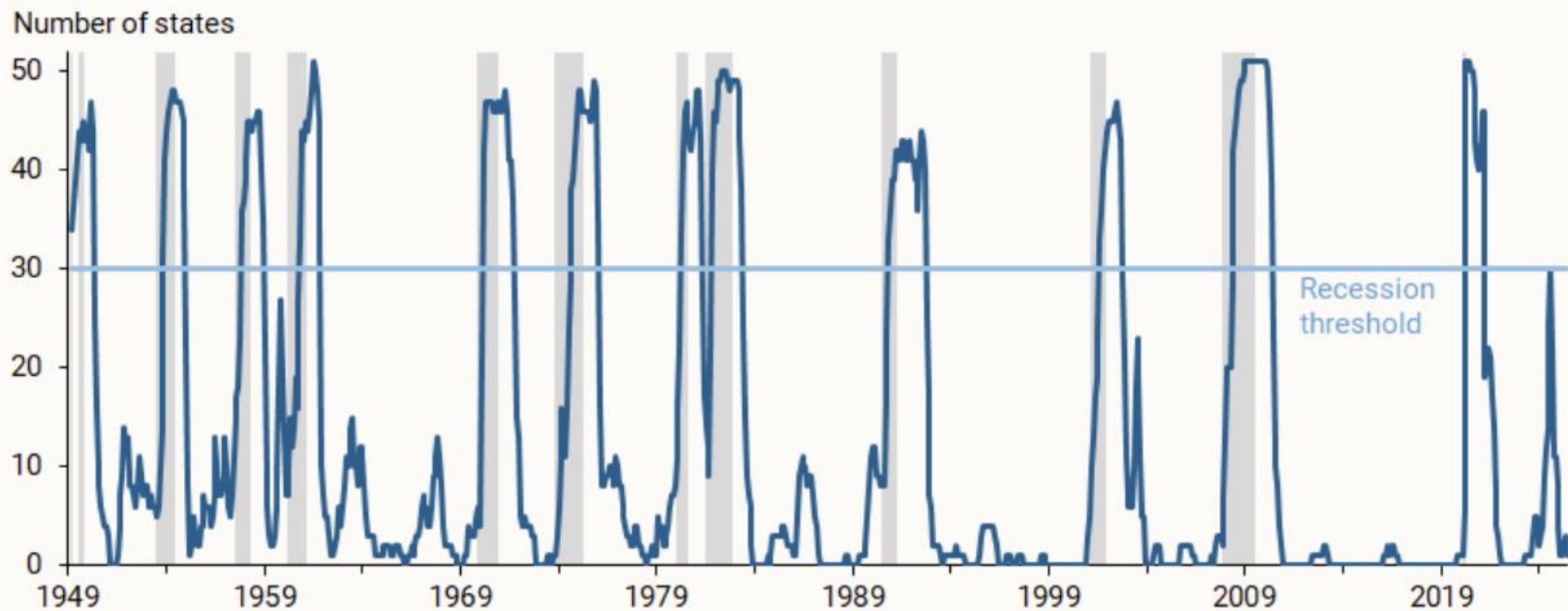
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Tracking Labor Market Stress

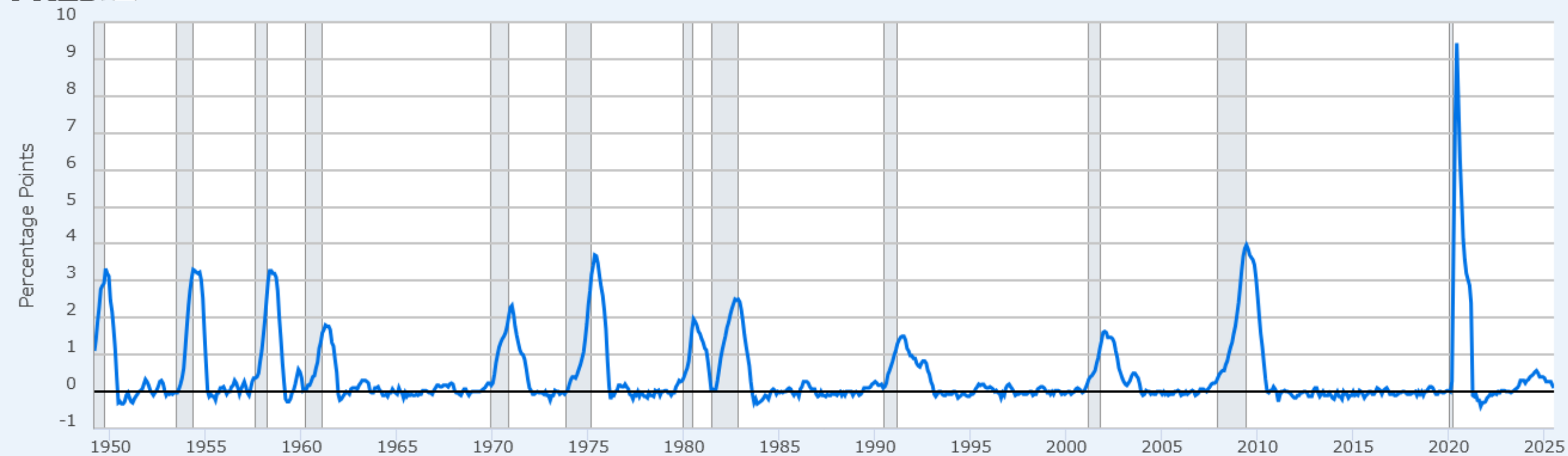
AUTHORS

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Labor Market Stress Indicator (LMSI) based on state-level unemployment claims



FRED — Sahm Rule Recession Indicator



Source: Sahm, Claudia via FRED®
Shaded areas indicate U.S. recessions.

fred.stlouisfed.org

Geography matters

National averages of economic indicators hide important regional diversity. For example, while the unemployment rate has risen 2 percentage points in Colorado since mid-2022, unemployment has barely budged in Hawaii. Experience shows that recessions become self-reinforcing when job losses spread broadly across states and sectors (Hamilton and Owyang 2012). If economic weakness remains isolated, healthy regions can offset those that are struggling through tourist inflows, interstate supply chains, and federal transfers, thus preventing a nationwide contraction.

Labor Market Stress Indicator (LMSI) based on state-level unemployment claims

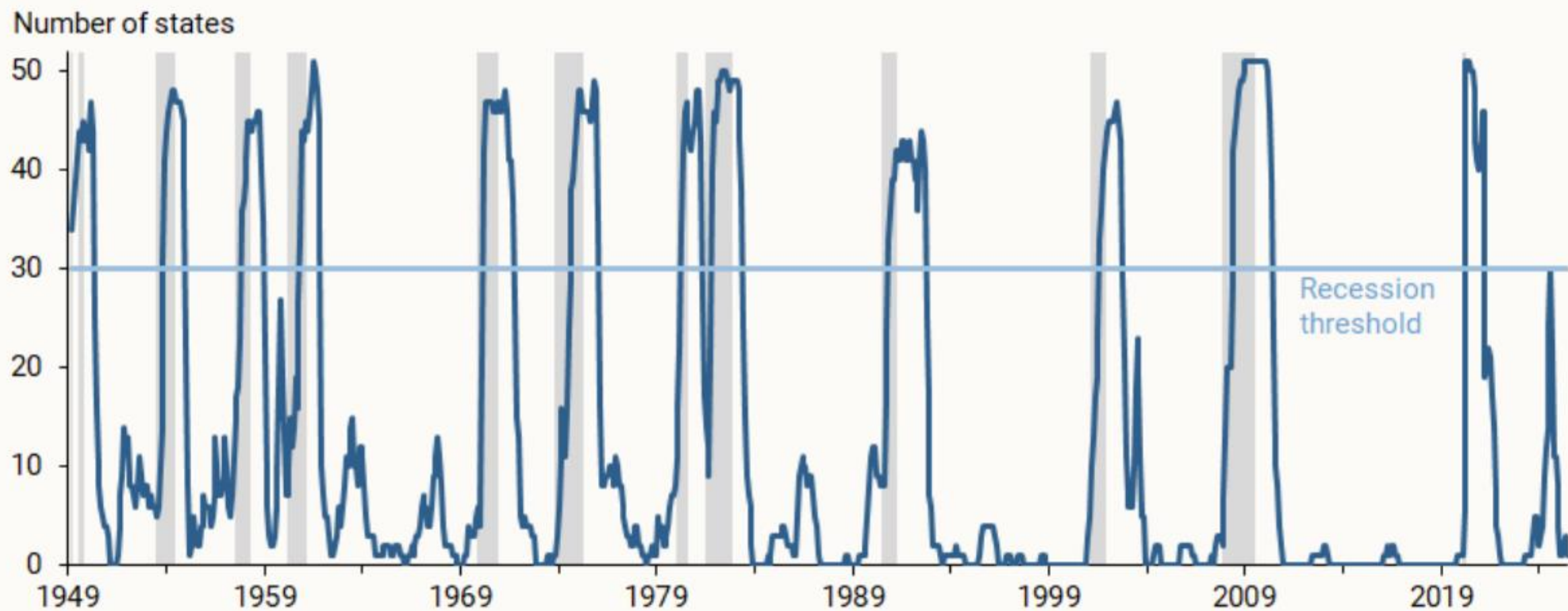


Figure 2

Share of the total labor force in states with accelerating unemployment

