Labor Market Conditions Indicators

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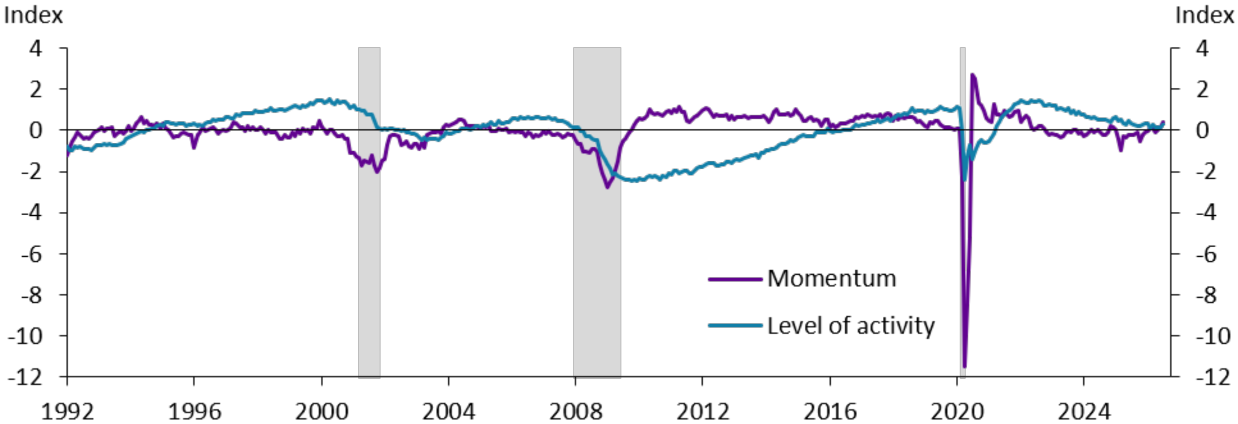
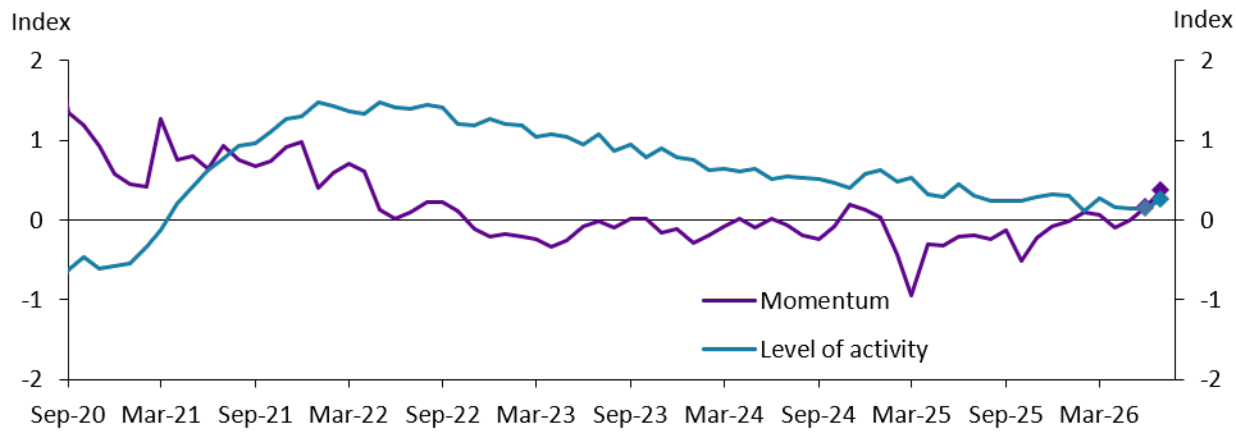
The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest the level of activity increased and momentum accelerated in July. The level of activity indicator increased by 0.11, from 0.14 to 0.25, and remains above its historical average. The momentum indicator increased by 0.21, from 0.16 to 0.37.

LMCI January 1992–July 2026



LMCI September 2020–July 2026



Note: Current Population Survey (CPS) data used as inputs for the October 2025 LMCI were imputed as the average of the September and November values.

The first column of the table below shows the labor market variables that made the largest contributions to the 0.11 increase in the activity indicator this month. Overall, 10 variables made a positive contribution to the change in the activity indicator, four variables made no contribution, and 10 variables made a negative contribution. The largest positive contributor to the change in the level of activity was the percentage of firms planning to increase employment (NFIB). In July, a net 20 percent of firms planned to increase employment in the next three months, up from 11 percent in June. The largest negative contributor to the change in the level of activity was the three-month percent change in average hourly earnings for production and nonsupervisory employees. From April to July, average hourly earnings increased by 0.53 percent, down from a 0.75 percent increase from March to June.

Largest Contributions to the LMCI

Largest positive contributions to the change in the *level of activity* indicator in July 2026	**Largest positive contributions to the change in the *momentum* indicator in July 2026**
Percent of firms planning to increase employment (NFIB)	Manufacturing employment index (ISM)
Percent of firms with positions not able to fill right now (NFIB)	Average hourly earnings
Largest negative contributions to the change in the *level of activity* indicator in July 2026	**Largest negative contributions to the change in the *momentum* indicator in July 2026**
Average hourly earnings	Aggregate weekly hours
Job flows from U to E	Unemployed 27 or more weeks

Note: Contributions are ordered from largest in absolute value to smallest.

The second column of the table shows the variables that made the largest contributions to the 0.21 increase in the momentum indicator this month. Overall, 14 variables made a positive contribution to the change in the momentum indicator, four variables made no contribution, and six variables made a negative contribution. The largest positive contributor to the change in momentum was the ISM manufacturing employment index. The index rose to 52.8 in July, up from 49.7 in June and entering expansionary territory for the first time in almost three years (readings above 50 indicate economic expansion). The largest negative contributor to the change in momentum was the three-month percent change in aggregate weekly hours for production and nonsupervisory employees. From April to July, aggregate weekly hours decreased by 0.08 percent, down from a 0.16 percent increase from March to June.